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New Research from EBRI:

**Housing Top Expense for Older Americans,
but Health Costs Are Second, and Growing**

WASHINGTON—A detailed look confirms that older Americans (50 or above) spend less in retirement, and that home-related expenses remain the top spending category.

But health costs are the second-biggest expense for older Americans, and data show that demographic sub-groups such as singles, blacks, and high school dropouts are outspending their resources in retirement, according to a new report by the nonpartisan Employee Benefit Research Institute (EBRI).

“Home and home-related expenses remain the single largest spending category for older Americans, followed by health care expenses,” said Sudipto Banerjee, research associate with EBRI and author of the new report. “However, health care spending is the only component which steadily increases with age: It captures around 10 percent of the budget for those between 50–64, but increases to about 20 percent for those age 85 and over.”

The EBRI report notes that before retirement, people pay FICA (Social Security) taxes, incur work-related expenses, and set aside money for retirement. But after retirement, most people have different financial obligations, and, as a result, retirees may be able to maintain their level of preretirement well-being with very different income levels.

The full article, “Expenditure Patterns of Older Americans, 2001–2009,” appears in the February 2012 *EBRI Issue Brief*, online at www.ebri.org. It documents the income and expenditure patterns of Americans who are retired or close to retirement, using data from the Health and Retirement Study (HRS) and its supplement Consumption and Activities Mail Survey (CAMS). Both surveys are conducted by the Institute for Social Research at the University of Michigan.

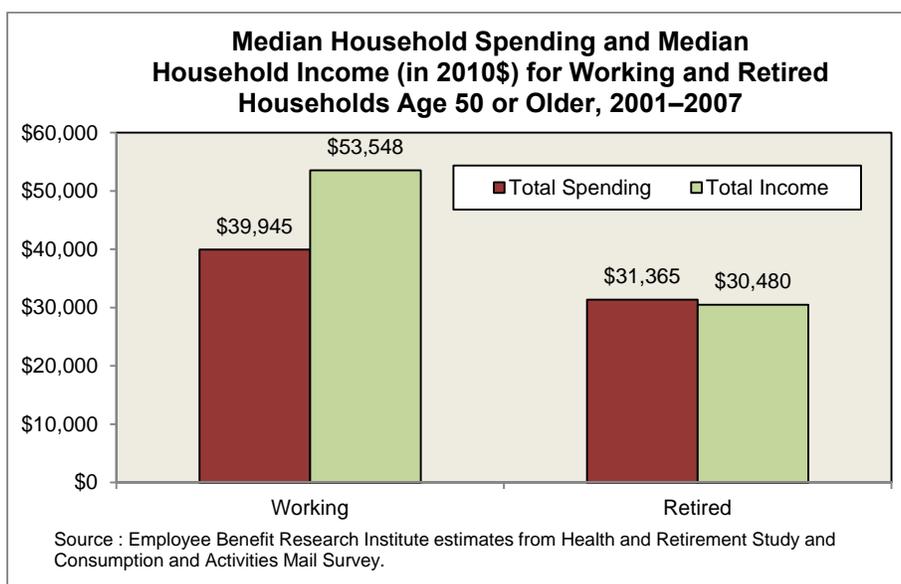
The EBRI analysis examines income, expenditures, and wealth-holding patterns to provide a more complete idea of how people are doing in terms of being able to afford retirement, compared with arbitrary estimates such as income replacement ratios.

Among the report’s other major findings:

- On average, retired households spend about 80 percent of what working households spend, and their earnings are about 57 percent that of working households.
- Household consumption steadily declines with age.

- Declining health limits activities and consumption of different goods, which strongly affect the decline in total expenditure.
- Home and home-related expenses remain the largest spending category for older households, followed by health care expenses. Health care expenditure is the only spending category that steadily increases with age.
- Demographic sub-groups such as singles, blacks, and high school dropouts are outspending their resources in retirement. Not surprisingly, the lowest-income quartile, which is generally overwhelmingly represented by these groups, appears to be struggling the most financially.
- Having long-term care insurance has a significant effect on higher spending by retired households.

The Employee Benefit Research Institute is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions.



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