Spending patterns of older persons revealed in expenditure survey

New estimates point up differences in characteristics, incomes, and expenditures of younger and older populations within the larger group of persons age 65 and over

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Interest in the characteristics of older persons is flourishing due to the increasing size of the population age 65 and over. According to projections by the U.S. Bureau of the Census, presented in table 1, every fifth American will be over 65 by the year 2040. This reflects the aging of the postwar baby boom and declining birth rates during the later decades of this century. Clearly, older persons will constitute a rapidly growing political, social, and economic force for many years to come.

Within this environment, new estimates from the Bureau of Labor Statistics Consumer Expenditure Survey (CE) program are likely to be an important tool for trend assessment and policy formation. To date, “65 and older” has been the oldest age class for which expenditure data have been published. (For study purposes, consumer units are assigned to the age category of the householder, or “reference person,” as reported on the survey questionnaire.) In recently released estimates, however, that class has been divided into two groups, ages 65–74 and 75 and over. The results reveal that, although persons 65 and over are often viewed as a homogeneous group, the characteristics, incomes, and needs of the younger and older populations within the larger group are actually quite different.

Expenditure differences. Tables 2 and 3 summarize the differences in the 1984 characteristics and spending patterns of the two major subgroups of older Americans. Consumer units in the 65–74 age group spent almost 22 percent more on housing than those in the 75-and-over group. However, housing accounted for a higher share of the older group’s total expenditures. The expenditure share for fuels, utilities,
and public services was also higher for the 75-and-over group, even though the amount spent was less than that for those age 65–74. The average expenditure on owned dwellings was more than one-third higher for those 65–74 than for the older class. This can be attributed to higher levels of homeownership and a higher percentage of consumer units still paying on their mortgages in the younger group. About 76 percent of those age 65–74 owned their homes compared to 67 percent of the older group. On the other hand, only 8 percent of the homeowners in the older group still owed on mortgages compared to 33 percent of their younger counterparts. There were also large differences in property taxes, for which the expenditures of those 65–74 were 33 percent more than those of the 75-and-over group. This reflects the higher rate of homeownership for the younger group and also suggests they owned more expensive houses or lived in areas with higher property taxes, or both.

Expenditures for transportation accounted for 19 percent of the total expenditures of those age 65–74, compared with 13 percent of the total for those 75 and over. The average expenditures of the former age group were more than twice as high as those of the latter. Much of the difference can be attributed to the higher level of vehicle ownership, 81 percent by those aged 65–74, compared to 59 percent by older persons. It is also likely that vehicles are used less frequently by the older group, further reducing their transportation expenditures.

The data for health care confirms the expectation that both mean expenditures for health care and the health care share of total expenditures are higher for the 75-and-over age group than for their younger counterparts. Health care accounted for 13 percent of the total expenditures of those 75 and over compared with 8 percent of the total for those 65–74.

**Income differences.** Because income is one of the important determinants of spending, differences in income may help to explain the differences in expenditure patterns. The following tabulation compares selected income components for the age groups.

<table>
<thead>
<tr>
<th>Sources of income</th>
<th>Age 65–74</th>
<th>Age 75 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before taxes</td>
<td>$16,815</td>
<td>$12,442</td>
</tr>
<tr>
<td>Sources of income (percent)</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Wage and salaries</td>
<td>29.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Self-employment income</td>
<td>4.6</td>
<td>6.5</td>
</tr>
<tr>
<td>Social Security, railroad, and government retirement</td>
<td>52.7</td>
<td>62.9</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>9.6</td>
<td>17.6</td>
</tr>
<tr>
<td>Other income</td>
<td>3.8</td>
<td>3.7</td>
</tr>
</tbody>
</table>

The mean income before taxes of the 65–74 age group was more than one-third higher than for persons 75 and over. The largest components of income for both groups were retirement income (consisting of Social Security, private, and government retirement), which accounted for 53 percent of the income of the 65–74 group, compared with 63 percent for the 75-and-over group. Wages and salaries made up about 30 percent of the income of the younger group, which indicates that the reference person or other household member was still working, while it dropped to 10 percent of income for those 75 and over. This is consistent with the fact that the average number of earners is three times higher for the younger group.

The age groups in table 3 differ from those published in regular CE releases. The working age groups, those 25–54, are combined. Older age groups are subdivided into those approaching retirement, those 55–59 and 60–64, and into the two groups that are the focus of this article, those 65–74 and 75 and over.

Since 1980, the Consumer Expenditure Survey has been conducted on a continuing basis. As a result, trends for age and other demographic groups can be more effectively monitored over time. This article is but one of a series highlight-
Table 3. Selected characteristics and annual expenditures of urban consumer units classified by age of reference person, Interview Survey, 1984

<table>
<thead>
<tr>
<th>Item</th>
<th>All consumer units</th>
<th>Under 25</th>
<th>25-54</th>
<th>55-59</th>
<th>60-64</th>
<th>65-74</th>
<th>75 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total consumer units (in thousands)</td>
<td>74,884</td>
<td>7,266</td>
<td>42,688</td>
<td>5,418</td>
<td>5,592</td>
<td>8,312</td>
<td>5,608</td>
</tr>
<tr>
<td>Number of sample interviews</td>
<td>23,043</td>
<td>2,456</td>
<td>13,005</td>
<td>1,631</td>
<td>1,666</td>
<td>2,551</td>
<td>1,734</td>
</tr>
<tr>
<td>Consumer unit characteristics:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before taxes</td>
<td>$24,578</td>
<td>$12,579</td>
<td>$29,114</td>
<td>$30,670</td>
<td>$23,477</td>
<td>$16,815</td>
<td>$12,442</td>
</tr>
<tr>
<td>Average number of persons</td>
<td>2.6</td>
<td>1.8</td>
<td>3.1</td>
<td>2.7</td>
<td>2.3</td>
<td>1.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Average age of reference person</td>
<td>46.2</td>
<td>21.5</td>
<td>38.0</td>
<td>56.9</td>
<td>62.0</td>
<td>69.3</td>
<td>80.6</td>
</tr>
</tbody>
</table>

Average number in consumer unit:
- Earners: 1.4
- Vehicles: 1.9
- Children under 18: 0.3
- Persons 65 and over: 0.9
- Percent homeowners: 60%

Average annual expenditures:
- Total: $21,788
- Food: 3,391
- Alcoholic beverages: 299
- Housing: 6,626
- Shelter: 3,747
- Own dwellings: 2,189
- Rented dwellings: 1,171
- Other lodging: 388
- Utilities, fuels, and public services: 1,679
- Household operations: 333
- House furnishings and equipment: 868
- Apparel and services: 1,192
- Transportation: 4,386
- Vehicles: 1,873
- Gasoline and motor oil: 1,047
- Other vehicle expenses: 1,176
- Public transportation: 288
- Health care: 899
- Entertainment: 1,040
- Personal care: 205
- Reading: 140
- Eating: 312
- Tobacco: 225
- Miscellaneous: 311
- Cash contributions: 740
- Personal insurances and pensions: 2,023
- Life and other personal insurance: 302
- Retirement, pensions, social security: 1,721

Income values are derived from the responses of only those units providing complete reports of income.

Footnotes:
1. The terms “household” and “consumer unit” are used interchangeably throughout this text. However, the consumer unit definition is the accurate one for this survey. The Consumer Expenditure Survey is described in detail in its Handbook of Methods, 1982, ch. 6. Survey results are presented in annual reports and bulletins, the most recent of which is Consumer Expenditure Survey Results from 1984, USDOL 86-258 (Bureau of Labor Statistics, June 22, 1986).
2. The Consumer Expenditure Survey is composed of two independent surveys: an Interview Survey and a Diary Survey. The results in this article are from the Interview Survey.