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New Research from EBRI:

Older Households Spend More in the West and Northeast, Much Less in the South

WASHINGTON—Most discussion about retirement preparation revolves around national averages, but a lot could actually depend on where you live in retirement, according to new research by the nonpartisan Employee Benefit Research Institute (EBRI).

The new EBRI study shows large variations in spending by older households across the country. While there are significant differences in spending levels across different large U.S. Census regions (such as the Northeast vs. the South), there are much larger differences among the smaller Census divisions (such as parts of a region, such as the New England vs. South Atlantic).

“National benchmarks are important and helpful, particularly in shaping national policies,” said Sudipto Banerjee, research associate at EBRI and author of the report. “But individual retirees might find regional or local benchmarks that more closely reflect their personal situation to be more useful.”

Specifically, looking at variation by total household spending:

- Among 65-to-74-year-olds living in different census regions, Northeastern households had the highest median (mid-point) annual spending (\$41,860), compared with the lowest by Southern households (\$32,836).
- Among the different census divisions, New England households (CT, RI, MA, VT, NH, and ME) between ages 65 to 74 spent the most (median annual spending of \$46,019), while households in that age group in the West South Central division (TX, OK, AR, and LA) spent the least (\$28,540).

Since housing and housing-related expenses form a large part of total household expenses, geographic differences in housing and housing-related expenses are consistent with total spending differences. For example, New England households between ages 50 to 64 spent almost 2.5 times more (annual median of \$30,240) on housing and housing-related expenses than those in the southern states of TX, OK, AR, and LA (annual median of \$11,948).

Regarding health care spending, the analysis notes that geographic differences do *not* follow the pattern of total spending or housing-related spending. For example, Midwestern states have much higher health care expenses than other regions for those ages 75 and above and non-institutionalized. Among those 85 and above, the median annual spending among Midwesterners was \$3,480, which was 41.5 percent higher than the median (\$2,460) in the next-highest spending region (the West).

Nationally, average household spending declined with age. In 2015, average total annual spending for households between ages 50 and 64 was \$53,087, which declined to \$34,982 for those ages 85 and above. Median spending levels for the same age groups were \$42,235 and \$26,497, respectively. Housing and housing-related expenses remained the largest spending category for all age groups above 50, varying between 44 percent and 48 percent of total household spending for different age groups.

The full report, “Geographic Variation in Spending Among Older American Households,” is published in the Feb. 21, 2017 *EBRI Issue Brief*, online at www.ebri.org

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