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A Life Course Approach to Understanding Poverty Among Older American Adults*

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Abstract

A relatively new strategy for studying the prevalence of poverty in America is to analyze it as a potential life course event. We use such an approach in order to examine the likelihood of both income and asset poverty for individuals between the ages of 60 and 90. Nearly half of all elderly Americans will encounter at least one year of poverty or near poverty across these ages. In addition, 58 percent of those between the ages of 60 and 84 will at some point fail to have enough liquid assets to allow them to weather an unanticipated expense or downturn in income. The policy and practice implications of these findings are discussed.

BACKGROUND

A major U.S. public policy success story over the past 50 years has been the sharp reduction of poverty within the elderly population. In 1959, the poverty rate for those 65 and over stood at 35.2%, representing the age group most at risk of poverty. By 2008, the poverty rate for the elderly stood at 9.7%, well below the national average of 13.2% for the total population (U.S. Census Bureau, 2009). This remarkable reduction in poverty and economic insecurity has been due largely to the increasing generosity of Social Security, as well as to the introduction of the Medicare and Medicaid programs in 1965 (Schiller, 2008).

Yet despite these significant gains, considerable discussion has taken place regarding the extent to which poverty among the elderly is, in fact, underestimated. There are several reasons for why this may be the case. First, although the official poverty rate as measured by the Census Bureau is relatively low for the elderly, a large number of older Americans are not far above the poverty line. For example, the percentage of the elderly falling below 125 percent of the poverty line in 2008 was 15.9%, while 22.7% of the elderly fell below 150

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percent of the poverty line (U.S. Census Bureau, 2009). A sizeable percentage of the elderly are therefore living in poverty or near poverty.

Second, many have argued that the manner in which poverty is officially measured results in a significant undercount of those in need (Blank, 2008; Brady, 2009; Iceland, 2005). For example, using the recommendations on measuring poverty issued by the National Academy of Sciences (Citro & Michael, 1995), Butrica and Zedlewski (2008) find that the rate of poverty for those 65 and over is nearly twice as high when compared to the official poverty measure.

Third, some have argued that rather than using an absolute approach to measuring poverty (as the official poverty line does), a more appropriate measure is a relative one (Brady, 2009; Smeeding & Rainwater, 2004). In fact, most developed countries define poverty in relative terms – generally as residing in a household that falls below a certain proportion of median income (often one half of median income). Using such a measure, Brady (2004) finds that the U.S. rate of poverty for the elderly in 2000 stood at 24.7%, compared to 9.9% using the official measure of poverty.

Taken together, there is substantial evidence that poverty is a far more significant problem for older Americans than that reflected in the official poverty rate in any given year. However, we would go beyond these important critiques to argue that social work researchers and practitioners must also understand the overall economic risk of poverty across the entire duration of the later period of the life course. Consequently, the question becomes not so much what is the risk of poverty in any given year, but rather, what is the risk of poverty at some point during the later years of life? Such an approach provides a very different lens in which to observe the prevalence of poverty among the elderly. It challenges us to consider economic risk across the totality of the elderly years, rather than focusing on the annual average rates of poverty for the population as a whole.

In addition, we would argue that poverty among the elderly can be conceptualized not only in terms of a lack of income, but also in terms of a lack of assets. Consequently, to what extent have households accumulated enough financial assets to allow them to weather an unanticipated expense or downturn in income? In the next section we present a series of estimates measuring the magnitude of these risks. We then discuss the policy and practice implications of our findings.

THE LIFE COURSE RISK OF POVERTY AMONG OLDER ADULTS

A relatively new approach to studying the prevalence of poverty has been to analyze it as a potential life course event. This has included examining the risk of poverty during the childhood years (Rank & Hirschl, 1999a; 2009a), across the span of adulthood (Rank and Hirschl, 1999b; 2001a; Rank, 2004), and at different stages of the adult life cycle (Rank and Hirschl, 2001b; Sandoval, Rank, & Hirschl, 2009). Such an approach reveals that the risk of poverty is substantially greater than cross-sectional estimates or analyses of poverty spells.

For example, Rank and Hirschl (1999a) found that between the ages of 20 and 75, 58 percent of Americans will experience at least one year of impoverishment, while 68 percent

of Americans will encounter poverty or near poverty (125 percent below the official poverty line). The odds of encountering poverty across adulthood are significantly increased for African Americans and for those with lower levels of education – 91 percent of blacks will encounter poverty between the ages of 20 and 75 versus 53 percent of whites, while 75 percent of those with less than 12 years of education will experience at least a year of poverty compared with 48 percent for those with 12 or more years of education (Rank and Hirschl 1999a; Rank 2004).

An important reason as to why economic risk is much higher within a life course context is that as one looks across longer spans of time, the probability of households experiencing detrimental economic events increase substantially. These include losing a job, health related problems, or families dissolving. All of these have the potential to throw households into economic turmoil and potentially into poverty. By using a life course approach to analyzing poverty, one is much more likely to detect periods of time when households encounter such difficulties.

Furthermore, the concept behind Social Security and various retirement and pension plans has been based upon the life course awareness of the need for assets and savings during the later stages of life. As individuals reach retirement, streams of income are needed to replace employment income in order to maintain a reasonable quality of life. For most individuals, these income streams are typically found within the Social Security system as well as private retirement or pension plans. Yet to what extent are these sources of income and asset accumulation able to protect individuals from poverty throughout the later stages of life?

A specific methodological strategy to answer such a question is the life table. Life tables can reveal the extent to which the elderly may be vulnerable to poverty at some point during the later years of life. It is a technique that demographers and medical researchers have frequently turned to, and that the first author has used in prior analyses of poverty. The life table examines the extent to which specific events occur across intervals of time. In the analyses presented here, our time intervals consist of each year (or period of years) that an individual crosses (beginning at age 60). During these periods of time we can calculate the probability that an event will occur (in this case, poverty) for those who have yet to experience the event. On the basis of these age-specific probabilities, the cumulative probabilities and percentages that an event will occur throughout the elderly years can be calculated. These cumulative percentages are presented in Tables 1 and 2.

The estimates we report in this article are based upon data that the first author and Thomas Hirschl have analyzed from the Panel Study of Income Dynamics (PSID). The PSID began in 1968 as an annual panel survey (biennial after 1997) and is nationally representative of the nonimmigrant U.S. population. It was specifically designed to track income dynamics over time, and is therefore ideally suited for the purpose of examining patterns of poverty. The PSID represents the longest running longitudinal data set in the United States (see Panel Study of Income Dynamics, 2007).

Income Poverty

In Table 1, we estimate the cumulative likelihood that Americans will experience at least one year of income poverty beginning at age 60, and continuing through age 90 (see Rank and Hirschl, 1999c; Rank, 2004). Three levels of poverty are analyzed – those who fall below 50% of the official poverty line; those who fall below the official poverty line; and those who fall below 125% of the poverty line. These levels can be thought of as reflecting extreme poverty (.50 level), poverty as officially measured by the U.S. Census Bureau (1.00 level), and poverty and near poverty (1.25 level).

Looking first at extreme poverty, the overall percentages are relatively low. By the age of 70, 5.4% of Americans have experienced at least one year in extreme poverty, 10.5% by the age of 80, and 14.7% by the age of 90. The vast majority of the elderly will therefore not experience dire poverty. Much of the reason for this is undoubtedly due to the reach and strength of Social Security.

On the other hand, the likelihood of the elderly experiencing at least one year in poverty or near poverty is substantially higher – 17.9% of Americans will have experienced poverty by the age of 70, 28.7% by the age of 80, and 40.8% by the age of 90. The corresponding percentages for those who will fall below 125% of the poverty line are 22.2%, 34.7% and 47.7%. Consequently, nearly half of all Americans who live between the ages of 60 and 90 will spend at least one year in poverty or near poverty.

Of course, this risk is not evenly distributed across the population. One of the most important economic divides is that of race. In a separate analysis, it was shown that although 32.7% of white Americans will experience at least one year below the official poverty line between the ages of 60 and 85, the corresponding percentage for black Americans was double that at 64.6%. In addition, for those not married, the percentage experiencing poverty was 51.2% compared with 24.9% for those married. Likewise, for those with less than 12 years of education, the percentage experiencing poverty was 48.4% compared with 20.5% for those with 12 or more years of education (see Rank, 2004).

Asset Poverty

A second approach to measuring the life course risk of poverty among older Americans is to estimate the likelihood of asset poverty. Asset poverty is defined in this analysis as residing in a household that does not possess a level of assets that would enable them to remain above the official poverty line for 3 months (see Caner and Wolff, 2004). The concept behind this measure is whether or not households have accrued enough asset value to allow them to economically weather a brief period of time without having a stream of income, or whether they would be able to cover a sudden expense such as an unforeseen health or household expenditure.

Three types of asset levels are examined in Table 2. Net worth represents the entirety of a household's assets (home equity, savings, checking, stocks, bonds, etc.) minus any debt. Financial wealth is identical to net worth except that it does not include home equity when calculating a household's assets. Liquid wealth consists of the amount of value a household

has with respect to checking and savings accounts, stocks, and other savings such as bond funds (for greater detail, see Rank and Hirschl, 2008).

Table 2 shows the likelihood of experiencing asset poverty at five year intervals (asset data in this analysis are gathered every five years, and hence we pool individuals into five year age intervals). We can see that by the time the elderly have reached the ages of 75-79, 29.1% have experienced net worth asset poverty, 45.1% have experienced financial wealth asset poverty, and 54.8% have experienced liquid wealth asset poverty. The fact that net worth asset poverty is the least likely of the three, is consistent with the fact that the major asset held by most Americans is their home.

On the other hand, liquid wealth asset poverty is the most prevalent. This represents not having enough assets in terms of a savings or checking account to sustain oneself through a rainy day. To illustrate the dollar value of this level, a one person household in 2008 would be counted as asset poor if their liquid assets were below \$2,748. Table 2 indicates that 57.8% of individuals who reach the age of 80-84 will experience at least one year of being liquid asset poor. Hence, a majority of the elderly will experience a period during their later years where the value of their savings and other liquid assets are extremely low.

As in the case of income poverty, there is a sharp dividing line in experiencing asset poverty by race. In a multivariate analysis in which a number of demographic variables were controlled for, blacks between the ages of 60 and 84 were 2.8 times more likely than whites to experience net worth asset poverty, 2.3 times more likely to experience financial wealth asset poverty, and 2.4 times more likely to experience liquid wealth asset poverty (see Rank, 2009). In addition, lower levels of education and not being married were also associated with a higher risk of experiencing asset poverty (Rank and Hirschl, 2009b).

Taken together, Tables 1 and 2 indicate that whether poverty is measured through income or assets, older Americans are quite likely to experience impoverishment. Rather than a period of economic well being, the later stage of the life course is marked by significant economic risk and turmoil. In addition, the odds of experiencing poverty during the elderly years is greatly elevated for African Americans, those with less education, and those not married.

IMPLICATIONS FOR POLICY AND PRACTICE

Given the life course patterns of poverty among the older American population, what might be several of the policy and practice implications? One important policy implication is that looking into the future, we can expect that greater numbers of older Americans will face periods of impoverishment across the life course. There are several reasons for why we believe this to be case.

First, Americans are living longer. Life expectancy for those reaching the age of 60 has risen significantly in the past, and will likely continue to do so in the future (U.S. Census Bureau, 2008). Those who are currently age 60 can expect to live on average another 23 years. This places many Americans at a heightened risk of experiencing poverty. As we have seen from the analysis presented in this paper, as individuals age across their 60's, 70's, and 80's, the cumulative proportion of the population experiencing income and asset poverty quickly

increases. One reason for this is that households can often outlive the amount of assets and resources that they had put aside for retirement. In addition, as we get older, there is a greater chance that we will need more expensive services such as health care and supportive living arrangements. Consequently, although longer life expectancy in retirement is a positive development, one of the unfortunate consequences is an increased risk of poverty.

A second reason for why greater numbers of older Americans are likely to experience poverty in the future, is that many more individuals are beginning to enter this period of their life (Administration on Aging, 2007; U.S. Census Bureau, 2008). The well documented baby boom generation is now crossing into the retirement years. As a result, more Americans are at risk of poverty during the later part of the life course. In addition, the influx of Americans entering their senior years, coupled with a declining percentage of workers in the prime earning years, will put increasing pressure upon the benefits and sustainability of the Social Security and Medicare programs as well as other social safety net programs directed at the elderly (Whalen, 2005). This, in turn, could have the effect of further increasing the likelihood of economic insecurity and poverty during the senior years.

A third reason for why the life course risk of poverty among the elderly may increase in the years ahead, is a result of economic trends showing that Americans have not been accumulating adequate savings for retirement. A number of researchers and policy experts have noted that America's rate of savings for the purpose of providing a sustainable lifestyle during the senior years is woefully inadequate (Schiller, 2008). When we couple this with the fact that Americans are living longer during their retirement years, and that Social Security may be less tenable in the years ahead, the likelihood of poverty is elevated even further.

Taken together, policy makers in the future will face an increasing probability that elderly Americans will encounter poverty at some point during their senior years. There will be a need for creative and innovative thinking regarding policy options and choices to protect the elderly in the future from the ravages of poverty during the later years of life.

What might some of these policy options be? Strategies to consider would include policies that encourage greater levels of savings among the working age population, facilitating cooperative living arrangements among the elderly, establishing fair terms with respect to reverse mortgage programs, and strengthening the Social Security and Supplemental Security Income (SSI) programs. All of these changes have the potential to reduce the extent of economic insecurity facing the elderly.

In addition, many American move into post-retirement without adequately planning for resources that will be needed to address the various social and health well being that will confront them. This lack of preparedness for financial sustainability in retirement supports the need for more emphasis in our country on pre-retirement planning and fiscal education. One way to begin addressing this lack of preparedness is by taking a more lifespan approach to retirement. Although the majority of elders in this country continue to depend greatly on public programs during their retirement, many have not adequately planned for retirement beyond these public programs. This lack of preparedness increases their vulnerability over

time. Many individuals wait much too late in the life span to consider the level of adequate resources they will need to assure a sustained level of social and health well-being well into their later life. A more systematic approach to educating individuals for fiscal soundness is needed.

Turning to practitioners in the fields of social work and gerontology, after completing an initial assessment, social workers must recognize the critical interplay that exists between an individual's resources and needs. Income and financial assets directly impact both access and quality of services. With this understanding social workers should prioritize the components of the intervention plan. It is important to set intervention goals that are both realistic and obtainable based on level of resources when developing the intervention plan. This plan should also have the flexibility to be able to adapt to changes in income and assets that may occur over time. Findings suggest there will be periods when the lack of income and assets will impact services during the life course for most elders in the United States. The lack of adequate financial resources and differences in resources imply that many elderly men and women will have unmet social and health needs during their post-retirement years. Social workers working with older populations must understand the comprehensive needs of this population. The basic reality for many elders in this country is that the lack of income and assets means that there will be numerous instances where elders will be faced with making choices of one need over another. Social worker practice with post-retirement populations must be conducted against this background of limited resources, independence issues, and the assurance that basic needs are being met.

One critical reason for why the conditions of poverty and economic insecurity among the elderly are vitally important for practice is because they undermine the process of active and productive aging (Morrow-Howell et al., 2001). Research has confirmed the importance of facilitating productive and active aging among the elderly in order to “enhance the quality of life as people age” (World Health Organization, 2007: 5). Economic well-being is strongly correlated with physical and mental health, social and civic engagement, and a host of other components that are important for successful aging (Morrow-Howell et al., 2001). The patterns of income and asset poverty among the elderly reported in this paper seriously undermine these components.

Practitioners should be cognizant of the life course risk of economic insecurities that occur during the senior years in order to address the overall well-being of their elderly clients. Individual and family intervention strategies must consider how economic insecurity affects environmental and emotional well-being when assessing the overall functioning of an elderly client. The availability of economic resources may have a direct impact on the practitioner's ability to establish successful intervention treatment goals. It is reasonable to assume that diminished economic resources could act as a serious obstacle for older individuals to make changes that may improve their overall well-being and their prospects of productive aging.

Practitioners and policy analysts also need to be aware of the substantial racial, gender, and social class life course disparities in experiencing poverty during the senior years. Nonwhites, widows, and those with less education have a much higher life course risk of

encountering poverty across this period of time (Rank, 2004). These patterns reflect the lifelong racial, social class, and gender disparities found during the prime earning years with respect to income and asset accumulation (Rank, 2009). Consequently, gerontologists working with the elderly should pay particular attention to the economic needs and concerns of nonwhites, women, and those with less education as they age across their senior years.

In conclusion, it has frequently been argued that the elderly are exposed to low rates of poverty as indicated by the Census Bureau's annual income statistics. Yet by using a life table approach to follow individuals as they age across their 60's, 70's, and 80's, we have been able to demonstrate that the likelihood of both income and asset poverty is extremely high during this stage of life. Rather than economic security and stability, the later years of life are marked by a serious threat of income and asset poverty. Given the current demographic and economic trends in America, this threat is quite likely to remain in the years ahead.

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Table 1

Cumulative Percentage of the Population Experiencing Income Poverty between the Ages of 60 and 90.

Age	<u>Income Poverty Level</u>		
	.50	1.00	1.25
60	1.6%	5.4%	8.5%
65	4.1%	12.2%	15.8%
70	5.4%	17.9%	22.2%
75	7.1%	23.3%	29.1%
80	10.5%	28.7%	34.7%
85	12.2%	35.3%	42.4%
90	14.7%	40.4%	47.7%

Note: .50 = below 50 percent of the poverty line; 1.00 = below 100 percent of the poverty line; 1.25 = below 125 percent of the poverty line

Source: Panel Study of Income Dynamics data, Rank and Hirschl calculations

Table 2

Cumulative Percentage of the Population Experiencing Asset Poverty between the Ages of 60 and 84.

Age	Asset Poverty		
	NW	FW	LW
60-64	13.8%	24.8%	29.9%
65-69	19.7%	34.0%	39.7%
70-74	26.9%	43.0%	51.3%
75-79	29.1%	45.1%	54.8%
80-84	29.1%	45.1%	57.8%

Note: NW = Net Worth; FW = Financial Wealth; LW = Liquid Wealth

Source: Panel Study of Income Dynamics data, Rank and Hirschl calculations