Income of the Elderly, 2000

- The average income of an elderly individual (age 65 or older) in the United States in 2000 was $20,851, up from $12,239 in 1974, based on Employee Benefit Research Institute (EBRI) tabulations of data from the March 2001 Current Population Survey (CPS). Average income consists of the following sources: Social Security, pensions and annuities, assets, earnings, and “other” (see Figure 1).

- The percentage of the elderly's income derived from Social Security declined from 42.0 percent in 1974 to 38.6 percent in 1989. It increased to 44.4 percent in 1994 and declined to 41.3 percent in 2000. In 2000, the average income received by the elderly from Social Security was $8,617.

- Income from pensions and annuities accounted for a steadily increasing share of the elderly's income from 1974 to 1996. In 1974, these sources accounted for 14.0 percent of the elderly's income; by 1996, that percentage had increased to 19.6 percent. Since 1996, the percentage of the elderly’s income coming from pensions and annuities has declined, to 19.1 in 2000. The average amount an elderly person received in income from pensions and annuities was $3,981 in 2000.

- Income from assets increased between 1974, when it accounted for 18.2 percent of the elderly's income, and 1984, when it accounted for 28.2 percent. It declined to 17.6 percent in 1994 and increased to 19.8 percent in 1999. Between 1999 and 2000, income from assets declined two percentage points from 19.8 percent to 17.8 percent. In 2000, the average amount an elderly person received in income from assets was $3,719. Assets here are defined as stocks and bonds not held in a retirement account, income from rents, royalties, and trusts.

- Income from earnings declined as a percentage of the elderly's income from 21.3 percent in 1974 to 14.9 percent to 1994. By 2000, income from earnings had increased to 19.7 percent of the elderly’s income. In 2000, the average amount an elderly person received in income from earnings was $4,113.

- In 2000, income from other sources totaled $421, or about 2 percent of the elderly’s total average income. This includes public assistance, Supplemental Security Income, unemployment compensation, workers’ compensation, veterans’ benefits, nonpension survivors’ benefits, nonpension disability benefits, educational assistance, child support, alimony, regular financial assistance from friends or relatives not living in the individual’s household, and other sources of income.
• The lower an individual’s total income, the greater the percentage of it that comes from Social Security. In 2000, Social Security accounted for 89.3 percent of the total income of elderly individuals in the lowest income quintile, compared with 22.6 percent for those in the highest income quintile.

• The income quintiles are derived by assigning all of the individuals age 65 and older to one of five groups based on income so that there is an equal number of individuals in each group. The income ranges of the quintiles vary year to year. In 2000, the lowest income quintile consisted of individuals with a 2000 income of $6,840 or less. The highest income quintile consisted of individuals with a 2000 income of $27,541 or higher.

• There was a significant difference between the average income of elderly men ($28,597) and that of elderly women ($15,197) in 2000.

• Elderly women derived a greater share of their income from Social Security and assets than men in 2000. Social Security accounted for 49.8 percent of elderly women's income, compared with 35.0 percent of elderly men’s income. Income from assets accounted for 20.7 percent of elderly women's income, compared with 15.6 percent of elderly men’s.

• Elderly men derived a larger share of their income from employment-based sources, including pensions and annuities and earnings, than elderly women. In 2000, pensions and annuities accounted for 21.1 percent of elderly men's income, compared with 16.0 percent of elderly women’s. Income from earnings accounted for 25.8 percent of elderly men's income, compared with 12.0 percent of elderly women’s.

• These data are from the March supplements to the CPS. Some research has shown that the March CPS underestimates the percentage of the elderly's income that comes from employment-based pension plans.¹

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¹ Of all datasets reporting income of the older population, the March CPS allows the most detailed breakouts of individual incomes, allowing differences correlated with individual demographic characteristics such as age, gender, marital status, and education to be identified. However, there is some controversy surrounding the validity of the March CPS data in relation to its information about pension income and total income of the older population. For example, the 2000 National Income and Product Accounts (NIPA) survey reports over $214 billion more income from private pensions than the March CPS. Part of this disparity arises from NIPA’s accounting of lump-sum distributions paid to younger workers as pension income. In addition, because some pension plans are administered by third parties or are paid out in lump-sum distributions and managed by another party or the retiree himself or herself (e.g., in the form of an IRA), pension income may be misreported by respondents as coming from other sources (e.g., assets, personal savings). Nevertheless, just because March CPS data may understate pension income, it does not necessarily follow that it underestimates total income of the elderly, especially if pension income is simply misreported as originating from other sources in the March CPS. However, given that NIPA reports $120.8 billion more income from OASDI than the March CPS, this suggests that the March CPS does not only underestimate pension income but may also underestimate total income received by the older population. To what extent income is underestimated by the March CPS is unknown because of the limitations in directly comparing the income of individuals using CPS to that of other datasets.