THE STATE OF 50+ AMERICA

2006

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Contents

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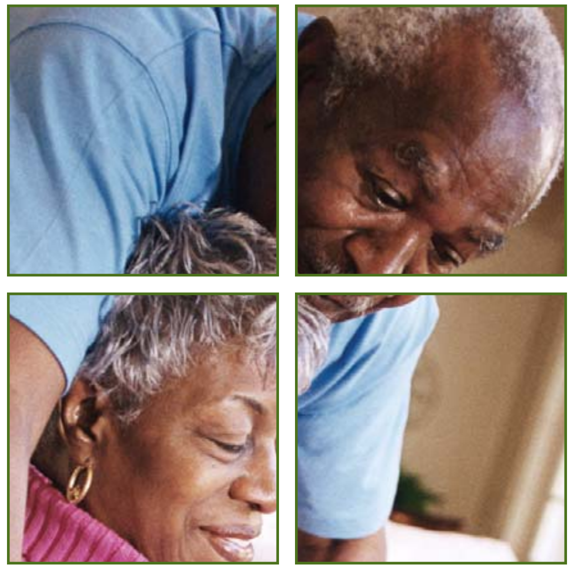

Executive Summary

The State of 50+ America 2006 is AARP's third annual "report card" on the quality of life of Americans age 50 and older. It continues our examination of the economic, health, and social well-being of the 50+ population, and by reporting on trends in those dimensions of well-being, advances AARP's mission to enhance the quality of life for all people as they age.

This year's report addresses questions about how well older Americans have fared over the past several years (up to a decade where data permit) as well as over the most recent year.[1] Overall, the state of 50+ America appears to be generally improved compared with a decade ago, with 14 indicators pointing in a positive direction and only three pointing in a negative direction. Over the most recent year, however, the picture is more bleak. Negative changes outnumber the positive—11 are negative and 10 are positive.

Multi-Year Comparison

Over the past decade, the *economic* indicators for which we have multi-year data all point upward for the 50+ population.[2, 3] That does not necessarily mean great strides have been made. For example, median family income (adjusted for inflation) increased from $31,800 to $35,200 over the past decade (11%), a modest change of one percent per year at a time when real GDP and total incomes grew between three and four percent per year. Slower growth at the median in the context of robust overall growth suggests that income inequality has greatly increased. Moreover, all the real income growth in the past decade occurred before 1998. Income for the typical family age 50 and older has not increased in real terms in six years.

A more positive trend is that the percentage of those 50+ who are living above 200 percent of poverty (considered a minimally adequate standard of living) has increased by about four percentage points from 67.8 to 71.7 over the period from 1994 to 2004. Other economic indicators point to more incremental progress. For example, pension coverage (all types of plans) for those age 50 and older has increased by 2.6 percentage points, from 47.3 to 49.9 percent. Still, over half of the workforce, including those age 50 and older, remains without a pension and the shift away from defined benefit pensions that guarantee income and toward 401(k) plans that impose greater risk on workers continues. Similarly, reliance on sources of income other than Social Security, a sign of more adequate retirement income, has improved over ten years by two percentage points, from 48.1 to 50.1 percent. However, this means that half of those 62 and older continue to depend on Social Security for 50 percent or more of their income. Of all the economic indicators, median financial assets have shown the most impressive growth. For those 50 and older, the increase amounted to 80 percent between 1992 and 2004.

The 50+ *health* and *long-term care* picture is more mixed. "Excellent" or "very good" health status is reported slightly more frequently than 10 years ago, drug coverage is more widespread for Medicare beneficiaries, a higher percentage of the 50+ population is physically active, and the mental health and functional limitation indicators have both improved. However, on the downside, the percent not overweight and not obese declined over the decade, medical care has become unaffordable for more people age 50 and older, and health insurance coverage for 50-to-64-year-olds has declined.

Two other measures we were able to examine over multiple years—use of the Internet and the percentage of spending that is discretionary—both showed positive changes.

One-Year Comparison

The picture over the most recent year has been less favorable. Moderately positive change occurred in six of 10 economic indicators, but change in the health indicators has been consistently negative. In the past year, Americans age 50 and older seem to be doing better financially, but feeling worse. Other social measures were more negative than positive.

Among the *economic* measures, median family income declined slightly between 2003 and 2004 for people 50 and older, as did personal debt status, while there was no change in people's attitudes about their financial status or their confidence about retirement. In contrast, more Americans 50+ are both in the labor force and employed than in the previous year; pension coverage has expanded, although by less than one percentage point; the percentage of those 62 and older who rely on Social Security for less than half their income grew slightly; and the proportion of the 50+ population with incomes above two times the poverty level also increased over the last year, but by only one-tenth of one percent.

The one-year *health* indicators display a generally negative trend. For example, the percent reporting their health as excellent or very good declined, as did drug coverage for Medicare beneficiaries, the percent able to afford health care, the percent who were non-obese and non-overweight, and (perhaps related) the percent who engaged in physical activity. The one favorable health trend since last year was that mental health status, a measure new to last year's report, improved. No change was evident in health insurance coverage for 50-to-64-year-olds.

Among the other indicators, the percent having no functional limitations increased, as did the percentage who say their quality of life improved and the percent of income used for discretionary spending, all favorable trends. On the negative side, access to the Internet declined, as did the percent of people not having substantial caregiving burdens, the percent who had adequate transportation access, and the percent who rated their neighborhoods as secure.

Despite modest progress in the state of 50+ America over the past decade, the future remains uncertain for several reasons. Individuals are being required to take more responsibility for their own retirement, traditional pensions are in decline even as overall coverage inches up, retiree health benefits are being reduced or eliminated, the stock market is stagnant, and threats to partially privatize Social Security, although they were turned back in 2005, are likely to resurface.

Although this report card attempts to capture some of the more relevant and important trends affecting Americans age 50 and older, it does not attempt to explore in detail more complex issues such as distributional trends, demographic patterns, or more vulnerable populations such as women, minorities, people with disabilities, and those with low incomes. For such in-depth analysis of the data, we refer the reader to the annual AARP *Beyond Fifty* series of reports on selected topics or to the regular reports issued by AARP's Public Policy Institute.

Tables

Indicator Overview

Table 1

Changes in Key Indicators of Well-Being in Population 50+

	Indicator Name	Indicator Year	Most Recent[A] Year	Previous Year	1-Year Change	Historical[B] Year	10-Year Change
1	Median family income (in 2004 dollars)	2004	$35,199	$35,746	↓	$31,776	↑
2	Median financial assets (in 2004 dollars)	2004	$48,382 est.	$45,790 est.	↑	$26,820 (1992)	↑
3	Percent of the population above 200 percent of poverty	2004	71.7	71.6	↑	67.8	↑✣
4	Percent of the population age 62+ who receive more than half of their income from sources other than Social Security	2004	50.1✿	49.5✿	↑✣	48.1✿	↑✣
5	Pension coverage rate	2004	49.9	49.5	↑✣	47.3	↑✣
6	Employment rate	2005	45.1	44.7	↑✣	38.7	↑✣
7	Labor force participation rate	2005	46.9	46.7	↑✣	40.2	↑✣
8	Percent better off financially than a year earlier	2005	15.0	15.0	=	NA	NA
9	Percent confident in their retirement future	2005	76.0	76.0	=	NA	NA
10	Percent reporting no increase in personal debt	2005	82.0	83.0	↓	NA	NA
11	Percent reporting health as "excellent" or "very good"	2004	47.0	47.5	↓	46.1	↑
12	Percent of noninstitutional Medicare beneficiaries (including disabled beneficiaries of all ages) with continuous Rx coverage	2002	57.6✖	57.8✖	↓	49.4 (1997)✖	↑✣
13	Percent of population 50 to 64 with health insurance from any source for any length of time during the year	2004	86.5⅄	86.5⅄	=	87.1 (1999)⅄	↓
14	Percent able to afford medical care when needed during the past 12 months	2004	94.9	95.0	↓	95.9 (1997)	↓✣
15	Percent who engage in leisure time physical activity	2004	26.0	26.7	↓	23.6 (1998)	↑✣
16	Percent who are not overweight and not obese	2004	35.0	35.4	↓✣	39.7 (1998)	↓✣
17	Percent without possible signs of depression	2004	83.6	82.4	↑	83.3 (1997)	↑✣
18	Percent of expenditures for "non-essentials"	2003	47.0	46.7	↑	45.9 (1990)	↑
19	Percent of the population who use the Internet	2005	51.0	53.0	↓	19.3 (1998)	↑
20	Percent very satisfied with amount of contact with family, friends, and neighbors	2005	71.0	71.0	=	NA	NA
21	Percent who say their quality of life has improved during the past 12 months	2005	16.0	13.0	↑	NA	NA
22	Percent with no functional limitations requiring assistance from another person	2004	92.6	92.3	↑	91.5 (1997)	↑✣
23	Percent of caregivers with no substantial caregiving burdens	2005	65.0	67.0	↓	NA	NA
24	Percent who rarely or never miss something away from their residence due to lack of transportation	2005	90.0	92.0	↓	NA	NA
25	Percent who rate their neighborhood as "good" or "excellent" in terms of security	2005	86.0	87.0	↓	NA	NA

Indicator Economic (rows 1–10) Health (rows 11–17) Consumption/Social/Lifestyle (rows 18–21) Independent Living/Long-Term Care (rows 22–25)

NA is used where comparison data are not available or where the indicator definition does not include the given age subgroup.

✿ 62+ only ✖ All ages, including under 65 ⅄ Ages 50 to 64 only ✣ Change is statistically significant at the .05 level.

A. The "Most Recent Year" is the same as the "Indicator Year."
B. The "Historical Year" is 10 years prior to the "Most Recent Year," or "Indicator Year," unless otherwise noted.

Overview of 25 Indicators

This 2006 edition of *The State of 50+ America* again examines the well-being of the age 50 and older population in terms of various economic, health, social, and attitudinal indicators. Taken together, these indicators provide AARP's assessment of the overall quality of life of Americans age 50 and older. As in the previous two reports, we examine change in these indicators over the most recent one-year period, but we also examine change in the past decade (where possible) since year-to-year changes are often not adequately reflective of underlying trends.

To preview our results, we found that this year the overall 50+ population was worse off in comparison to last year. Six economic indicators (three of them employment-related) showed improvements—they were median financial assets, the percent of the population above 200 percent of poverty, pension coverage, the labor force participation rate, the employment rate, and the percent of the 62+ population who receive more than half of their income from sources other than Social Security. However, median family income trended downward in the past year. At the same time, health indicators pointed almost uniformly in a negative direction, as did some indicators of social well-being. Our findings seem to suggest that people were doing better, but feeling worse. Over the past decade, the story is more positive, with generally favorable economic and health trends, although real median incomes have not increased for at least six years.

We have attempted to structure all the indicators in the report so that a higher number denotes improvement in well-being, just as in our previous reports. This makes it easier to summarize improvement across the wide array of indicators. However, the result of this construction is that some indicators are inelegantly phrased. For example, "the percent of caregivers who have no substantial caregiving burdens" or "the percent of the population who receive more than half of their income from sources other than Social Security" may be unwieldy. We apologize for the occasionally awkward syntax, but we have tried to maintain the integrity of meaning of the indicators.

To provide continuity from annual report to annual report, no new indicators have been added to the 25 indicators presented in the 2005 edition. The indicators are derived from either well-established government surveys or from the *AARP Aging Indicators Study, 2005*,[4] which accounts for nine of the 25 indicators. The Annual March Demographic Supplement to the Census Bureau's *Current Population Survey* is the source of seven indicators, and the National Center for Health Statistics' *National Health Interview Survey* accounts for five. The Bureau of Labor Statistics' *Consumer Expenditure Survey,* the Federal Reserve's *Survey of Consumer Finances,* the Center for Medicare and Medicaid Services' *Medicare Current Beneficiary Survey,* and the Centers for Disease Control and Prevention's *Behavioral Risk Factor Surveillance System* each provide one.

We have retained the separate analysis of the 75 and older population that was added to last year's report. This oversample provides information on the important differences between the recently retired and the older retired. For the sake of easier reading and brevity, in this report we use the following terms and age designations interchangeably—the 50-to-64-year-olds will often be referred to as the "youngest" age subgroup, the 65-to-74-year-olds as the "middle" age subgroup, and the 75+ year-olds as the "oldest" age subgroup.[5]

Multi-Year Change

50+ Overall

In the past decade (in some cases less), Americans age 50 and older showed modest signs of improvement in economic and health status, although not in terms of health affordability or in staving off obesity or overweight. They improved on a total of 14 indicators and declined on three. They realized increases in real (adjusted for inflation) median family income (+10.8%) since 1994, although most of that growth occurred before 1998, and no net growth in real incomes has occurred since then. Moreover, median incomes have grown much more slowly than total incomes, suggesting that income inequality among people age 50 and older has greatly increased. Real median financial assets grew more robustly than income (+80%) from 1992 to 2004, thanks to the stock market boom in the late 1990s that was partially offset by the stock market plunge of 2000 to 2002.[6] The growth in financial assets since the early 1990s has also been accompanied by increased wealth inequality.

The income status of the most vulnerable Americans improved, as the percent above 200 percent of poverty increased (+3.9 percentage points). Our findings also suggest that people are working longer, demonstrated by an increasing employment rate (+6.4 percentage points) since 1995 and a higher labor force participation rate (+6.7 percentage points), primarily among the 50-to-64 and 65-to-74 age subgroups. If these work trends indicate choice rather than need, they are favorable, but the data do not allow us to determine which predominates. The increased overall pension coverage rate (for all types of plans) (+2.6 percentage points) is a welcome, though modest, sign of improved retirement security. Despite gains in pension coverage in all three of our age subgroups, the rate still falls short of covering a clear majority of the 50+ worker population.

The portion of all those age 62 and older who receive more than 50 percent of their income from sources other than Social Security has increased over ten years by two percentage points, from 48.1 to 50.1 percent. However, the counterpoint is that half of those age 62 and older continue to depend on Social Security for 50 percent or more of their income. This trend suggests that people are not able to save enough to reduce reliance on Social Security in retirement, which was only intended to be the base for retirement income, but in fact constitutes the single most important source of retirement wealth for most older Americans.

Both physical and mental health have improved slightly, as evidenced, in part, by increases in the percent with excellent or very good self-reported health status (+0.9 percentage points). However, it should be noted that the portion of those 75 and older that answer "excellent" or "good" to the health status question has fallen over the last 10 years. The proportion without possible signs of depression (+0.3 percentage points) and the proportion that is physically active (+2.4 percentage points) has also increased. The proportion of the total 50+ population with no functional limitations also increased slightly (+1.1 percentage points) from 1997 to 2004. Still, only about a quarter of the 50+ population is physically active, and the proportion that is not overweight and not obese declined over the most recent six-year period (-4.7 percentage points).

Even if people feel somewhat healthier, the health care system is not serving them well in terms of coverage and affordability. Health insurance coverage declined for those age 50 to 64 (-0.6 percentage points), as did the percent able to afford needed medical care (-1.0 percentage points). The percentage of Medicare beneficiaries (including disabled beneficiaries of all ages) with drug coverage increased (+8.2 percentage points) from 1997 to 2002.

Another measure also showed improvement over several years' time: the proportion of the 50+ population using the Internet increased dramatically (31.7 percentage points) since 1998.

Three Age Subgroups

In a later section we will highlight separately and in greater detail the results for each indicator for the 50-to-64, 65-to-74, and 75+ age subgroups. To preview that section briefly here, the "youngest" subgroup's fortunes improved on all economic measures on which we had data over the past 10 years—income, financial assets, labor force participation, employment, and pension coverage. They also felt healthier physically and mentally, and were more active, but fewer avoided overweight and obesity. The percent with health coverage declined, and medical care became unaffordable for more people. There were also very slight increases in discretionary ("non-essential") spending and in the percent without functional limitations. Overall, the "youngest" age subgroup had improved on 12 indicators and declined on three measures for which we have multi-year data.

The "middle" age subgroup improved on all of the economic indicators we have for the longer period (income, financial assets, percent above 200% of poverty, pension coverage, employment rate, labor force participation rate, percent of those 62 and older who receive more than half of their income from sources other than Social Security). They also improved on several of the other indicators, including being physically active, mental health, increased discretionary spending, use of the Internet, and absence of functional limitations. However, there were setbacks of varying degrees in terms of affordability of medical care, self-reported health status, and obesity and overweight status. Overall, the "middle" age subgroup improved on 13 and declined on three indicators.

Change for the "oldest" subgroup was similar to that of the "middle" age subgroup, with improvements on the same 13 indicators and declines on the same three indicators that the 65-to-74-year-olds experienced.

One-Year Change

50+ Overall

Over the most recent year, of the indicators for which we have comparative data on the total 50+ population, 10 indicators showed signs of improvement and 11 indicators showed decline, while there was no change in three indicators. This is a less favorable showing than in last year's report card, which had 12 indicators moving in a positive direction and six dropping.

Over a one-year period, the story for the 50+ population is one of just slightly improved economic circumstances, with modest gains on six of 10 economic indicators. However, one of the most crucial indicators—median family income—showed a small drop compared to the year before. This means that at best there was no increase in median income since the previous year, and, in fact, income is still well below its 1998 level when measured in constant (2004) dollars. Increases occurred in median financial assets (+6%), the percent above 200 percent of poverty (+0.2 percentage points), the pension coverage rate (+0.4 percentage points), the employment rate (+0.4 percentage points), and the labor force participation rate (+0.2 percentage points). The percent of people confident in their retirement future did not change from last year and more than eight in 10 said their debt amounts had not increased in the past year.

The near-term health picture was negative overall. Declines in five measures and no change in a sixth (health insurance coverage for those age 50 to 64) outweighed a small improvement in the percent without possible signs of depression (+1.2 percentage points). Declines occurred in regular physical activity (-0.7 percentage points), the proportion not overweight and not obese (-0.4 percentage points), the proportion with excellent or very good self-reported health status (-0.5 percentage points), and the percent able to afford needed medical care (-0.1 percentage points). The percent of Medicare beneficiaries (including disabled beneficiaries of all ages) with drug coverage decreased slightly (-.02 percentage points). Health insurance coverage for those age 50 and older remained the same over the one-year period.

The indicators relating to independent living and long-term care show overall decline compared with last year. From 2004 to 2005, the total 50+ population had negative changes in the percent of those with no substantial caregiving burdens (from 67 to 65 percent), the percent that rarely or never miss doing something because of a lack of transportation (from 92 to 90 percent), and perceived neighborhood safety (from 87 to 86 percent). In contrast, the percent that reported an improved "quality of life" increased from 13 to 16 percent. There was very slight improvement for this group in the percent with no functional limitations (from 92.3 to 92.6 percent). The percent satisfied with contact with family, friends, and neighbors did not change from last year.

Three Age Subgroups

In the most recent year, the "youngest" subgroup experienced more losses than gains, particularly in the consumption and social/lifestyle indicators and the long-term care and independent living indicators. The "youngest" subgroup made progress on three economic indicators (financial assets, pension coverage, employment rate), but setbacks in four others (income, the percent above two times the poverty line, percent confident in their retirement future, total debt). The labor force participation rate did not change from last year to this year for age 50 to 64. The "youngest" subgroup fared even worse in terms of health, declining or remaining the same on all but two health indicators (mental health status, self-reported health status). For the age 50-to-64 subgroup, spending on "non-essential" items increased, but the percent without functional limitations decreased.

The "middle" age subgroup improved on all but three economic indicators (the employment rate, labor force participation, and total debt) but declined on all health measures with two exceptions (mental health and Medicare beneficiaries with prescription drug coverage). They also declined slightly in the percent spent on discretionary items and the percent without functional limitations.

The "oldest" age subgroup improved on five of the 10 economic indicators (median family income, financial assets, percent above 200 percent of poverty, employment rate, labor force participation rate), but declined on two others (percent receiving more than half of their income from sources other than Social Security, and pension coverage). Three indicators remained unchanged at last year's levels (percent who say they are financially better off, percent confident in their retirement future, total debt). The 75+ subgroup has a mixed story in the health indicators, improving in health care affordability and mental health but declining in health status, percent who are physically active, and percent who are non-obese and non-overweight relative to the previous year. They had a small increase in the percent of spending on "non-essentials" and in the proportion without functional limitations. Increases were also shown in the percentage of those who were satisfied with the amount of contact with family and friends and the percentage of those who use the Internet.

Table 2

Changes in Key Indicators of Well-Being

	Indicator Name
1	Median family income (in 2004 dollars)
2	Median financial assets (in 2004 dollars)
3	Percent of the population above 200 percent of poverty
4	Percent of the population age 62+ who receive more than half of their income from sources other than Social Security
5	Pension coverage rate
6	Employment rate
7	Labor force participation rate
8	Percent better off financially than a year earlier
9	Percent confident in their retirement future
10	Percent reporting no increase in personal debt
11	Percent reporting health as "excellent" or "very good"
12	Percent of noninstitutional Medicare beneficiaries (including disabled beneficiaries of all ages) with continuous Rx coverage
13	Percent of population 50 to 64 with health insurance from any source for any length of time during the year
14	Percent able to afford medical care when needed during the past 12 months
15	Percent who engage in leisure time physical activity
16	Percent who are not overweight and not obese
17	Percent without possible signs of depression
18	Percent of expenditures for "non-essentials"
19	Percent of the population who use the Internet
20	Percent very satisfied with amount of contact with family, friends, and neighbors
21	Percent who say their quality of life has improved during the past 12 months
22	Percent with no functional limitations requiring assistance from another person
23	Percent of caregivers with no substantial caregiving burdens
24	Percent who rarely or never miss something away from their residence due to lack of transportation
25	Percent who rate their neighborhood as "good" or "excellent" in terms of security

Indicator Economic (1–10) · Health (11–17) · Consumption/Social/Lifestyle (18–21) · Independent Living/Long-Term Care (22–25)

in Population 50 to 64						in Population 65 to 74					
Indicator Year	Most Recent[A] Year	Previous Year	1-Year Change	Historical[B] Year	10-Year Change	Indicator Year	Most Recent[A] Year	Previous Year	1-Year Change	Historical[B] Year	10-Year Change
2004	$50,252	$50,868	↓	$48,466	↑	2004	$29,120	$28,982	↑	$26,251	↑
2004	$54,579 est.	$51,655 est.	↑	$29,890 (1992)	↑	2004	$58,173 est.	$55,056 est.	↑	$29,702 (1992)	↑
2004	78.9	79.3	↓✣	76.2	↑✣	2004	67.7	67.5	↑	64.4	↑✣
2004	NA	NA	NA	NA	NA	2004	62.0⅄	61.3⅄	↑	59.1⅄	↑
2004	54.3	53.8	↑✣	52.2	↑✣	2004	27.8	26.1	↑	24.8	↑
2005	67.2	67.0	↑✣	63.3	↑✣	2005	21.4	21.7	↓	16.9	↑✣
2005	69.8	69.8	=	65.9	↑✣	2005	22.3	22.6	↓	17.5	↑✣
2005	20.0	20.0	=	NA	NA	2005	14.0	12.0	↑	NA	NA
2005	70.0	72.0	↓	NA	NA	2005	81.0	78.0	↑	NA	NA
2005	76.0	78.0	↓	NA	NA	2005	86.0	88.0	↓	NA	NA
2004	54.3	54.0	↑	52.9	↑	2004	41.0	42.5	↓	41.2	↓
2002	NA	NA	NA	NA	NA	2002	58.3	57.9	↑	51.7	↑✣
2004	86.5	86.5	=	87.1 (1999)	↓	2004	NA	NA	NA	NA	NA
2004	93.1	93.3	↓	94.3 (1997)	↓✣	2004	96.8	97.0	↓	97.4 (1997)	↓✣
2004	29.3	29.5	↓	26.9 (1998)	↑✣	2004	26.4	28.0	↓	24.1 (1998)	↑
2004	31.2	31.5	↓✣	35.6 (1998)	↓✣	2004	33.9	34.3	↓✣	39.1 (1998)	↓✣
2004	83.9	82.5	↑	83.6 (1997)	↑	2004	85.3	84.0	↑	84.8 (1997)	↑
2003	50.5	50.0	↑	50.2 (1990)	↑	2003	43.4	43.5	↓	41.3 (1990)	↑
2005	65.0	70.0	↓	31.3 (1998)	↑	2005	45.0	45.0	=	12.3 (1998)	↑
2005	68.0	69.0	↓	NA	NA	2005	72.0	76.0	↓	NA	NA
2005	21.0	16.0	↑	NA	NA	2005	13.0	12.0	↑	NA	NA
2004	96.2	96.3	↓	96.1 (1997)	↑	2004	93.9	93.0	↑	92.6 (1997)	↑✣
2005	64.0	70.0	↓	NA	NA	2005	68.0	57.0	↑	NA	NA
2005	88.0	95.0	↓	NA	NA	2005	95.0	91.0	↑	NA	NA
2005	86.0	88.0	↓	NA	NA	2005	87.0	84.0	↑	NA	NA

NA is used where comparison data are not available or where the indicator definition does not include the given age subgroup.
⅄ Ages 62 to 74 only ✣ Change is statistically significant at the .05 level.

A. The "Most Recent Year" is the same as the "Indicator Year."
B. The "Historical Year" is 10 years prior to the "Most Recent Year," or "Indicator Year," unless otherwise noted.

Table 3

Changes in Key Indicators of Well-Being

	Indicator Name
1	Median family income (in 2004 dollars)
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23	Percent of caregivers with no substantial caregiving burdens
24	Percent who rarely or never miss something away from their residence due to lack of transportation
25	Percent who rate their neighborhood as "good" or "excellent" in terms of security

Indicator Economic Health Consumption/Social/Lifestyle Independent Living/Long-Term Care

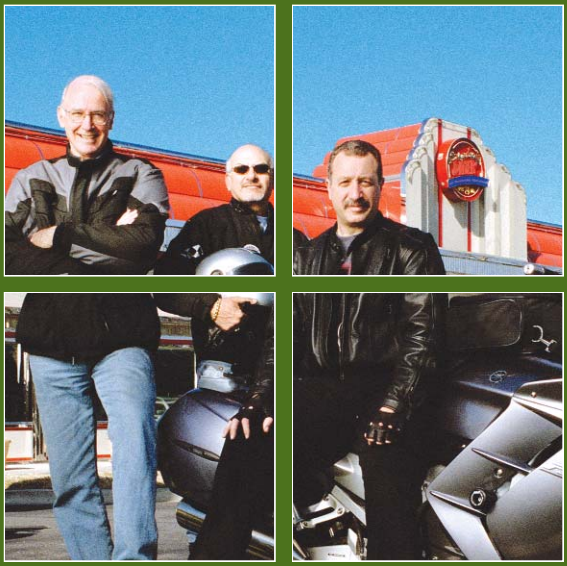
in Population 65+						in Population 75+					
Indicator Year	Most Recent[A] Year	Previous Year	1-Year Change	Historical[B] Year	10-Year Change	Indicator Year	Most Recent[A] Year	Previous Year	1-Year Change	Historical[B] Year	10-Year Change
2004	$23,899	$23,715	↑	$22,577	↑	2004	$19,688	$19,319	↑	$18,066	↑
2004	$45,272 est.	$42,846 est.	↑	$23,333 (1992)	↑	2004	$41,470 est.	$39,248 est.	↑	$21,004 (1992)	↑
2004	61.8	61.0	↑✣	58.6	↑✣	2004	55.3	53.8	↑✣	50.4	↑✣
2004	50.1✿	49.5✿	↑✣	48.1✿	↑✣	2004	39.2	40.0	↓	36.7	↑
2004	25.8	24.7	↑	23.0	↑	2004	18.7	19.3	↓	14.4	↑
2005	14.3	14.2	↑	11.9	↑✣	2005	6.5	5.9	↑	4.8	↑
2005	14.9	14.8	↑	12.3	↑✣	2005	6.7	6.2	↑	4.9	↑
2005	10.0	9.0	↑	NA	NA	2005	6.0	6.0	=	NA	NA
2005	82.0	81.0	↑	NA	NA	2005	83.0	83.0	=	NA	NA
2005	89.0	90.0	↓	NA	NA	2005	92.0	92.0	=	NA	NA
2004	36.7	38.7	↓✣	38.7	↓✣	2004	31.9	34.4	↓✣	35.1	↓✣
2002	NA	NA	NA	NA	NA	2002	57.5	57.4	↑	47.2	↑✣
2004	NA	NA	NA	NA	NA	2004	NA	NA	NA	NA	NA
2004	97.4	97.3	↑	97.7 (1997)	↓✣	2004	98.1	97.7	↑	98.2 (1997)	↓
2004	21.4	23.0	↓✣	19.7 (1998)	↑✣	2004	15.7	17.4	↓	14.2 (1998)	↑✣
2004	39.9	40.3	↓✣	44.2 (1998)	↓✣	2004	46.3	46.9	↓✣	52.2 (1998)	↓✣
2004	83.2	82.4	↑	82.9 (1997)	↑	2004	80.9	80.6	↑	80.4 (1997)	↑
2003	40.4	40.4	=	39.8 (1990)	↑	2003	36.3	36.1	↑	34.3 (1990)	↑
2005	35.0	35.0	=	9.0 (1998)	↑	2005	25.0	24.0	↑	4.3 (1998)	↑
2005	74.0	73.0	↑	NA	NA	2005	76.0	69.0	↑	NA	NA
2005	11.0	10.0	↑	NA	NA	2005	9.0	8.0	↑	NA	NA
2004	87.6	86.9	↑	86.2 (1997)	↑✣	2004	80.5	80.0	↑	77.8 (1997)	↑✣
2005	67.0	61.0	↑	NA	NA	2005	65.0	66.0	↓	NA	NA
2005	91.0	89.0	↑	NA	NA	2005	87.0	87.0	=	NA	NA
2005	85.0	86.0	↓	NA	NA	2005	84.0	87.0	↓	NA	NA

NA is used where comparison data are not available or where the indicator definition does not include the given age subgroup.

✿ 62+ only ✣ Change is statistically significant at the .05 level.

A. The "Most Recent Year" is the same as the "Indicator Year."

B. The "Historical Year" is 10 years prior to the "Most Recent Year," or "Indicator Year," unless otherwise noted.



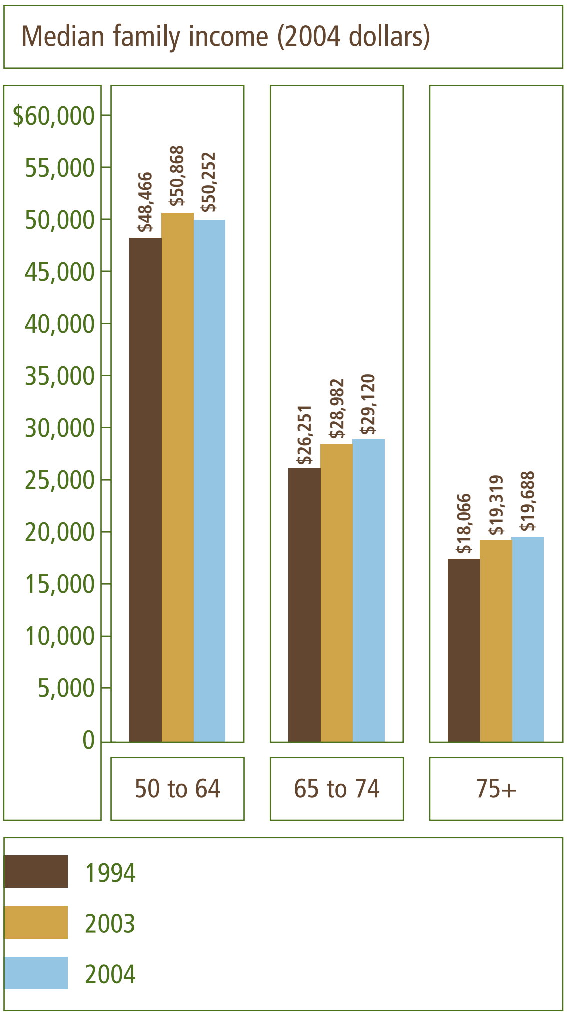
. . . there has been no real (i.e., after adjusting for inflation) net increase in family incomes for any of the three age subgroups since at least 1999 . . .

Economic Indicators

1 **Median family income** represents income in the exact middle of the income distribution of 50+ families. It is perhaps the most basic measure of economic well-being. In general, the median family income of the 50-to-64 age subgroup, most of whom are working, is over 70 percent larger than that of the 65-to-74-year-olds, and over two-and-one-half times that of the 75+ age subgroup, reflecting the loss of wage income after retirement. Partially offsetting these income differentials is the smaller size of age 65+ families, which are less likely to have dependent children at home.

The median family income (adjusted for inflation) for the 65-to-74 age subgroup, as well as the 50+ population overall, increased by almost 11 percent in the past decade. The median income for the 75+ age subgroup increased by 9 percent over the past decade, and the 50-to-64 age subgroup had the smallest increase during the same period of 3.7 percent. Since this subgroup is the most likely to be working, they are more subject to economic cycles.

However, the fact that there has been no real (i.e., after adjusting for inflation) net increase in family incomes for any of the three age subgroups since at least 1999 belies even these modest improvements over the past decade. In the case of the 50-to-64 subgroup, their 2004 median family income ($50,252) was below their 1998 income level ($51,235) in 2004 dollars. Income in 2004 for the 65-to-74-year-olds ($29,120) was lower than their 1999 level ($29,166) in 2004 dollars. For those 75+, their 2004 income ($19,688) was also less than their 1999 income level ($20,580) in 2004 dollars.



Source: U.S. Bureau of the Census, Annual Demographic Survey, March Supplement, Current Population Survey, 1995, 2004, 2005.

Additionally, despite fairly robust growth in GDP in 2003 and 2004, the stagnation in personal income continued in the most recent year. For those 50 and older overall, real median family income decreased 1.5 percent in the most recent one-year period. The 50-to-64 age subgroup saw a real decline of 1.2 percent, while income for those 65 to 74 increased by only one half of one percent and income for the age 75+ population increased just 1.9 percent during this period.

2

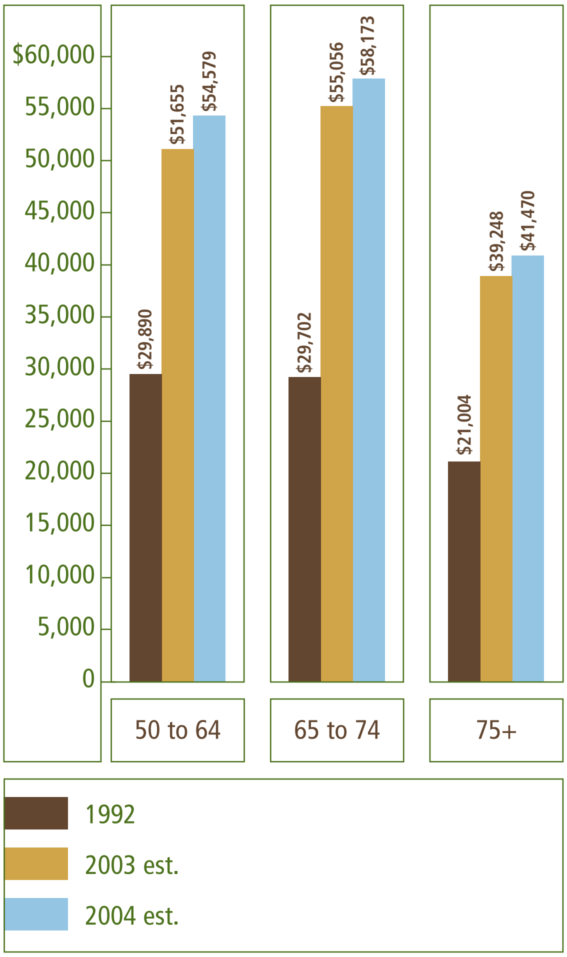
Median financial assets

represents the financial wealth of the family in the exact middle of the wealth distribution of families age 50 and older. It excludes housing and certain other non-financial assets such as other real estate, vehicles, and business property. The 2001 Federal Reserve triennial Survey of Consumer Finances (SCF) provides the best and most recent estimate of household financial wealth—no estimate for 2004 is available until early 2006.[7]

Median financial assets (adjusted for inflation) increased by 80 percent between 1992 and 2004 for the 50 and older population as a whole, and nearly doubled (94 percent increase) for the 65+ population. Financial asset values over this period grew slightly faster for the two older age subgroups, nearly doubling from 1992 to 2004, while increasing by 80 percent for the 50-to-64-year-old subgroup. The improvement over that period was largely driven by the boom in equity markets in the late 1990s and the spread of stock ownership, thanks largely to 401(k) plans. Despite the plunge of the stock market after 2000 that caused sharp losses in equity shares, the losses did not completely negate the gains that were made in the late 1990s, at least in aggregate terms, and the housing boom and subsequent market recovery in 2003 and 2004 spurred a resurgence in total assets.

Because of the simple method we used to project assets, the percent increase in financial assets between 2003 and 2004 was the same for all age subgroups—5.7 percent after adjustment for inflation. Despite the robust growth that has occurred in financial wealth over the past decade, financial assets in the range of $50,000 (approximately what the 50+ population possesses) will purchase a single life annuity worth less than $4,000 per year, substantially less than Social Security will provide for the average retired worker.

Median financial assets (est. 2004 dollars)



Sources: Federal Reserve Board, Survey of Consumer Finances, 1992, 2001; Federal Reserve Board, Flow of Funds Accounts, September 21, 2005.

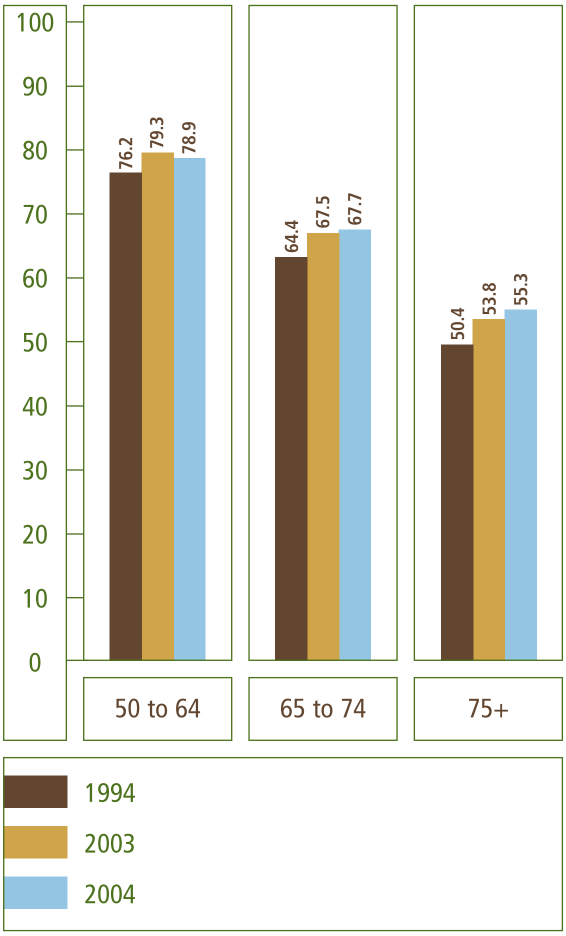
3 The percent of the population above 200 percent of poverty[8]

is a rough indicator of the percentage of people with a minimally adequate standard of living. The poverty line, which was established more than 40 years ago, is indexed to general increases in prices. But prices have generally grown more slowly than the level of wages in the economy, which better reflects the living standard. Therefore, the poverty line has fallen further and further behind the standard of living. For that reason we have selected two times the poverty line as a better reflection of a minimum standard of adequacy than the current poverty threshold.

When it was created, the poverty threshold was set at a lower level for people age 65+ than it was for the rest of the population because of putative age differences in nutrition requirements, and those dollar differences in the poverty thresholds remain today ($9,030 in 2004 for the 65+ population and $9,827 for those under 65). This difference in poverty levels means that the older population must be poorer than younger age groups to be considered poor by the Census Bureau definition. Experimental measures that take into account health care costs yield higher poverty rates for people 65 and older than younger age groups.

More progress against poverty has been made among the 75+ subgroup than among the younger subgroups over the past decade, but about 45 percent of people 75 and older still fall below our standard of adequacy. In the past decade, the percent of people age 50 to 64 who were above 200 percent of poverty increased by 2.6 percentage points (to 78.9 percent) while the 65-to-74 age subgroup had a comparable increase of 3.3 percentage points (to 67.7 percent), a favorable trend. Between 2003 and 2004, the 65-to-74 subgroup had a small

Percent of the population above 200 percent of poverty



Source: U.S. Bureau of the Census, Annual Demographic Survey, March Supplement, Current Population Survey, 1995, 2004, 2005.

increase (0.2 percentage points) in the percent of those above 200 percent of poverty while the subgroup of 75 and older had an increase of 1.5 percentage points. For those age 50 to 64, a small decline (0.4 percentage points) in the percent of those above 200 percent of poverty occurred between 2003 and 2004.

4

The percent of the population age 62 and older who receive more than half of their income from sources other than Social Security

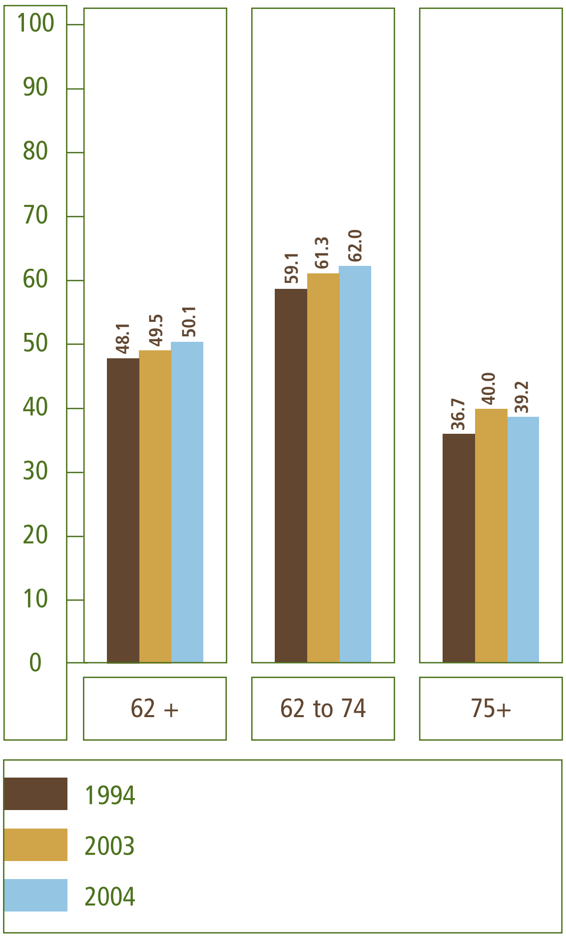
indicates the relative dependence on sources of income other than Social Security. Having diverse sources of income generally means higher incomes and less vulnerability to income loss from any one source. The higher this percentage, other things being equal, the better off beneficiaries are.

Social Security was not intended to be the sole source of income for retirees. Just over half (50.1%) of the population age 62 and older received more than half of their income from sources other than Social Security in 2004, a slight increase from the past year and a two percentage point increase over 10 years. Over the past year, the percentage also increased for ages 62 to 74, but dropped for those age 75 and older. For the 10-year period, the percentage increased for both the 62-to-74-year-olds (2.9 percentage points) and the 75 and older subgroups (2.5 percentage points).

The numbers confirm the importance of Social Security and its role as the mainstay of retirees' income. Even though aggregate wealth recovered in 2003 and 2004 from the sharp declines in the previous two years, growth in income from assets has had little impact on the overall measure of reliance on Social Security.

It is possible that the reduced reliance on Social Security also could be construed as a diminution in well-being if it were a result of a reduction in Social Security benefits. While Social Security benefits have not been reduced, any reductions in Social Security that increase the relative importance of other income sources would obviously leave people worse off.

Percent of the population age 62+ who receive more than half of their income from sources other than Social Security



Source: U.S. Bureau of the Census, Annual Demographic Survey, March Supplement, Current Population Survey, 1995, 2004, 2005.

5 The pension coverage rate

indicates the percentage of workers who currently work for employers who offer some type of pension.[9] This measure does not include workers without a pension on their current job who may have already earned pensions from earlier jobs. For roughly half of the workforce, including part-time workers, a large part of ongoing saving for retirement occurs through participation in a pension plan.

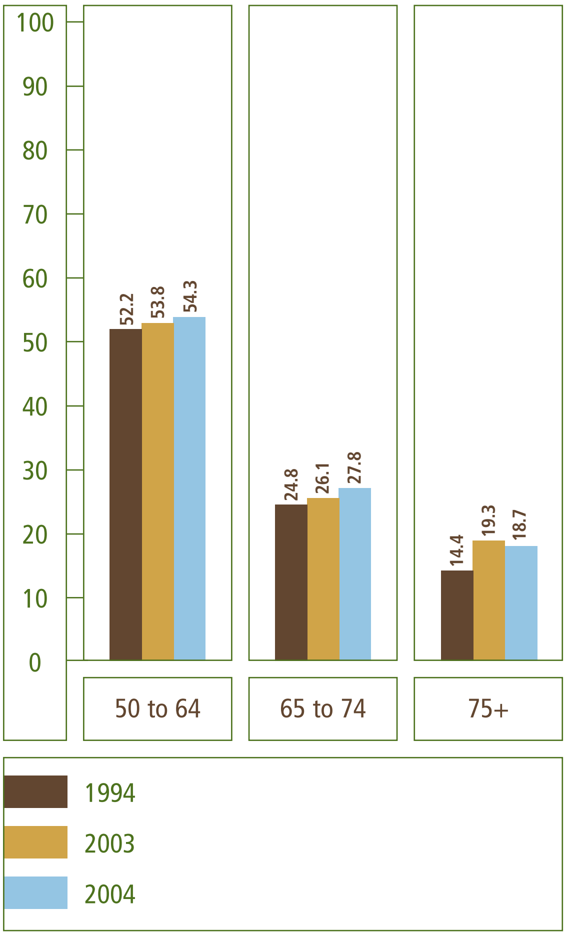
The pension coverage rate for workers age 50+ was 49.9 percent in 2004. While this is up over two-and-one-half percentage points from a decade earlier, it still leaves more than half the workforce without a pension. The pension coverage rate for the "youngest" age subgroup was 54.3 percent in 2004, up over two percentage points from a decade earlier. The coverage rate for workers in the "middle" age subgroup was 27.8 percent, up three percentage points over the decade. These increases suggest a continued expansion of 401(k) coverage through the working population.

The greatest increase in pension coverage was for workers in the "oldest" age subgroup—75+, with a 4.3 percentage point increase. This large increase for the "oldest" subgroup may indicate true expansion of coverage. Alternatively, it may merely indicate that those who work past age 75 have better jobs that include retirement benefits than those who retire earlier.

Coverage rates would be higher still if only full-time, year round workers were included and if data were available to indicate whether a worker is covered by a pension from a previous job.

In the past year, coverage increased for age 50 and older overall and for all subgroups except the "oldest", which decreased by 0.6 percentage points.

Pension coverage rate



Source: U.S. Bureau of the Census, Annual Demographic Survey, March Supplement, Current Population Survey, 1995, 2004, 2005.

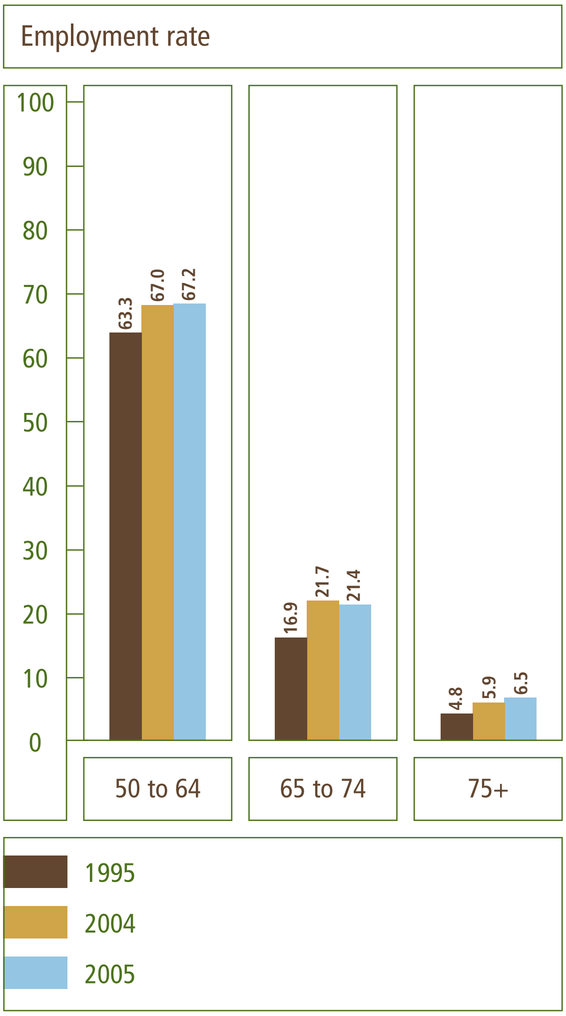
Coverage for the "youngest" subgroup is of greatest concern because workers at this age would normally be in career jobs and would need to be building wealth in their pension plans, whereas the "middle" and "oldest" age subgroups may already have earned a pension on another job.

These data do not reflect the long-term trend that has occurred over the past two decades away from defined benefit pensions that guaranteed workers an annual income for life and toward 401(k)-type plans that shift responsibility and risk to the individual worker.

6 The employment rate

The employment rate is the percent of people in the population or a particular age group who are working (it is often referred to as the employment-to-population ratio). Compared to a decade before, the employment rate rose by nearly four percentage points by 2005 for the “youngest” age subgroup—age 50 to 64 and by 4.5 percentage points for the “middle” age subgroup. For those age 75+, the rate increased by 1.7 percentage points. These increases in employment reinforce other evidence of a long-term shift toward longer work lives.

Similar to what we reported last year, the near-term trend has been less favorable. The slow recovery from the 2001 recession has meant that many older workers have not benefited greatly from the job recovery—the employment rate for the “middle” age subgroup of workers fell by 0.3 percentage points from 2004 to 2005, and increased by a mere 0.2 percentage points for the “youngest” subgroup in the population (from 67 percent to 67.2 percent). The “oldest” workers had the largest one-year increase—0.6 percentage points. These modest and inconsistent changes may partly reflect the trend we saw with median family income—the economic recovery represented by GDP growth has not necessarily translated into income or job growth.



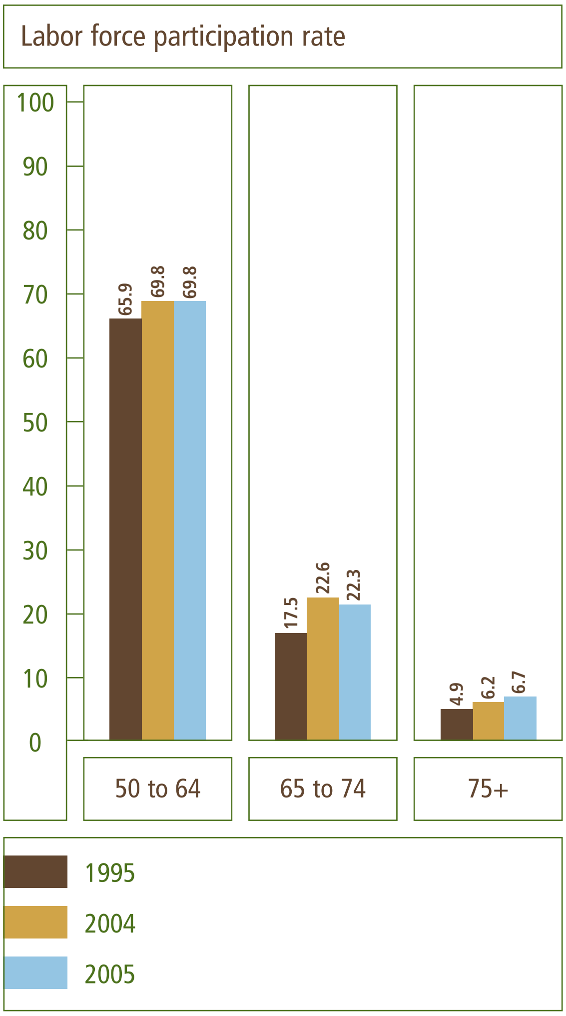
Source: U.S. Bureau of the Census, Annual Demographic Survey, March Supplement, Current Population Survey, 1995, 2004, 2005.

7

The labor force participation rate is the ratio of those employed and those without a job and looking for work to the adult civilian noninstitutional population.

The labor force participation rate of the 50+ population increased from 1980 to 2005, a development that masks two opposing trends—an increase in the participation rate for women, as growing numbers of middle-aged and older women remained in or entered the labor force, and a decrease in the participation rate for men age 55 to 64. Although the trend toward ever-earlier retirement seems to have come to an end, many men still leave the labor force in their late 50s to mid-60s.

The overall labor force participation rate was 69.8 percent for people age 50 to 64 in 2005, up nearly four percentage points from a decade ago but the same as 2004. The rate was 22.3 percent for those age 65 to 74, up almost five percentage points in the past decade but down since 2004. Even the 75+ age subgroup increased their participation rate by 1.8 percentage points over the last decade, as well as within the past year. Nearly 80 percent of baby boomers say they expect to work at least part time in retirement.[10] Other surveys also reveal high percentages of older workers planning to work in retirement, most often because they want to remain active, remain productive, or do something fun. Many, however, say they need the money or access to health insurance.



Source: U.S. Bureau of the Census, Annual Demographic Survey, March Supplement, Current Population Survey, 1995, 2004, 2005.

8 The percent better off financially than a year earlier

is an indicator derived from the *AARP Aging Indicators Study, 2005*. About one-fifth (20%) of the "youngest" subgroup, similar to 2004 (20%), considered their financial situation to be better than one year ago. The "oldest" respondents were much less likely to report being financially better off than 12 months ago (6%) compared to both the "youngest" respondents (20%) and "middle" age (14%) respondents. The response of each age subgroup (50 to 64, 65 to 74, 75+) is similar to the response in 2004.

The "oldest" respondents were more likely (73%) than the "youngest" (56%) and "middle" (62%) age respondents to report their financial situation as about the same as one year ago.

Nearly one-fourth (24%) of the "youngest" subgroup reported that they were *worse* off compared to one year ago, larger than the share who felt better off and up from 17 percent in 2004. Similarly 19 percent of the "oldest" subgroup reported that they were worse off than a year ago, compared with only six percent of the "oldest" respondents who reported that they were better off than one year ago. The latter pattern is similar to last year's, when only six percent of those age 75 and older reported they were better off than the year before and 21 percent reported they were worse off.

Percent better off financially than a year earlier

	2004	2005
50 to 64	20%	20%
65 to 74	12%	14%
75+	6%	6%

Source: AARP Aging Indicators Study, 2004, 2005.

9

The percent confident in their retirement future

is also derived from the *AARP Aging Indicators Study, 2005*. Respondents were asked about their level of confidence (very, somewhat, not very, not at all) that they would have enough money to live comfortably throughout their retirement years.

More than three quarters (76%) of all respondents 50 and older reported being very or somewhat confident about having adequate money to live comfortably in retirement. This is no change from 2004. In general, older respondents were more likely to be very or somewhat confident (83%) than younger respondents, but their confidence level did not change from last year.

The percent of the "youngest" age subgroup reporting themselves to be confident (70%) decreased from 72 percent in 2004, while the percent of "middle" age respondents who expressed confidence increased to 81 percent, up from 78 percent in 2004.

The percent of the "youngest" age subgroup who reported being not at all confident (13%) was more than twice that of the "middle" age subgroup (5%), more than three times that of "oldest" respondents (4%), and nearly double what they themselves reported in 2004 (8%). This relative lack of confidence may reflect the greater vulnerability of the younger cohort to economic cycles and the fragility of the economic recovery.

Percent confident in their retirement future

	2004	2005
50 to 64	72%	70%
65 to 74	78%	81%
75+	83%	83%

Source: AARP Aging Indicators Study, 2004 and 2005.

10 The percent reporting no increase in personal debt[11]

like the previous two indicators, is derived from the *AARP Aging Indicators Study, 2005*. Respondents were asked whether their total debt (including all mortgage debt, credit cards, installment loans) had increased, remained the same, or decreased from the previous year, or if they had no debt in the last 12 months.

In sum, 82.0 percent of all people 50 and older reported no increase in debt from the previous year. In general, this percentage increased with age, from 76 percent among the "youngest" to 92 percent among the "oldest" subgroup. In addition, a greater number of respondents reported that their debt load had increased (17.5) than decreased (15.5).

Of all respondents 50 and older, 28.7 percent reported having no debt in the previous 12 months, a decrease from 32.8 percent in 2004. More than half (55%) of people 75+, more than one-third (36.2%) of "middle" respondents, and one-seventh (14.3%) of the "youngest" respondents reported no debt—each of these percentages decreased from 2004.

Over one-third (37.8%) of 50 and older respondents reported that their debt load had remained about the same—the "youngest" were most likely (42.5%) and "oldest" least likely (29.9%) to report no change.

People in the "youngest" age subgroup were nearly four times more likely than those in the "oldest" subgroup to report their debt had increased (24.1 and 6.6 percent, respectively) and only one-fourth as likely as the "oldest" subgroup to report being without debt in the last 12 months (14.3 and 55.0 percent, respectively).

Percent reporting no increase in personal debt

	2004	2005
50 to 64	78%	76%
65 to 74	88%	86%
75+	92%	92%

Source: AARP Aging Indicators Study, 2004, 2005.

There is much discussion about the debt load of Americans. While much of the discussion has been about younger Americans, there is growing concern about boomers nearing retirement age, especially as compared to previous cohorts of retirees. Many older people are, indeed, debt-free. However, for a significant number of older people, they continue to have debt into retirement, which has implications for decisions about when to retire and whether they have enough to live on after essential expenses such as medical care and housing.

→ Between 1997 and 2004, there was a 1.0 percentage point decline in the portion of the 50+ population who could afford needed health care.

11

The percent reporting their health as "excellent" or "very good"

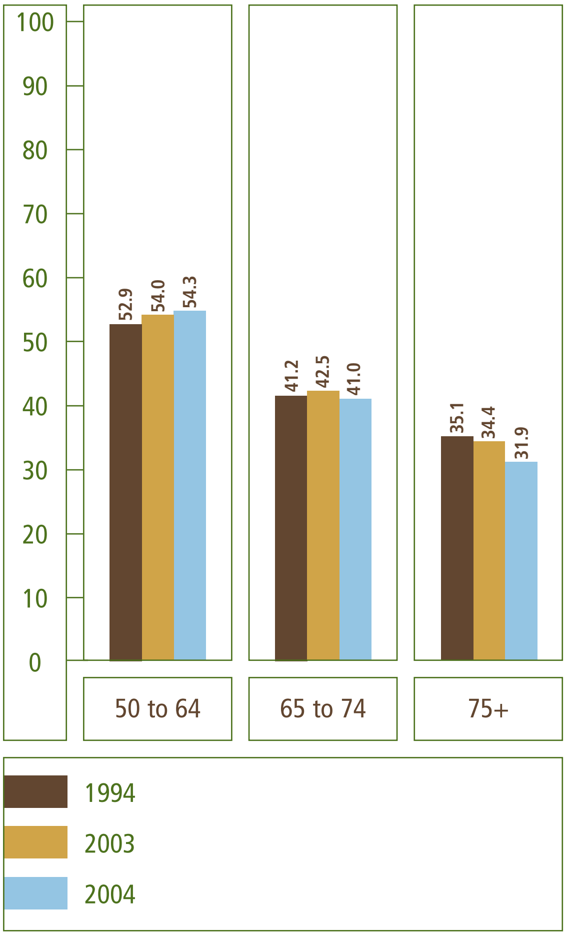
is one of the most widely used measures of health around the world. Although subjective, self-assessed health has been found to correlate strongly with objective measures of physical and mental health,[12] and it is a predictor of health outcomes such as mortality, functional status, and health services use.[13]

According to the National Health Interview Survey, in 2004, 47 percent of the 50+ population reported their health as "excellent or very good" on a scale ranging from "poor, fair, or good" to "very good or excellent." This is a decline of one half of one percentage point over the past year. The results for the 50+ population mask fairly dramatic differences in reported levels of health status within the group, ranging from 54.3 percent of 50-to-64-year-olds to 31.9 percent of those age 75+ reporting excellent or very good health.

Between 1994 and 2004, the percent of the population reporting "excellent or very good" health increased by only 0.9 percentage points for the entire 50+ age group, but the direction and amount of change differed considerably by age. The portion of the population that reported "excellent or very good" health status increased by 1.4 percentage points in the "youngest" age subgroup, while it decreased by 3.2 percentage points for the age 75+ subgroup.

Between 2003 and 2004, the percent reporting "excellent or very good" health declined slightly among the two older age subgroups, while the age 50-to-64 subgroup experienced a slight increase (less than one half of one percentage point).

Percent reporting health as "excellent" or "very good"



Source: National Center for Health Statistics, National Health Interview Survey 1994, 2003, 2004.

12 The percent of noninstitutional Medicare beneficiaries (including disabled beneficiaries of all ages) with continuous prescription drug coverage

was more than half, or 57.6 percent, in 2002.[14] Prescription drug coverage can help to reduce financial barriers to accessing medicines that are necessary to treat sudden illnesses and manage chronic health conditions. Medicare beneficiaries under the age of 65 are the least likely to have had continuous drug coverage in 2002 (56.0%), while Medicare beneficiaries age 65 to 74 are most likely to have had such coverage (58.3%).

Continuous coverage for prescription drugs increased dramatically—more than eight percentage points for Medicare beneficiaries of all ages—between 1997 and 2002. The increase was largest for beneficiaries age 75 and older (10.3 percentage points) and smallest for those age 65 to 74 (6.6 percentage points). A factor that likely contributed to this increase was the expansion of private plans under Medicare in the late 1990s. In the initial years of this program expansion, it was quite common for these private Medicare plans to offer generous prescription drug benefits.

More recently, the level of continuous coverage for prescription drugs among all community-dwelling Medicare beneficiaries decreased slightly (0.2 percentage points) from 57.8 percent in 2001. However, only the under 65 age subgroup experienced a decline in coverage—from 58.5 percent to 56.0 percent—during this one-year period.[15] Continuous drug coverage increased slightly between 2001 and 2002 for the 65+ age subgroups.

Percent of noninstitutional Medicare beneficiaries (including disabled beneficiaries of all ages) with continuous Rx coverage

	1997	2001	2002
All ages	49.4%	57.8%	57.6%
65 to 74	51.7%	57.9%	58.3%
75+	47.2%	57.4%	57.5%

Source: Analysis of Medicare Current Beneficiary Survey, Cost and Use files by The Peter Lamy Center on Drug Therapy and Aging, University of Maryland School of Pharmacy.

The relative plateau in the overall rate of continuous drug coverage, according to the latest data, is no surprise given subsequent reductions in two key sources of supplemental coverage for Medicare beneficiaries—employer-sponsored plans and Medicare private plans. Further declines in the level of continuous drug coverage among Medicare beneficiaries should be prevented by the establishment of voluntary outpatient prescription drug coverage in Medicare, effective January 2006.

13 The percent of population 50 to 64 with health insurance from any source for any length of time during the year

is an important measure because people with health insurance have a reduced risk of poor health outcomes and premature death compared with their peers who are uninsured. Potential sources of health coverage include individually purchased private insurance, employer-sponsored insurance, Medicare, Medicaid, and other government programs.

According to the U.S. Bureau of the Census' Current Population Survey, 86.5 percent of 50-to-64-year-olds reported having health insurance at any time during 2004. Despite no change from 2003 in the percent of this age subgroup with health coverage, the actual number of people with coverage rose by 1.4 million between 2003 and 2004 due to steady population growth among the 50-to-64 age subgroup.

Over the course of the five-year period 1999 to 2004, the age 50+ population grew by 22.3 percent. However, the percent of people reporting they had health coverage at any time during the year declined slightly from 87.1 percent to 86.5 percent. This means that the percent reporting no coverage at any time increased slightly, resulting in a total of 6.6 million 50-to-64-year-olds with no coverage in 2004.

Percent of population 50 to 64 with health insurance from any source for any length of time during the year

	1999	2003	2004
50 to 64	87.1%	86.5%	86.5%

Source: U.S. Bureau of the Census, Annual Demographic Survey, March Supplement, Current Population Survey, 2000, 2004, 2005.

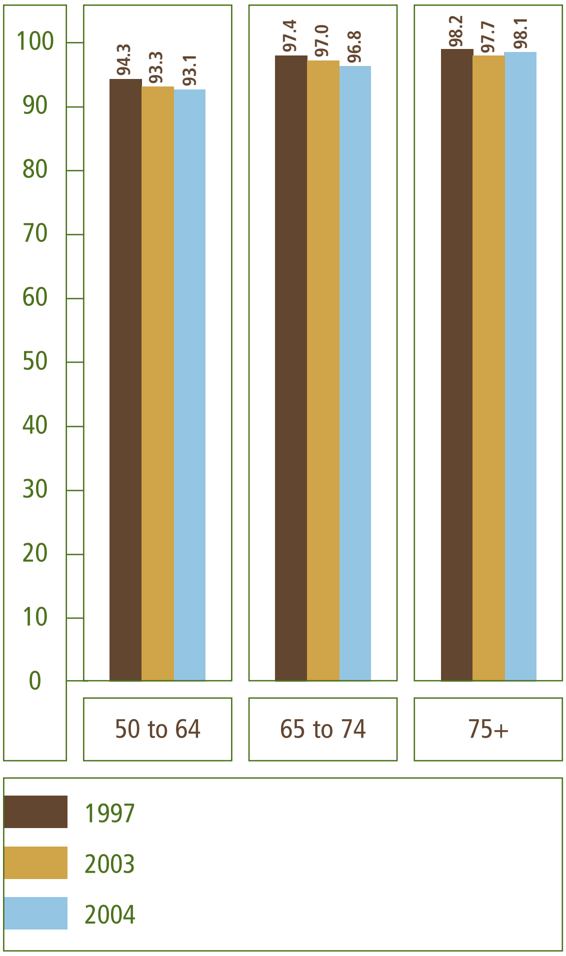
14 The percent able to afford medical care when needed during the past 12 months

was 94.9 percent for the 50+ population overall in 2004 and represented a very small decline (0.1 percentage points) from 2003. According to the National Health Interview Survey, the change from 2003 to 2004 among the 50+ subgroups ranged from a 0.2 percentage point decline (50 to 64 and 65 to 74 populations) to 0.4 percentage point increase (75+ population).

Between 1997 and 2004, there was a 1.0 percentage point decline in the portion of the 50+ population who could afford needed health care. All of the age subgroups also experienced a decline over this time period. The decline was somewhat larger among the "youngest" subgroup (-1.2 percentage points) than among the "oldest" subgroup (-0.1 percentage points).

In each of the years observed, the survey data consistently show that, within the 50+ population, the percent able to afford medical care when needed increased with the age of the subgroup. In 2004, 93.1 percent of the 50-to-64 population was able to afford care when needed. In comparison, the percentages of those age 65 to 74 and those 75 and older that were able to afford care were 3.7 and five points higher, respectively. Because Medicare coverage for most people starts at age 65, the greater ability of the 65+ population to afford needed care is likely a reflection of Medicare's role in improving access to needed health insurance coverage and health and financial security. While health insurance coverage by itself does not guarantee access to needed medical care, those who don't have health coverage may face a financial barrier that those with coverage may not experience.

Percent able to afford medical care when needed during past 12 months



Source: National Center for Health Statistics, National Health Interview Survey, 1997, 2003, 2004.

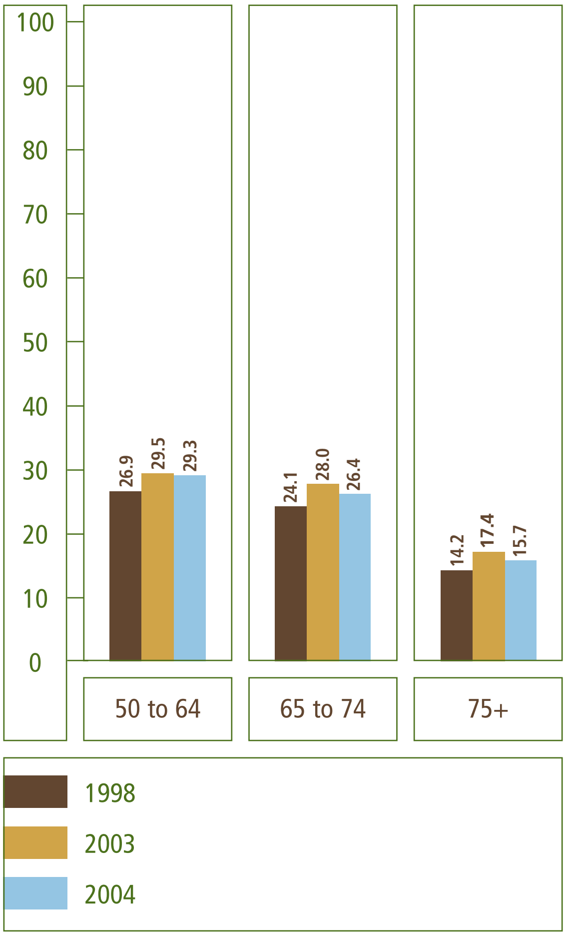
15 The percent who engage in leisure time physical activity

provides an important indicator of a healthy lifestyle. Older adults can achieve significant health benefits from moderate physical activity performed on a regular basis. For example, physical activity contributes to the ability to live independently and reduces the risk of falling and fracturing bones. In addition, physical activity reduces the risk of dying from heart disease and of developing conditions like high blood pressure, colon cancer, and diabetes. Other benefits include decreased anxiety and depression and an improved overall feeling of well-being.

According to the National Health Interview Survey, in 2004, a little more than one-quarter (26%) of the 50+ population engaged in some type of leisure time physical activity. Regular leisure time physical activity is defined as engaging in light to moderate activity for 30 or more minutes, five or more times a week; or engaging in vigorous activity for 20 minutes or more at least three times a week.

Physical activity was much less common among the 75 and older (15.7%) than either the "middle" or "youngest" age subgroups (26.4 percent for 65-to-74-year-olds and 29.3 percent for 50-to-64-year-olds). Between 1998 and 2004, the direction of the change was positive for the entire 50+ age group with all age subgroups showing an increase of at least 1.5 percentage points. The 50-to-64 and 65-to-74 year-old age subgroups had the largest increases over the six year period (2.4 and 2.3 percentage points, respectively), while physical activity among the "oldest" age subgroup only increased by 1.5 percentage points.

Percent who engage in leisure time physical activity



Source: National Center for Health Statistics, National Health Interview Survey, 1998, 2003, 2004.

The most recent data, comparing 2003 to 2004, however, show that there was an across-the-board decline in physical activity among all 50+ age subgroups ranging from 0.2 percentage points among the 50-to-64 age subgroup to 1.6 and 1.7 percentage points among the 65-to-74 and 75 and older age subgroups, respectively. Because of the importance of exercise throughout the lifecycle, successful strategies are needed to encourage continued physical activity as people age.

16 The percent who are not overweight and not obese[16]

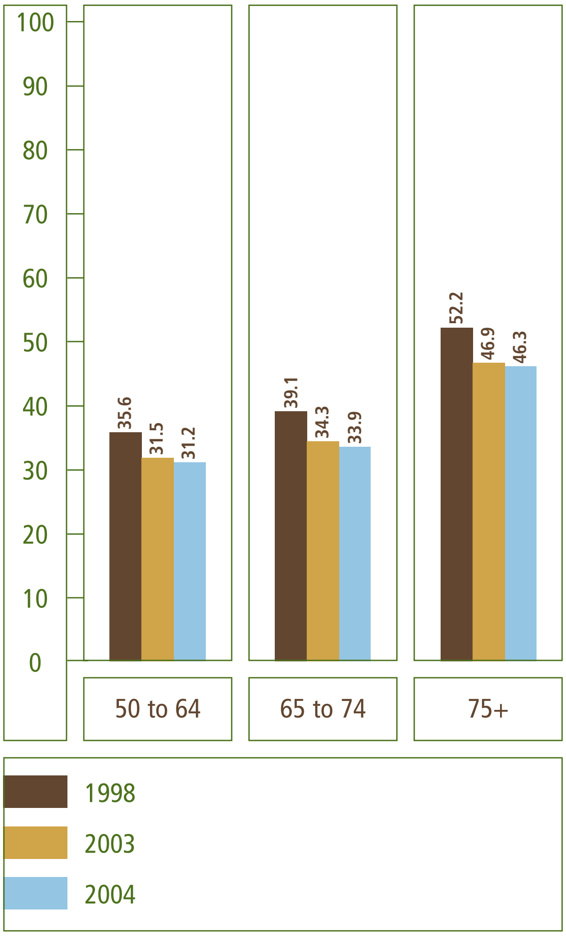
is an important measure of whether people are maintaining body weight at a level that lowers their risk for certain chronic illnesses, such as diabetes, heart disease, high blood pressure, osteoarthritis, and certain cancers. People are considered not overweight and not obese if their body mass index (BMI), a measure of weight in relationship to height, is less than 25.

According to the Behavioral Risk Factor Surveillance System, in 2004, 35.0 percent of the 50+ population was neither overweight nor obese. Among the entire 50+ age subgroup, the 75+ subgroup had the highest percent that were not overweight and not obese (46.3%), while the percents among the 50-to-64 and 65-to-74 age subgroups were lower by comparison (about one-third or less.)

The 50+ population overall has experienced a significant and disturbing drop in this indicator—from 39.7 percent to 35.0 percent—over the six-year period between 1998 and 2004. This finding is consistent with the Surgeon General's recent warning that overweight and obesity have reached epidemic proportions among the general population. Relatively large declines in this measure occurred across all ages in the past six years. The age 65-to-74 and 75+ subgroups showed a somewhat larger decline (5.2 and 5.9 percentage points, respectively) than the "youngest" subgroup (4.4 percentage points).

The percent not overweight and not obese among the 50+ age group also decreased slightly between 2003 and 2004. Similar small changes are reflected among all of the 50+ subgroups with the decrease ranging from 0.3 to 0.6 percentage points.

Percent who are not overweight and not obese



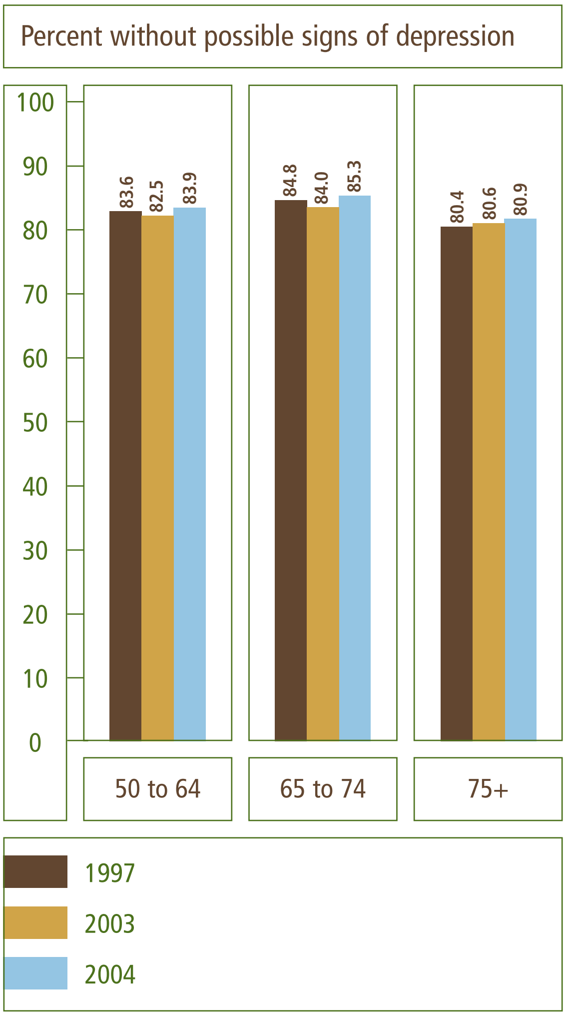
Source: Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System, 1998, 2003, 2004.

17 The percent without possible signs of depression

The percent without possible signs of depression is an important measure of mental health and well-being among the 50+ population. Depression is the most common mental disorder, yet widely under-recognized and under-treated. When left untreated, mental disorders can be just as serious and disabling as physical conditions. Furthermore, depression is a risk factor for suicide, by which older Americans—particularly men age 85 and older—are disproportionately likely to die.[17] In contrast to the normal emotional experiences of sadness, grief, loss, or passing mood states, symptoms of depression include feeling sad, worthless, or hopeless for weeks at a time.[18]

According to the National Health Interview Survey, in 2004, 83.6 percent of the 50+ population did not experience feelings of sadness (to the extent that nothing cheered them up), hopelessness, or worthlessness some, most, or all of the time. The 65-to-74-year-old age subgroup was most likely to be free of these possible signs of depression during the previous month (85.3%), while the 75+ age subgroup was least likely (80.9%).

Between 1997 (the earliest year for which comparable data are available) and 2004, there were small increases in this indicator in all three age subgroups (50 to 64, 65 to 74, 75+). The largest change was an increase of one-half of one percentage point among both the 65-to-74 population, the age subgroup most likely to be free of possible signs of depression, and the 75+ population, the age subgroup least likely to be free of signs of depression.



Source: National Center for Health Statistics, National Health Interview Survey, 1997, 2003, 2004.

In general, this indicator declined for those age 50+ between 1997 and 2003, but then increased in 2004 to a level exceeding that of 1997. In the time between 2003 and 2004, the 50+, 50-to-64, and 65-to-74 populations experienced improvements measuring 1.2, 1.4, and 1.3 percentage points, respectively. There was also a slight improvement (0.3 percentage point) among the 75+ population.

→ While two-thirds of the "youngest" age subgroup (65%) say they use the Internet, less than half of the "middle" age subgroup (45%) and one-quarter of the 75+ subgroup (25%) report that they use the Internet.

18 The percent of expenditures for "non-essentials"[19] suggests

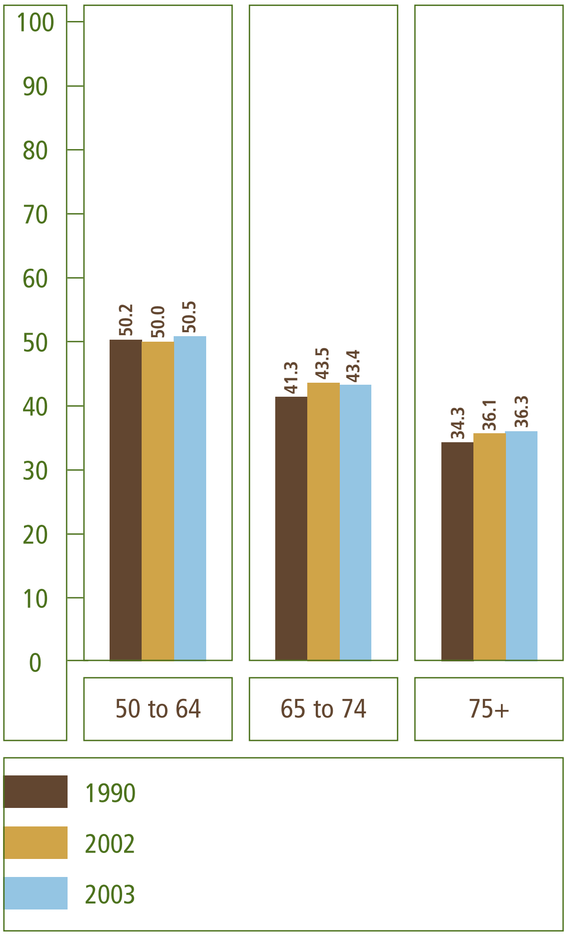
the degree of flexibility or "slack" in family budgets, or the percent of budgets that is discretionary. The greater the flexibility or discretion, the greater sense of security one might experience and the less anxiety. It also provides greater ability to save for emergencies, for long-term investments such as children's education, and for retirement.

The portion of family budgets spent on "non-essential" items increased from 45.9 percent in 1990 to 47.0 percent in 2003 for the 50+ population overall. Change over that period was slight for the "youngest" age subgroup, which went from 50.2 percent to 50.5 percent on discretionary items over the period. The discretionary share of spending also slightly increased from 41.3 percent to 43.4 percent for the "middle" age subgroup and from 34.3 percent to 36.3 percent for the "oldest."

In the most recent year, discretionary spending went from 46.7 percent (in 2002) to 47.0 percent (in 2003) for those age 50+, with a slight increase for the "youngest" and "oldest" subgroups and a slight decrease for the "middle" subgroup. In fact, the percent spent on more discretionary items has changed relatively little over the past decade for the overall 50+ population or the subgroups.

There was a seven percentage point difference between the "non-essential" spending share of each age subgroup—50.5 percent for 50-to-64-year-olds, compared with 43.4 percent for people age 65 to 74, and 36.3 percent for those 75+. These percentage differences were stable even when measured over a decade.

Percent of expenditures for "non-essentials"



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 1990, 2002, 2003.

19 The percent of the population who use the Internet

The percent of the population who use the Internet provides one measure of the degree of connection with the outside world. Americans over age 50 rely increasingly on the Internet to communicate with friends and family, keep abreast of the news, search for health and medical information, pay bills, make online purchases, track investments, engage in work-related activities, and more. For this age group, the Internet is rapidly becoming an essential tool of modern life.

The percent of people who use the Internet from home or any other place declines with age. While two-thirds of the "youngest" age subgroup (65%) say they use the Internet, less than half of the "middle" age subgroup (45%) and one-quarter of the 75+ subgroup (25%) report that they use the Internet.

Our question on Internet use "from home or any other place" is comparable to a question asked by the Bureau of the Census in a 1998 supplement to the Current Population Survey.[20] Between 1998 and 2005, the proportion of people age 50+ who say they use the Internet "from anywhere" increased from just under 20 percent to 51 percent.[21] During that same time period, the percentage of Internet users more than doubled among the "youngest" age subgroup, from 31.3 percent to 65 percent. It grew from 12.3 to 45 percent among the "middle" age subgroup and from 4.3 to 25 percent among age 75+.

In today's world, however, a high-speed—or broadband—connection to the Internet also has become increasingly important. For example, a broadband connection with monitoring devices and interactive video makes home health care a viable option for consumers, particularly those with limited mobility or who may not be well enough to travel. A broadband connection also facilitates distance learning opportunities especially for individuals who have jobs, disabilities, or family responsibilities that make it difficult to travel to a classroom.[22]

The additional capacity of broadband dramatically enhances the Internet's ability to provide important services to individuals and communities, particularly older Americans. These changes may merit closer watching in the future.

Percent of the population who use the Internet

	1998	2004	2005
50 to 64	31.3%	70%	65%
65 to 74	12.3%	45%	45%
75+	4.3%	24%	25%

Source: AARP Aging Indicators Study, 2004, 2005; U.S. Bureau of the Census, Current Population Survey, Internet and Computer Use Supplement, 1998.

20 The percent very satisfied with the amount of contact with family, friends, and neighbors

is an important measure of social well-being. For instance, research has shown that social contact with friends and neighbors can positively affect the physical and mental health of older Americans. Ties with family and friends are also a critical way to help alleviate feelings of isolation, an important issue for many older Americans. Finally, family, friends, and neighbors are important sources of informal assistance and support for older people.

Overall in 2005, seven in 10 people age 50 and older were "very satisfied" with the amount of contact with family, friends, and neighbors, with relatively minor variation among the three age subgroups. The percent "very satisfied" was highest for the "oldest" age subgroup (76%) and somewhat lower for the "youngest" (68%) and "middle" (72%) age subgroups.

From 2004 to 2005, the portion of those age 50+ who were "very satisfied" was constant at 71 percent. In contrast, the portion of those age 75+ who were "very satisfied" increased from 69 to 76 percent.

In this year's survey, women were more likely than men to be "very satisfied" (76% vs. 65%). Individuals residing in a rural residential area were more likely (76%) than individuals residing in urban (69 percent) and suburban (68%) areas to be "very satisfied" with their amount of contact. In addition, among people age 50 and older, those with household incomes under $25,000 were the least likely to be "very satisfied" with the amount of contact with family, friends, and neighbors.

Percent very satisfied with amount of contact with family, friends, and neighbors

	2004	2005
50 to 64	69%	68%
65 to 74	76%	72%
75+	69%	76%

Source: AARP Aging Indicators Study, 2004, 2005.

21 The percent who say their quality of life improved during the past 12 months

The percent who say their quality of life improved during the past 12 months is a measure that encompasses many aspects of well-being, with their relative importance varying from person to person and as one ages or one's circumstances change. For most people, quality of life includes finances, health, living situation, employment and other activities, and relationships to friends and family. In responding to a question about whether quality of life has improved, declined, or stayed the same compared to 12 months earlier, each person may be responding to changes in one or more of these aspects of life quality. Among those age 50 and older, 16% said their quality of life improved in 2005, compared to 13 percent in 2004. And every age subgroup showed small increases in this measure. However, this was countered by a larger increase in the percentage of those 50 and older who said that their quality of life had declined: 18 percent in 2005, compared to 13 percent in 2004. Most older people (66%) said their quality of life was about the same as it was a year ago.

Quality of life declined significantly between 2004 and 2005 for women age 50 to 64 and men age 65 to 74. In 2005, the percentage of women age 50 to 64 and men age 65 to 74 who reported a decline in their quality of life in the past year increased to 16 percent and 19 percent from 8 percent for both subgroups in 2004.[23]

Percent who say their quality of life improved during the past 12 months

	2004	2005
50 to 64	16%	21%
65 to 74	12%	13%
75+	8%	9%

Source: AARP Aging Indicators Study, 2004, 2005.

In all other age and gender subgroups, the percentage who said their quality of life improved relative to those who said it declined remained about the same in 2005 as in 2004. Men age 50 to 64 were about 1.5 times as likely to say that their quality of life had improved in the last year as they were to say that it had declined. By contrast, about twice as many men age 75 and older and women age 65 and older reported that their quality of life had declined as said that it had improved.[24]

→ . . . 50+ women are more than twice as likely as 50+ men (13% vs. 6%) to frequently or occasionally miss activities due to a lack of transportation.

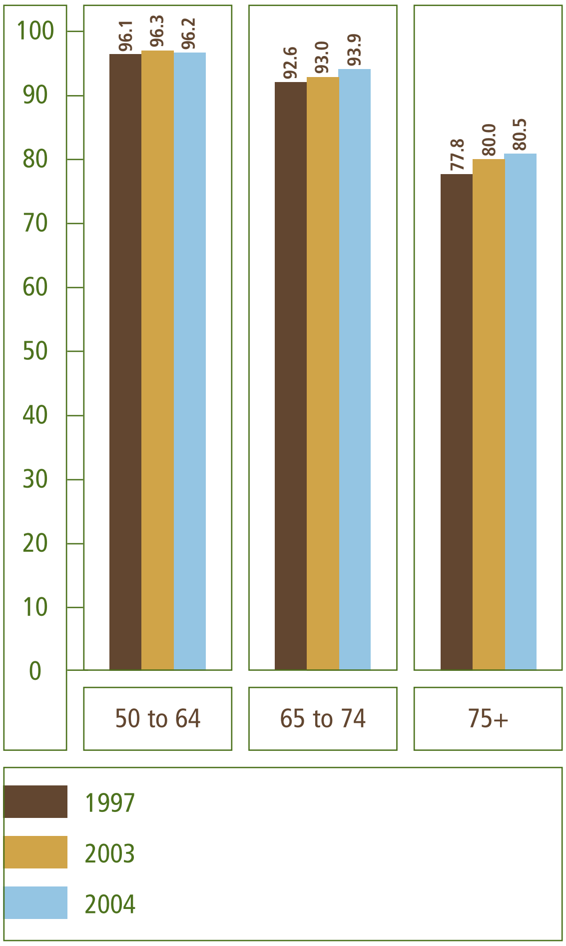
22

The percent with no functional limitations requiring assistance from another person

measures the independence of the population, which generally correlates with a sense of control and empowerment. This indicator of disability measures the percentage of the population that does not have a chronic condition that requires the help of another person with either personal care needs, such as bathing or dressing, or in handling routine needs, such as everyday household chores or shopping.[25] People who do need such help typically receive assistance from family or other unpaid caregivers, from paid caregivers, such as aides from home care agencies, or from both unpaid and paid caregivers. Other individuals with disabilities may not need human assistance, but make extensive use of special equipment and technologies, such as wheelchairs and computers, as well as services in their communities, such as accessible public transportation, in order to maintain independence.

The proportion of people who do not need any human assistance with functional limitations declines with age, especially among people age 75 and older. Over the past seven years, the percentage of people 50+ without such limitations has increased from 91.5 to 92.6 percent. More than 96 percent of people age 50 to 64, nearly 94 percent of people age 65 to 74, and more than 80 percent of people 75 and older do not need such assistance. Over the period since 1997, the percentage of the "youngest" age subgroup having no functional limitation has changed very little, while the percentage of the "middle" and "oldest" age subgroups having no functional limitations increased by 1.4 and 2.7 percentage points respectively, both favorable changes.

Percent with no functional limitations requiring assistance from another person



Source: National Center for Health Statistics, National Health Interview Survey 1997, 2003, 2004.

23 The percent of caregivers with no substantial caregiving burdens

The percent of caregivers with no substantial caregiving burdens provides a measure of quality of life. The great majority of the assistance received by people with disabilities in the U.S. is provided by family and friends rather than by paid caregivers through formal, paid sources such as home care aides or in assisted living or nursing home settings. The assistance provided can range from visiting on a regular basis to occasional help with chores to providing intense personal care for many years. We have defined substantial caregiving burdens as one of the following: spending more than 20 hours per week providing care or experiencing a decrease in pay or benefits as a result of caregiving. The percent of caregivers who report neither of these burdens experience less physical, financial, and emotional stress compared with their counterparts who provide more intense levels of care.

In 2005, 41 percent of people 50 and older reported that someone in their household provided unpaid help to a relative or friend age 50 and older—such as help with personal needs or chores, arranging for services, or visiting regularly to see how they are doing—nearly unchanged from 40 percent in 2004. Unpaid caregiving is more common among people in the 50-to-64-year-old age subgroup (48%) than in the 65-to-74-year-old age subgroup (38%), or in the 75+ age subgroup (27%).[26]

Of this group of unpaid caregivers, the proportion age 50 and older not reporting substantial burdens in 2005 was 65 percent, about the same as was found in 2004 (67%). For the "youngest" age subgroup the figure was 64 percent without significant burdens, for the "middle" age subgroup the figure was 68 percent, and for the "oldest" age subgroup it was 65 percent compared to 70 percent, 57 percent, and 66 percent respectively in 2004. Although some of these changes appear large, none is statistically significant because of the small sample of caregivers within age subgroups (the question was only asked of caregivers).

Percent of caregivers with no substantial caregiving burdens

	2004	2005
50 to 64	70%	64%
65 to 74	57%	68%
75+	66%	65%

Source: AARP Aging Indicators Study, 2004, 2005.

Helping older friends and relatives often involves money as well as time: about half of caregivers age 50 and older say that caregiving has resulted in an increase in their expenses, and about one in five people age 50 and older said that someone in their household provided cash or direct financial help to older relatives or friends to help them take care of themselves.[27]

Not surprisingly, the 75+ age subgroup is more likely than 50-to-74-year-olds to report *receiving* unpaid care.[28] Overall, 17 percent of people 50 and older and 24 percent of people 75 and older received unpaid care in 2005—up from 11 percent and 20 percent in 2004.[29]

24 **The percent who rarely or never miss something away from their residence due to lack of transportation** indicates the proportion of older people whose mobility needs and wants are being met. Transportation is the means by which individuals access the goods, services, and social opportunities that contribute to maintaining personal independence and civic engagement. When mobility needs are *not* being met, individuals are likely to be both physically and socially isolated, and research shows that such isolation contributes to impaired mental and physical well-being.

The percent of individuals whose transportation needs are being met (according to the indicator) is generally high, although there has been a decrease in the 50+ population total, from 92 percent in 2004 to 90 percent in 2005. Looking at the subgroups, individuals in the "middle" age subgroup (95%) are least likely to miss things because of a lack of transportation, while individuals in the "youngest" (88%) and "oldest" (87%) age subgroups are more likely. This comparison of the subgroups also reveals that the "youngest" age subgroup experienced the greatest negative change (-7 percentage points) between 2004 and 2005. In addition, the survey data reveal significant differences between women and men regarding transportation: 50+ women are more than twice as likely as 50+ men (13% vs. 6%) to frequently or occasionally miss activities due to a lack of transportation.

Percent who rarely or never miss something away from their residence due to lack of transportation

	2004	2005
50 to 64	95%	88%
65 to 74	91%	95%
75+	87%	87%

Source: AARP Aging Indicators Study, 2004, 2005.

Importantly, there is a strong correlation between whether individuals drive and whether their transportation needs are being met. AARP research reveals that more than nine out of 10 age 50+ individuals who drive themselves rarely or never miss doing something because they do not have transportation options, while only five out of 10 non-drivers who rely on others for rides rarely or never miss doing things because of not having transportation. In other words, half (50%) of non-drivers frequently or occasionally miss shopping, social, recreation, school, family trips, or trips to a religious ceremony or function that keep them socially engaged in their community.

25 The percent who rate their neighborhood as "good" or "excellent" in terms of security

The percent who rate their neighborhood as "good" or "excellent" in terms of security is an important measure of successful aging. Personal safety and security can influence how willing and able older people are to conduct everyday errands and to participate in the social life of their community. Fear of crime contributes to isolation, and perceptions of neighborhood crime can affect property values. Furthermore, older people are sometimes perceived as vulnerable and become a target for crime.

Fortunately, most people age 50 and older have positive perceptions of neighborhood safety. Nearly nine out of 10 rate their community as "good" or "excellent" in terms of how safe they feel when walking in their neighborhood during the evening, with no important variation across the older age subgroups.

However, there were large differences among income, gender, and community subgroups.[30] In particular, 21 percent of people age 50 and older with under $25,000 in household income viewed neighborhood safety as "fair" or "poor," compared to only 9 percent of those earning $50,000 or more. Also, women were more likely than men to rate their community as "fair" or "poor" (15 vs. 10 percent). Notably, urban areas were perceived more unfavorably than other areas for safety, with 18 percent of people 50 and older indicating only "fair" or "poor" safety and security (compared to 9 to 12 percent in the suburbs and rural areas).

Percent who rate their neighborhood as "good" or "excellent" in terms of security

	2004	2005
50 to 64	88%	86%
65 to 74	84%	87%
75+	87%	84%

Source: AARP Aging Indicators Study, 2004, 2005.

Housing—Older People Want to Age in Place: Are They Ready?

The recent combination of rising residential property values, historically low mortgage interest rates, and a plethora of flexible and creative mortgage products has made obtaining a mortgage easier, has made the use of home equity more attractive, and has yielded double-digit rates of return for many homeowners. Yet, despite this positive financial news, there continue to be serious problems for our nation's housing policy regarding housing affordability, appropriateness, and accessibility. These problems are particularly magnified for older residents, who must frequently cope with limited income and changing physical needs.

The older population in the United States is growing rapidly. Between 2005 and 2020, the U.S. Census Bureau estimates that the population of people age 50 to 64 will increase by 21 percent and the population age 65 and older by 33 percent. By comparison, the population under age 50 will increase by only four percent. As the older population increases, so does the need for additional safe, decent, affordable, and suitable housing that meets their unique needs.

How people are responding to the current housing landscape is the focus of this special housing section of the report. To help shed light on the issues, the *AARP Aging Indicators Study, 2005* explored, among other issues, how the 50+ population is experiencing aspects of aging in place, housing affordability, home modification, and the use of home equity.

Aging in Place: Home

AARP research long ago established that older people overwhelmingly prefer to remain in their own homes for as long as possible, and the current *AARP Aging Indicators Study, 2005* reinforces this finding. In 2005, 89 percent of people age 50+ said they want to remain in their home for as long as possible. A higher proportion of the "oldest" age subgroup expressed a desire to remain in their homes (95%) than the proportion of the "youngest" age subgroup (84%). When respondents age 50+ were asked why they want to remain in the same home, the top responses related to features associated with the home: "I can live independently" (25%); "convenient location" (24%); "home is affordable" (23%); and "familiarity/comfortable living here/lived here a long time" (18%).

Aging in Place: Community

Similar to the findings about the home, the survey found that 85 percent of people age 50+ want to remain in their local community for as long as possible. A higher proportion of the "oldest" age subgroup (95%) expressed a desire to remain in their local community than the proportion of the "youngest" age subgroup (79%). This supports the assumption that older people have strong ties in their community, and these ties strengthen as the individual's length of local residency increases. But in contrast to the reasons for preferring their home (which generally relate to practicality and ease of living), the top reasons that respondents wish to remain in their community are interpersonal, underscoring the importance of having a personal network to interact with and provide support. Among respondents age 50+, the top reasons given for wanting to remain in the same local community were friends (41%) and family (33%), followed by safety from crime (22.6%) and pleasant neighborhood/community (22.5%).

When the 50+ respondents were asked how they would rate their community as a place for older people to live, 76 percent responded "very good" or "somewhat good." One could argue that respondents were answering this question based largely on their established ties with family and friends, and less with the other community features that are often highlighted in public policy (e.g., recreation, cost of living, cost of housing, taxes, good medical care, good government services, etc.). This might help to explain why surveys may find a high level of satisfaction with the community even in places that appear, from an outsider's point of view, to lack many of the features necessary to support diverse needs over a lifetime.

Aging in Place: Home and Community

Respondents were asked a series of questions regarding issues that they believe may make it difficult to stay in their home or local community. Overall, the responses indicated that respondents 50+ are generally optimistic about their ability to remain in their home and local community. The top concern expressed by respondents age 50+ was being able to continue to drive (48.4%). This finding was not surprising. Individuals of all ages desire independence, choice, and control over their lives. Older individuals, like people of all ages, see driving as ensuring all three. Furthermore, research indicates that nondrivers face severe restrictions in their daily activities.[31] They are six times as likely as drivers to frequently or occasionally miss doing something they would like to do because they do not have transportation.[32]

Housing Affordability

The Bureau of Labor Statistics' Consumer Expenditure Survey shows that, in 2003, housing costs represented approximately one-third of out-of-pocket expenditures of householders age 65 and older, making housing costs the single largest expenditure category for older households. This cost is a particularly serious problem for those who rent. For many older renters, high rents and relatively low incomes add up to high housing-cost burdens. The 2003 American Housing Survey indicates that 50 percent of renter households age 50+ and older incurred "excessive expenditures"[33] for housing, compared with 26 percent of owner households age 50+. Furthermore, among renters age 50+, the American Community Survey shows that almost one-third pay 50 percent or more of their incomes toward gross rent. The affordability crunch experienced by older renters is part of a larger affordability problem affecting renters of all ages who have low incomes, particularly those with very low[34] and extremely low incomes.[35]

The private market for affordable housing has declined, with no increase in subsidized housing to help make up the shortfall. As a result, the supply of affordable rental housing for older renters is insufficient to meet the demand, and they usually encounter long waiting lists for many federally assisted housing programs.

The affordability challenges that are faced by older renters and older homeowners were reflected in the *AARP Aging Indicators Study, 2005* responses. More than half of respondents age 50+ (55%) indicated that housing costs[36] take up a larger share of their budget today compared to five years ago. In addition, when older homeowners and older renters were asked a series of questions regarding issues that may make it difficult to stay in their home or local community, almost half of older homeowners and older renters expressed concern about being able to pay utility bills in coming years. In addition, 47.8 percent of older homeowners expressed concern about their ability to pay property taxes in coming years. A major difference between renters and owners regarding housing affordability was revealed when they were asked about their ability to pay rent or a mortgage in the coming years: 44 percent of renters age 50+ expressed a concern about their ability to pay their rent; in comparison, 20 percent of owners age 50+ expressed a concern about their ability to pay their mortgage.

Among older respondents who stated that, as a result of housing costs, they had to cut back on other things they wanted or needed to spend money on: 77 percent cut back on leisure activities (travel/ entertainment); 65 percent cut back on eating meals away from home; and 64 percent indicated that they had to cut back on transportation. Each of these activities creates opportunities for older individuals to leave their home and become engaged in their community. When older people cut back on these activities, they may become less attached to their community.

Home Modification

Home design can affect how an individual is able to conduct everyday activities ranging from personal care to hobbies and household chores. Having a well-designed home enhances the quality of life for individuals by enabling them to enjoy the full use of their home, thereby maintaining personal independence. AARP's *Beyond 50:05* survey revealed that residents who felt their home would not meet their physical needs were less likely than were other respondents to agree that they wanted to remain in their current home as long as possible and less likely to want to live in the same community five years later. Unfortunately, the responses to the survey conducted for this report indicate that respondents age 50+ are not as prepared for their changing needs as they could be. When respondents age 50+ were asked if they had considered adding features to their home that support independent living,[37] 79 percent of respondents indicated that they had not considered modifying their home with these features. However, among the respondents who had considered adding these features, the responses indicated that the "oldest" age subgroup is more likely to have considered modifying their homes—24 percent of this subgroup indicated that they considered modifying their home to support independent living.

Use of Home Equity

According to the Census Bureau, the homeownership rate in the second quarter of 2005 for those age 65+ was 80 percent. The respondents age 65 and older included in the *AARP Aging Indicators Study, 2005* had a slightly higher rate of home ownership, 86 percent, than the respondents age 50+, who had a home ownership rate of 84 percent. For older owners, the home is usually their single largest asset. Older people can use this wealth for a variety of purposes: to serve as collateral for the improvement and repair of the property, to provide economic security in the face of major unforeseen expenses (such as long-term services and support), or to provide shelter or a financial legacy to future generations through inheritance. Perhaps most important, it provides a source of economic income by virtue of the shelter it affords that would otherwise have to be purchased.

Despite the recent increase in housing appreciation and the historically low mortgage interest rates[38], there was a relatively low number of respondents age 50+ who took equity out of their home—83 percent of respondents age 50+ indicated that they had not taken equity out of their home within the past five years. Among the respondents age 50+ who took equity out of their home, the "youngest" age subgroup was the most likely age subgroup to have done so over the last five years. For example, almost one-third of those age 50 to 64 refinanced their home within the past 5 years compared to 12 percent of those age 65 to 74 and seven percent of those age 75+.

The survey revealed that the vast majority of *all* respondents age 50+ had not obtained a refinance loan, second mortgage, home equity loan, home equity line of credit, or reverse mortgage during the last five years, although more than one-third of respondents 50+ *who owed money on their home* refinanced their home within the past five years. In all, 63 percent of owners 50+ owned their homes "free and clear" of debt in 2003.[39] This finding may indicate that older homeowners are more conservative when it comes to utilizing their home as a financial asset. It is worth noting that research conducted by the Federal Reserve Board shows that close to half of homeowners *with* mortgages refinanced at least once after buying their homes, and about half of these refinances occurred in 2001 through June of 2002.[40]

The survey also revealed that the majority of respondents age 50+ (82%) do not have homes other than their primary residence (i.e., investment property or second home). However, consistent with the notion that baby boomers are redefining the lifestyle of retirement, the 50-to-64 age subgroup was more likely than the other older age subgroups to have an additional residential property.

Summary

The survey conducted for this report reaffirmed earlier surveys showing that older people want to remain in their home and community and that they are generally optimistic about their ability to age in place. Unfortunately, the survey also revealed that older people may face difficulties as they age in place. Few have considered modifying their homes with universal design features that could make it easier to age in place and many respondents have difficulty paying for all their housing costs. Housing affordability and home modifications will be integral to enabling older people to remain independent in the home and community of their choice, to enjoy their quality of life, and to maintain their engagement in the community.

Rising Mortgage Debt Adds to the Retirement Challenges Facing Aging Boomers

William C. Apgar

Homeownership has boosted wealth accumulation for most homeowners, yet many older owners still struggle to meet high housing cost burdens. And with mortgage interest rates, property taxes, and energy costs on the rise, the current situation could worsen as millions of baby boomers make the transition to retirement in the years ahead.

In the past, paying off a mortgage reduced monthly expenses and cushioned some of the adverse consequences of declining income in later life. For many, this is no longer the case. According to the 2001 Survey of Consumer Finance, close to 60 percent of owners with head aged 55 to 64 have a mortgage. Even after adjusting for inflation, the median mortgage debt of these owners nearly doubled to $55,000 over the past decade.

The continuing costs of paying down current debt makes it increasingly difficult for older owners—especially lower-income owners—to take on additional debt to pay for needed home modifications or other desirable consumer durables. Seniors can always sell their homes, take out equity, and move to less expensive places to live, but this option is not very attractive for those wishing to age in place. Even for those willing to relocate, the limited production of affordable and well-designed seniors housing limits these downsizing possibilities.

Having focused considerable public policy attention on promoting homeownership and building home equity over the years, the irony here is many older owners will be unable or unwilling to tap into the resulting retirement nest egg. What is needed are new and affordable financial instruments designed to meet the problems faced by 'house rich, cash poor' retirees, as well as expanded funding for new and affordable housing options to accommodate the special requirements of a growing number of older Americans.

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From 1997 to 2001, Apgar served as the Assistant Secretary of Housing at the U.S. Department of Housing and Urban Development (HUD).

Nicolas P. Retsinas

Not all older residents have benefited from this past decade's unprecedented housing boom. While most elderly Americans are well-housed, those with low incomes are simply too poor to afford their homes.

Two in five elderly renters pay more than half their incomes for rent. The federal government subsidizes housing, but the number of subsidized units is dwindling. In tight rental markets, some units are being converted to "market-rents." Developers of new rental housing usually aim at the upper-income market: without subsidies, developers have little incentive to build for people who subsist on Social Security. And those subsidies are eroding in the face of a burgeoning budget deficit.

Even low-income homeowners may be strapped. Home ownership rates for the elderly are higher than the norm (80 percent for households over age 55 versus 69 percent for the nation); and many elderly homeowners have paid off their mortgages. Indeed, some owners who bought modest Capes 30 years ago live in homes that they could not afford to buy at today's prices. Those owners are "house-rich," but income-poor.

Yet about one in five elderly (65+) homeowners spend half or more of their income for housing. Ironically, in many neighborhoods, the increases in property taxes, as well as the yearly upkeep, can be onerous. As the report notes, low-income elderly Americans have very little savings to fall back on.

Ironically, the equity vested in those homes has made low-income elderly homeowners vulnerable to predatory lending scams. As the AARP report documents, most elderly owners have not rushed to refinance with the same enthusiasm as younger homeowners, who have used their homes as ATM machines. Yet low-income owners who cannot pay for the new roof or the unexpected medical expense seize on the quick refinancing schemes that promise them much-needed cash—and, too often, those cash-strapped owners end up losing their homes.

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Prior to his Harvard appointment, Retsinas served as Assistant Secretary for Housing-Federal Housing Commissioner at the United States Department of Housing and Urban Development and as Director of the Office of Thrift Supervision. He also served on the Board of the Federal Deposit Insurance Corporation, the Federal Housing Finance Board and the Neighborhood Reinvestment Corporation.

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Richard W. Peach*

My strongest impression of the report is how favorable housing conditions are for most of those aged 50 and older. Based on the AARP survey, 84 percent of respondents aged 50 and above own the home they live in. Moreover, based on the 2003 American Housing Survey, nearly two thirds of homeowners aged 50 and older own their homes free and clear. This is a tremendous financial achievement that sets a strong foundation for financial security in retirement, particularly given that the implicit income derived from this asset is not subject to income tax. (This fact complicates the measurement of income and poverty discussed earlier in the report.) Having worked so hard to pay off their mortgages, it is not surprising that so few borrowed against their home equity despite the relatively low interest rates of the past few years.

Another very interesting finding was the high percentage of respondents (85%) who indicated that they wanted to live in their local community as long as possible. The popular dream of retirement is often to move to a warm climate and enjoy outside activities year round. But as I approach my 55th birthday in March, I find that "aging in place" makes a lot of sense for both practical and sentimental reasons. If I move away when I retire, I am less likely to have Sunday dinner with my children on a regular basis. In addition, I would have to start from scratch developing a network of friends and service providers, particularly for medical care.

But the high cost of maintaining, heating, and cooling a home combined with steady increases in property taxes represent a major challenge to "aging in place." In my opinion there is a middle ground that has not been adequately exploited. Local governments should be much more receptive to development of housing that allows those aged 50 and over to downsize but remain within traditional single-family residential communities. Condominiums and/or townhomes located near parks and local shopping districts, many of which are struggling due to lack of shopper traffic, appear to me to be a win-win situation.

**The views I express are my own and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System.*

Richard W. Peach *is a vice president in the Macroeconomic and Monetary Studies Function at the Federal Reserve Bank of New York, which he joined in 1992 as a senior economist. His primary responsibility is to coordinate the bank's forecast for the U.S. economy and the federal budget. Mr. Peach follows with particular emphasis the housing and real estate finance sectors. He is a regular contributor to Bank publications such as the Economic Policy Review and the Current Issues series.*

Before joining the Bank, he was staff vice president and deputy chief economist of the Mortgage Bankers Association of America (MBAA). Prior to his time with MBAA, he was staff vice president for Forecasting and Policy Analysis of the National Association of Realtors (NAR).

Bruce Katz

AARP's special report provides an excellent synopsis of the housing challenges that today's older Americans face and will continue to face as more of their peers enter their senior years. Three major challenges stand out.

First, millions of senior (and non-senior) Americans are coping with the widening gap between stagnant incomes and appreciating housing prices. The affordability gap has been partially caused and greatly exacerbated by the recent withdrawal of federal investment and interest in affordable housing. Forty years after the creation of the Federal Department of Housing and Urban Development ("HUD"), only 25 percent of qualified households receive any type of HUD housing assistance. At the same time, the stock of permanently affordable housing subsidized by HUD dwindles due to the lapse of long term contracts and the failure to replenish the supply through adequate funding for proven programs like Section 202.

Second, the aging of the population will require a continuum of housing responses ranging from helping seniors age in place to the production of new single-family home communities, service-enriched senior apartments, and Continuing Care Retirement Communities. This diverse housing demand will require continuous innovations in financing vehicles as well as significant advances in local land use and zoning. It will also require an unprecedented degree of cooperation and coordination between the housing, transportation and health care sectors.

Finally, the housing challenges faced by older Americans will play out differently across racial and ethnic groups. For example, lower homeownership rates among African Americans and Hispanic Americans will undermine their ability to meet retirement demands, since homeownership continues to be the prime vehicle by which Americans build wealth.

All these challenges demand an invigorated response by all levels of government in close collaboration with the private sector and non-profit community. Americans know how to build, support and sustain quality, affordable housing for seniors. The question is whether we have the will as a nation to do what it takes to meet the housing needs of older Americans.

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Mr. Katz regularly advises national, state, regional and municipal leaders on policy reforms that advance the competitiveness of metropolitan areas. Mr. Katz is a frequent writer and commentator on urban and metropolitan issues. He is also a Visiting Professor of Social Policy at the London School of Economics.

Before joining Brookings, Mr. Katz served as Chief of Staff to Henry G. Cisneros, former Secretary of the U.S. Department of Housing and Urban Development. Mr. Katz has also served as the staff director of the Senate Subcommittee on Housing and Urban Affairs.

Endnotes

[1] In this report card on individuals age 50 and older, we have included one table for all those age 50+ and additional tables for four subgroups (50 to 64, 65 to 74, 75+ and 65+). The 65 and older subgroup is not discussed in the text but is included in the tables as a reference point.

[2] In order to more accurately reflect the U.S. 50+ population in our results, we revised our sample weighting scheme for the *AARP Aging Indicators Study, 2005*. Some numbers that appeared in last year's report may be slightly different in this year's report due to this minor adjustment.

[3] In the text, we generally discuss the directional changes of the indicators without reference to their statistical significance. However, we note in all the tables those changes that are statistically significant at the traditional .05 level. We urge readers to refer to the tables as they read the text to identify those changes that are statistically significant. Most of the one-year changes are not statistically significant. Most (although not all) of the multi-year changes are statistically significant for the overall 50+ population, but not necessarily for the age subgroups.

[4] Conducted for AARP by Woelfel Research, Inc. in October 2005.

[5] For a brief discussion of how we display the 65+ age subgroup, see footnote 1.

[6] Housing assets are not included in this measure.

[7] We estimated median financial assets for 2004 based on a crude forward projection of the Survey of Consumer Finances (SCF) 2001 data. We used the Federal Reserve's annual Flow of Funds Accounts data, which measure aggregate wealth levels and flows but provide no detail on individuals, to do the projections. We applied the year-to-year percent change in aggregate financial assets from 2001 to 2004 median financial asset holdings by age in 2001, then adjusted all values to 2004 price levels based on the Consumer Price Index.

[8] This indicator is defined as 100–P, where P is the percentage of persons who are below 200 percent of the poverty line.

[9] In the March 2005 Current Population Survey (CPS) supplement, the CPS asks respondents two questions to determine pension coverage. The first question reads, "Other than Social Security did the employer or union that [the respondent] worked for in [year] have a pension plan or other type of retirement plan for any of the employees?" The second question reads "Was [the respondent] included in that plan?" If the respondent answered "Yes" to both questions, they are included in this measure.

[10] AARP, *Baby Boomers Envision Retirement II* (2004).

[11] "No increase in debt" encompassed those whose debt "remained the same, decreased from the previous year, or those who had no debt in the last 12 months."

[12] Ofstedal, Mary Beth, et al. *A Comparison of Self-Assessed Health Expectancy Among Older Adults in Several Asian Settings,* unpublished draft paper prepared for presentation at the 2002 meeting of the Gerontological Society of America. Abstract available on the web at www.gsa-tag.org/2002/2SRH.PDF.

[13] Office of Public Health and Science, U.S. Department of Health and Human Services, *Healthy People 2010 Objectives: Draft for Public Comment,* September 15, 1998.

[14] Due to a different approach to the analysis of the data, caution should be used in comparing this year's results to results reported previously.

[15] These data are not shown in the table.

[16] Numbers may differ from those presented in last year's report due to slight changes in calculations.

[17] National Institute of Mental Health, *Older Adults: Depression and Suicide Facts,* 2003.

[18] National Institute of Mental Health, *Depression,* Updated August 17, 2004. Accessed September 25, 2005 at http://www.nimh.nih.gov/healthinformation/depressionmenu.cfm.

[19] Essentials are defined as food, housing, health care, and utilities; "non-essentials" represent the difference between total expenditures and expenditures on essentials. This measure suggests the degree of flexibility in family budgets.

[20] While these survey questions are comparable, they are from different surveys. Therefore the changes were not tested for significance.

[21] These data, drawn from the U.S. Bureau of the Census, *Current Population Survey, Internet and Computer Use Supplement*, 1998, and the *AARP Aging Indicators Study, 2005,* are not shown in the tables.

[22] For more information on consumers and broadband Internet access, see Susannah Fox, "Digital Divisions," (Washington, D.C.: Pew Internet & American Life Project, October 5, 2005), http://www.pewinternet.org/pdfs/PIP_Digital_Divisions_Oct_5_2005.pdf.

[23] These data drawn from the *AARP Aging Indicators Study, 2005* are not shown in the tables.

[24] Ibid.

[25] This indicator is defined as 100–P, where P is the percentage of those who have a limitation requiring assistance from another person. People with limitations are defined as those who (1) have an activity limitation that is caused by at least one chronic condition; and (2) because of a physical, mental, or emotional problem, need the help of other persons (a) with personal care needs, such as eating, bathing, dressing, or getting around inside this home; or (b) in handling routine needs, such as everyday household chores, doing necessary business, shopping, or getting around for other purposes.

[26] Data were also collected for this indicator in 2003. However, the wording of the question was slightly different and as a result, the data for that year are not comparable to the data for 2004 and 2005. These data drawn from the *AARP Aging Indicators Study, 2004, 2005* are not shown in the tables.

[27] These data drawn from the *AARP Aging Indicators Study, 2005* are not shown in the tables.

[28] Ibid.

[29] Ibid.

[30] These data drawn from the *AARP Aging Indicators Study, 2005* are not shown in the tables.

[31] AARP/Roper Public Affairs & Media group of NOP World, Beyond 50.05 Survey, 2004.

[32] Ibid.

[33] The Department of Housing and Urban Development defines excessive expenditures as housing costs in excess of 30 percent of income.

[34] Very low income is defined as households with annual incomes below 50 percent of the Area Median Income (AMI).

[35] Extremely low income is defined as households with annual incomes below 30 percent of the Area Median Income (AMI).

[36] For the purposes of this survey, housing costs included cost of shelter, utilities, maintenance, taxes, furnishings, etc.

[37] The features that were listed for respondents included: lever door handles, grab bars, no step entrance, wide doorways, bathroom and bedroom on the main level.

[38] Monthly mortgage interest rates have increased in 2005, but 30-year fixed rate mortgages remain in the 6 to 7 percent range. This means that the 2005 mortgage interest rate level is still lower than the eight percent average rate of the 1990's. The 2005 rate is considerably lower than the 13 percent average rate of the 1980's (Federal Home Loan Mortgage Corporation Historical Primary Mortgage Market Survey 30-Year Fixed-Rate Historic Tables).

[39] *2003 American Housing Survey.*

[40] Canner, G., Dynan, K., and Passmore, W. (2002). "Mortgage Refinancing in 2001 and Early 2002". *Federal Reserve Bulletin* December, 2002, pp. 469–481.

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our bimonthly magazine in Spanish and English; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our website, www.aarp.org. AARP Foundation is our affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

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