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New Research from EBRI:

Home Costs No. 1, Health No. 2 for Older Americans

WASHINGTON—Although health expenses increase steadily with age, and remain a cause of concern, home and home-related expenses are the largest spending category for older Americans, according to a new report by the nonpartisan Employee Benefit Research Institute (EBRI).

The EBRI analysis, which tracks data through 2011 (the latest available), confirms that the cost of maintaining a home is typically the biggest expense for older people. Although the dollar amount spent on home and home-related expenses decrease with age the share of these costs in household budgets remain stable at between 40–45 percent, depending on age group.

The EBRI report also found that average household spending dropped between 2005 and 2011 in every age group, and relatively younger households cut back spending more than older households during that period. “Whether this was a short-run drop in response to the 2008 market crash or part of a long-run trend remains to be seen,” said Sudipto Banerjee, EBRI research associate, and author of the report.

The two components of household expenditures which show a declining pattern across age groups are transportation expenses and entertainment expenses—as expected, since people tend to commute and eat out less often as they age. By comparison, food and clothing expenses (as a share of total expenditure) remain more or less flat across the different age groups.

The EBRI analysis found that health expenses increase steadily with age. In 2011, households with at least one member between ages 50–64 spent 8 percent of their total budget on health items, compared with 19 percent for those age 85 or over. Health-related expenses occupy the second-largest share of total expenditure for those over age 75.

EBRI found a large increase in spending at the 95th percentile for those age 90 or older, which can be attributed to very high health care expenses.

“For some, health care expenses can be heavily skewed towards the end of life,” Banerjee said. For example, he said, in 2011, the median (mid-point, half above and half below) health care expenditure for households with at least one member 85 and above was \$2,814, while the average was much higher at \$6,603.

The full report, “Does Household Expenditure Change With Age for Older Americans?” is published in the September *EBRI Notes*, online at www.ebri.org The analysis examines the

expenditure pattern of the older segment of the U.S. population, a majority of the households having either reached retirement age or on the cusp of retirement. The data come from the Health and Retirement Study (HRS) and the Consumption and Activities Mail Survey (CAMS), which is a supplement of the HRS.

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