How Do Older Americans Spend Their Assets?

Using the Health and Retirement Study (HRS) and the Consumption and Activities Mail Survey (CAMS), we examine the spending behavior of retirees and near-retirees.

Evidence from retiree spending patterns challenges the assumption that people can expect to spend a constant level—e.g., 75 percent of preretirement income—every year in retirement.

In general, spending declined during retirement. Also, the composition of spending changed over time: While housing remained the largest spending category for every age group, older households allocated a smaller share of their budgets to transportation and vacations/entertainment and a larger share of their budgets to health care costs. However, the average annual share of health costs for the 65-74 and 75-or-older age groups declined after 2007, the year after Medicare Part D went into effect.

The breakdown of the out-of-pocket health costs for those ages 75 or older indicates that most of the drop in total health costs for this age group is attributed to health insurance and drugs, while other components remained unchanged for the most part.

1. Health and Retirement Study, public use dataset. Produced and distributed by the University of Michigan with funding from the National Institute on Aging (grant number NIA U01AG009740). Ann Arbor, MI (2014, 2015).
2. Percentages may not add to 100 due to rounding.
3. Entertainment: Sum of trips and vacations, tickets to movies and sporting or performing arts events; hobbies and leisure equipment (photography, reading, camping, etc.); dining out in restaurants, cafes, and diners; and take-out food.

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