

Sources of Income for Older Americans, 2012

Ke Bin Wu

AARP Public Policy Institute

- ✓ **Social Security remains the mainstay of retirement income for most older Americans, while only about one in three receive regular payments from pensions and retirement savings.**
- ✓ **Social Security accounts for about four out of every five dollars of income for older people with low to moderate incomes.**
- ✓ **Earnings as a source of older people's income have risen steadily over the past two decades, while income from assets has fallen.**
- ✓ **Older minorities are less likely to have income from Social Security, pensions and retirement savings, interest, and dividends.**

This Fact Sheet documents the key income sources of people aged 65 and older in 2012, focusing on the income of the individual instead of the household or family.¹

In 2012, people aged 65 and older had an average (mean) income of \$31,742, but half (median) had income less than \$19,604. Social Security benefits are the primary income source for older Americans, but the importance of earnings has increased dramatically over time because more and more people are working longer.

Social Security

About 36 million older individuals (84.0 percent) received Social Security income in 2012 (table 1). The average amount received by these beneficiaries was \$14,229 and the median was \$13,972.²

Because of their higher lifetime earnings, men typically receive more benefits than women.³ The median Social Security benefit for men was

about 36 percent higher than that for women (\$16,295 versus \$11,999).

Older people with low income depend on Social Security the most. Figure 1 shows that about 38 percent of total income of the older population was from Social Security. Social Security, however, accounted for 82.5 percent of total income for people in the lowest income quintile versus 16.1 percent for those in the highest income quintile (figure 1).

Despite the modest benefits provided by Social Security, it continues to play a key role in keeping older Americans out of poverty. In 2012, Social Security benefits kept about 15 million people aged 65 and older out of poverty. Without Social Security income, the poverty rate for this group would rise from 9.1 percent to 44.4 percent.⁴

Pensions and Retirement Savings

Regular payments from pensions and retirement savings are another important income source for older individuals.⁵

Table 1
Sources of Income for Persons Aged 65 and Older in 2012¹

| Source of Income | All | | | Men | | Women | |
|--|--|--|--|--|--|--|--|
| | Recipients as Percent of Persons Aged 65 and Older (%) | Mean Income for Persons Having the Source (\$) | Median Income for Persons Having the Source (\$) | Recipients as Percent of Men Aged 65 and Older (%) | Median Income for Persons Having the Source (\$) | Recipients as Percent of Women Aged 65 and Older (%) | Median Income for Persons Having the Source (\$) |
| All persons aged 65 and older | 43,276 | 31,742 | 19,604 | N/A | 26,596 | N/A | 15,557 |
| Persons with Individual Income | 41,823 | 32,856 | 20,335 | 97.4 | 27,599 | 96.0 | 15,870 |
| Social Security ² | 36,355 | 14,229 | 13,972 | 83.0 | 16,295 | 84.8 | 11,999 |
| Interest income | 20,140 | 3,233 | 255 | 50.4 | 300 | 43.4 | 243 |
| Income from pensions and retirement savings ³ | 13,049 | 17,914 | 12,000 | 38.8 | 15,396 | 23.2 | 9,000 |
| Earnings income ⁴ | 9,349 | 44,470 | 25,000 | 27.0 | 32,000 | 17.2 | 18,000 |
| Dividend income | 8,537 | 6,191 | 1,200 | 23.0 | 1,350 | 17.1 | 1,119 |
| Rents, royalties, estates, or trusts | 3,196 | 10,935 | 4,000 | 8.6 | 4,124 | 6.4 | 3,800 |
| Income from child support, alimony, and financial assistance | 2,027 | 8,006 | 2,500 | 7.0 | 2,500 | 2.8 | 2,500 |
| Survivors benefits ⁵ | 1,914 | 12,130 | 7,296 | 1.9 | 7,200 | 6.4 | 7,320 |
| Veterans' benefits ⁶ | 1,369 | 13,200 | 9,360 | 5.7 | 8,652 | 1.1 | 12,000 |
| Supplemental Security Income (SSI) | 1,154 | 6,217 | 6,288 | 2.0 | 7,020 | 3.2 | 5,733 |
| Unemployment compensation | 521 | 6,208 | 4,420 | 1.5 | 4,000 | 1.0 | 4,940 |
| Disability benefits ⁷ | 284 | 14,010 | 9,600 | 0.9 | 11,424 | 0.5 | 8,000 |
| Workers' compensation | 122 | 9,475 | 4,800 | 0.3 | 5,250 | 0.2 | 4,800 |
| Temporary Assistance for Needy Families (TANF) | 94 | 4,883 | 2,652 | 0.1 | 2,800 | 0.3 | 2,652 |

¹ Source: Author tabulation of U.S. Bureau of the Census' March 2013 Current Population Survey, Annual Social and Economic Supplement.

² Social Security includes Old Age, Survivors, and Disability Insurance benefits.

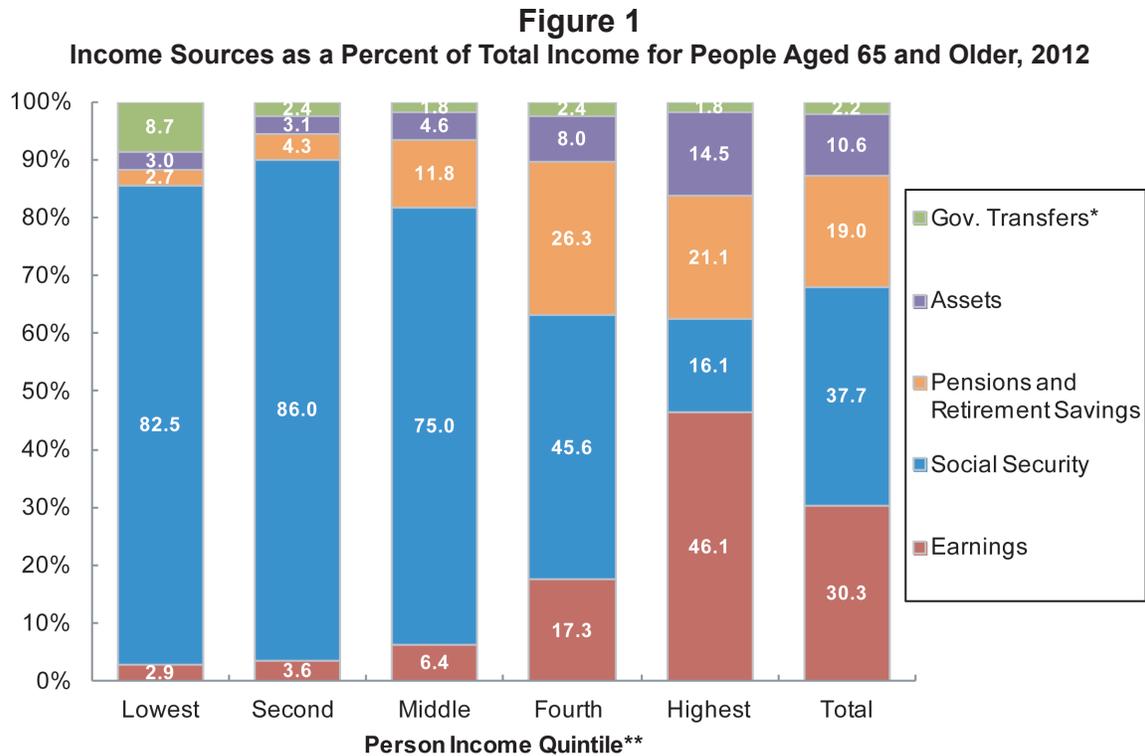
³ Pensions and retirement savings include private company or union, federal government, military retirement, state and local government, and railroad retirement plans and pensions; annuities; and IRA, Keogh, or 401(k) plans.

⁴ Earnings include wages, salaries, and non-farm and farm self-employment income.

⁵ Survivors benefits include private company or union survivor pension, federal government and military retirement survivor pension, state and local government survivor pension, railroad retirement survivor pension, workers' compensation for survivor, compensation for person with black lung, estates or trusts, and annuities. It does not include Social Security Survivor benefits.

⁶ Veterans' benefits include disability benefits, survivor benefits, pensions, and education benefits.

⁷ Disability benefits include workers' compensation, company or union disability, federal government and military retirement disability, state and local government disability, railroad retirement disability, accident or disability insurance, black lung miner's disability, and state temporary sickness. It does not include Social Security Disability benefits.



Note: Numbers do not sum to 100 percent because other cash income, such as family financial assistance, is not shown.

Source: Author tabulation of U.S. Bureau of the Census, March 2013 Current Population Survey, Annual Social and Economic Supplement.

*Government cash transfers include unemployment compensation, workers' compensation, veterans' benefits, SSI, TANF, and education assistance.

**Income quintiles are based on personal total income. Quintile limits are as follows: \$10,080, \$16,043, \$24,274, and \$43,259.

About 13 million people aged 65 and older (30.1 percent of the older population) received this income. The mean amount for those having such income was \$17,914, and the median was \$12,000. Older men were 1.7 times as likely (38.8 percent) as older women (23.2 percent) to receive regular payments from pensions and retirement savings. Among people receiving this income source, the median received by men (\$15,396) was 71 percent higher than that of women (\$9,000).

The likelihood of receiving regular payments from pensions and retirement savings increases with income, as does the median amount received (table 2). In 2012, 36 percent of older persons in the middle income quintile and 55.3 percent in the highest income quintile had pensions and retirement savings income,

with median amounts of \$5,244 and \$30,000, respectively. Only 5.2 percent of older people in the lowest income quintile had this income, with a median amount of \$2,400.

Earnings

Individual earnings are becoming a more important income source for older Americans because more are working longer. In 2012, about 9.3 million people aged 65 and older (21.6 percent) had earnings. The median amount was \$25,000, while the mean was nearly 1.8 times as large—\$44,470. Both of these values were higher than any other income source.

Older men (27 percent) are much more likely than women (17.2 percent) to have earnings. Among those with earnings,

Table 2
Sources of Income for Persons Aged 65 and Older by Personal Income Quintile in 2012¹

| Personal Income Quintile ² | Social Security | | Earnings | | Pensions and Retirement Savings ³ | | Asset ⁴ | | Public Welfare ⁵ | | Other Gov. Transfers ⁶ | | Others ⁷ | | Person's Income | |
|---------------------------------------|-----------------|-------------|----------|-------------|--|-------------|--------------------|-------------|-----------------------------|-------------|-----------------------------------|-------------|---------------------|-------------|-----------------|-------------|
| | Percent | Median (\$) | Percent | Median (\$) | Percent | Median (\$) | Percent | Median (\$) | Percent | Median (\$) | Percent | Median (\$) | Percent | Median (\$) | Percent | Median (\$) |
| Lowest Quintile | 67.8 | 7,559 | 4.0 | 4,000 | 5.2 | 2,400 | 25.3 | 150 | 8.5 | 6,000 | 1.2 | 2,400 | 9.3 | 1,050 | 83.1 | 7,744 |
| Second Quintile | 94.1 | 12,000 | 6.7 | 6,000 | 13.2 | 2,688 | 35.0 | 214 | 3.6 | 4,560 | 2.2 | 3,000 | 4.5 | 1,150 | 100.0 | 13,199 |
| Middle Quintile | 94.2 | 16,643 | 12.7 | 8,500 | 36.0 | 5,244 | 48.6 | 400 | 1.4 | 5,532 | 4.1 | 5,220 | 3.2 | 3,000 | 100.0 | 19,604 |
| Fourth Quintile | 87.8 | 16,799 | 29.8 | 18,000 | 59.8 | 13,200 | 62.3 | 1,015 | 0.8 | 7,308 | 7.4 | 8,160 | 2.5 | 3,518 | 100.0 | 31,518 |
| Highest Quintile | 76.0 | 18,384 | 54.8 | 50,000 | 55.3 | 30,000 | 76.6 | 3,454 | 0.7 | 6,000 | 8.2 | 13,200 | 3.0 | 4,732 | 100.0 | 65,567 |
| TOTAL | 84.0 | 13,972 | 21.6 | 25,000 | 30.1 | 12,000 | 49.6 | 750 | 3.0 | 5,892 | 4.6 | 7,284 | 4.7 | 2,500 | 96.6 | 20,335 |

¹ Source: Author tabulation of U.S. Bureau of the Census' March 2013 Current Population Survey, Annual Social and Economic Supplement.

² Lowest quintile: personal total income is below \$10,080; second quintile: between \$10,080 and \$16,043; middle quintile: between \$16,043 and \$24,274; fourth quintile: between \$24,274 and \$43,259; highest quintile: above \$43,259.

³ Pensions income sources include pensions, IRA, annuity, survivors, and disability income (except survivor and disability payment from Social Security).

⁴ Asset income includes interest, dividend, and rental income.

⁵ Public welfare includes Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and Education Assistance.

⁶ Other government transfer income includes unemployment compensation, workers' compensation, and veterans' benefits.

⁷ Others include child support payment, alimony payment, and financial assistance.

Sources of Income for Older Americans, 2012

the median amount for men was about 78 percent higher than that for women (\$32,000 compared to \$18,000) (table 1). This large difference in earnings is because older women are more likely to have low-wage jobs, work part time, and be part-year workers.⁶

Older people in the higher income quintiles were more likely to have earnings and to have earned more (table 2).

Nearly 30 percent of older individuals in the fourth quintile and more than half (54.8) in the highest quintile had earnings, with medians of \$18,000 and \$50,000, respectively. Only 4.0 percent of older people in the lowest quintile had any income from earnings, with median earnings of \$4,000.

Asset Income

Interest income from personal savings was the second most common income source (table 1). Although about 46.5 percent of those aged 65 and older reported income from interest, most of them received very little—half received \$255 or less. For some older people, however, interest was a substantial source of income, as is evident from the mean of \$3,233.

Only one in five older individuals received dividend income. This income source revealed a similar spread among those receiving it as interest income: the median amount of dividends received was \$1,200 compared to the average of \$6,191 (table 1).

Combining interest, dividend, and rental income to create a measure of total asset income reveals notable differences by income level (table 2). About three out of four (76.6 percent) older people in the highest income quintile had asset income, with a median of \$3,454, compared to only one out of

four (25.3 percent) in the lowest income quintile, with a median of \$150.

Supplemental Security Income and Other Public Benefits

Because Supplemental Security Income (SSI) and other public welfare benefits are means-tested programs, subject to income and/or asset limits, older individuals with low income were more likely to receive them (table 2).

About 8.5 percent of older people in the lowest income quintile had public welfare income, with a median of \$6,000, compared to only 0.7 percent of older people in the highest quintile receiving it (table 2).⁷

SSI is the principle source of public welfare received by older Americans. About 1.2 million individuals aged 65 and older (2.7 percent) received SSI,⁸ and the median SSI benefit among recipients was \$6,288 (table 1).

Income Source by Race/Ethnic Group

The income sources of people aged 65 and older varied by race/ethnicity. Blacks, Hispanics, and Asians were less likely than whites to have income from Social Security, earnings, pensions and retirement savings, interest, and dividends; but they were more likely to have income from SSI (table 3).

The differences in the percent receiving these income sources by race/ethnic groups were large for all selected income sources except earnings. In 2012, for example, 32.5 percent of whites had income from pension and retirement savings, compared with 28.4 percent of blacks, 15.3 percent Hispanics, and 16.0 percent Asians. The median pension and retirement savings income was similar, however, across all groups.

Sources of Income for Older Americans, 2012

Whites were more than twice as likely as African Americans and Hispanics to have interest income, and nearly five times more likely to have dividend income.

Only 1.5 percent of whites had income from the SSI program, while 5.2 percent of blacks, 7.8 percent of Hispanics, and 10.2 percent of Asians received SSI payments.

Trends in Income Sources

The share of some sources of income for people aged 65 and older has changed significantly over time. Figure 2 presents selected sources of income as a percentage of total income from 1990 to 2012.

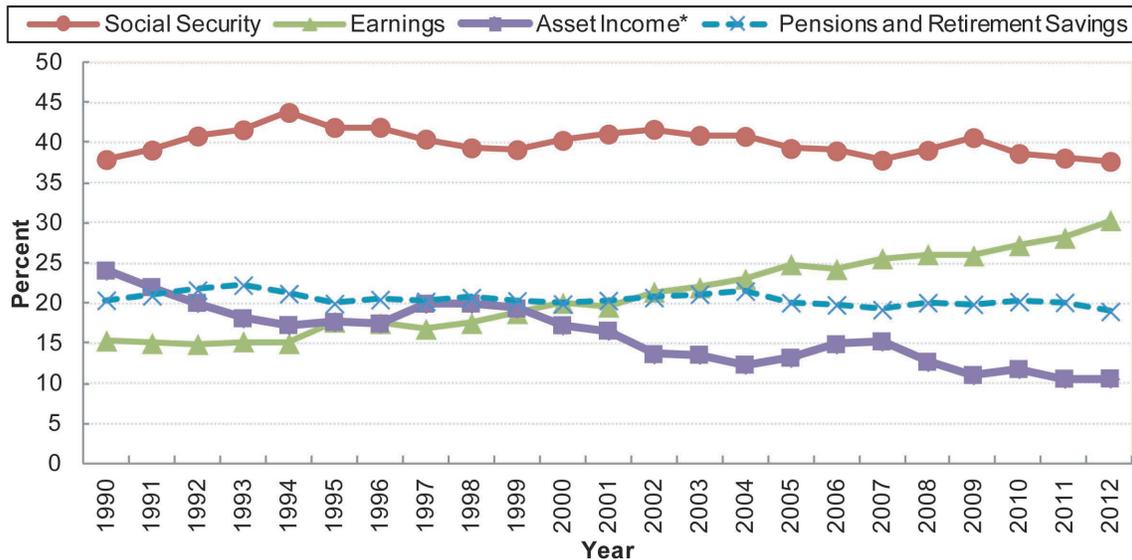
The share of aggregate earnings increased more than any other source of income, rising from 15.3 percent in 1990

to 30.3 percent in 2012. The increasing importance of earnings to older people's income reflects their growing labor force participation. In 2000, 13.5 percent of people aged 65 and older were in the labor force compared to 19 percent in 2012, a 5.5 percentage point increase.

The share of asset income (interest, dividends, and rent) declined from 24 percent to 10.6 percent from 1990 to 2012, about 13 percentage points. This trend largely reflects the decline in market interest rates over this time.⁹ Since 2007, the share of asset income has decreased about 5 percentage points, reflecting the effects of the financial crisis and slow economic recovery.

The share of Social Security income (about 38 percent) and pensions and retirement savings income (about 19 percent) remained fairly flat during the period 1990 to 2012.

Figure 2
Income Sources as a Percent of Total Income for People Aged 65 and Older, 1990 to 2012



Source: Author tabulation of U.S. Bureau of the Census, March 2013 Current Population Survey, Annual Social and Economic Supplement.

*Asset income includes interest, dividend, and rental income.

Table 3
Selected Sources of Income for Persons Aged 65 and Older by Race and Ethnicity in 2012¹

| Some Income Sources | White | | Black | | Hispanics | | Asian | |
|---|--|--|--|--|--|--|--|--|
| | Recipients as Percent of Persons Aged 65 and Older (%) | Median Income for Persons Having the Source (\$) | Recipients as Percent of Persons Aged 65 and Older (%) | Median Income for Persons Having the Source (\$) | Recipients as Percent of Persons Aged 65 and Older (%) | Median Income for Persons Having the Source (\$) | Recipients as Percent of Persons Aged 65 and Older (%) | Median Income for Persons Having the Source (\$) |
| Social Security | 86.5 | 14,399 | 78.6 | 12,503 | 73.4 | 10,800 | 66.1 | 11,999 |
| Interest | 52.2 | 282 | 23.4 | 180 | 21.0 | 101 | 34.7 | 217 |
| Income from Pensions and Retirement Savings | 32.5 | 12,000 | 28.4 | 12,000 | 15.3 | 10,416 | 16.0 | 12,408 |
| Dividends | 23.0 | 1,200 | 5.2 | 1,000 | 5.3 | 1,000 | 15.3 | 1,000 |
| Earnings | 22.2 | 25,000 | 18.8 | 25,000 | 19.2 | 21,000 | 21.8 | 30,000 |
| Supplemental Security Income | 1.5 | 6,408 | 5.2 | 6,408 | 7.8 | 5,100 | 10.2 | 7,800 |

¹ Source: Author tabulation of U.S. Bureau of the Census' March 2013 Current Population Survey, Annual Social and Economic Supplement.

Endnotes

¹ The data in this report are from the March 2013 Current Population Survey Annual Social and Economic Supplement (CPS ASEC), which is conducted by the U.S. Bureau of the Census. The survey consists of about 100,000 households. It does not include the institutionalized population, such as those in prisons, long-term care hospitals, and nursing homes. The income in the March 2013 CPS refers to 2012 income levels. The unit of analysis is a person. Because this fact sheet is primarily concerned with the income sources of individuals, as opposed to the household or family, it does not capture the importance of all income sources to spouses in a married couple or single people in a household that shares resources. For information on the income sources of people aged 65 and older measured at the family level and the “aged unit,” see Ke Bin Wu, *Income and Poverty of Older Americans*, Fact Sheet 287 (Washington, DC: AARP Public Policy Institute, 2013). Accessed at <http://www.aarp.org/money/low-income-assistance/info-09-2013/income-and-poverty-of-older-americans-AARP-ppi-econ-sec.html>; Social Security Administration, *Income of the Aged Chartbook, 2010*, Publication No. 3-11727 (Washington, DC: Social Security Administration). Accessed at http://www.socialsecurity.gov/policy/docs/chartbooks/income_aged/2010/iacl0.pdf.

² The larger the difference between the mean and median values, the greater the income source is skewed in favor of those with higher income. The similar values for these two measures for Social Security, particularly in comparison to other income sources, suggest that Social Security benefits are more equally distributed among the older population than other types of income.

³ Compared with women, men usually have relatively higher wage and salary and more years working. This means higher lifetime earnings—the basis for Social Security benefits. Many older married women receive spousal Social Security benefits equal up to half of their spouse’s benefits, rather than their own Social Security benefits, even if they do qualify on their own record because the spousal benefit is higher.

⁴ Paul N. Van de Water, Arloc Sherman, and Kathy Ruffing, “Social Security Keeps 22 Million Americans out of Poverty: A State-by-State Analysis” (Washington, DC: Center on Budget and Policy Priorities, October 25, 2013). Accessed at <http://www.cbpp.org/cms/?fa=view&id=4037>.

⁵ This income includes only regular payments, such as an annuity or regular distribution, from a traditional pension plan, 401(k), Individual Retirement Account (IRA), or similar type retirement plan. It does not include a partial or whole lump sum distribution or payments that are otherwise irregularly made.

⁶ During 2012, among older workers, 48 percent of older women worked part time and 31.9 percent of older women worked less than 50 weeks; while 36.5 percent of older men worked part time and 27.6 percent of older men worked less than 50 weeks. (Author tabulation of U.S. Bureau of the Census’ March 2013 Current Population Survey, Annual Social and Economic Supplement.)

⁷ Individual welfare benefits may not vary monotonically with individual income because public assistance eligibility is often determined based on family income and other characteristics.

⁸ Individuals aged 65 and older are eligible for SSI benefits if their countable income falls below the federal maximum monthly SSI benefit. SSI eligibility is restricted to qualified persons who have resources (e.g., financial assets) of not more than \$2,000, or \$3,000 in the case of a couple. The basic federal SSI benefit is the same nationwide. For 2012, the basic federal SSI benefit was \$698 per month payment for an eligible individual and \$1,048 per month for an eligible couple (for 2013, SSI benefits are \$710 for individuals and \$1,066 for couples). States may add a supplemental benefit (see website: <http://www.socialsecurity.gov/ssi/text-benefits-ussi.htm>).

⁹ Barry P. Bosworth and Kathleen Burke, “Changing Sources of Income among the Aged Population,” CRR WP 2012-27 (Chestnut Hill, MA: Center for Retirement Research at Boston College, November 2012). Accessed at http://crr.bc.edu/wp-content/uploads/2012/11/wp_2012-27-508.pdf.

Fact Sheet 296, December, 2013

AARP Public Policy Institute
601 E Street, NW, Washington, DC 20049
www.aarp.org/ppi
202-434-3910, ppi@aarp.org
© 2013, AARP.
Reprinting with permission only.