



Do Assets Change the Racial Profile of Poverty among Older Adults?

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According to the federal government, fewer than 1 in 10 adults age 65 and older is living in poverty.¹ However, elderly poverty rates among blacks are nearly triple and among Hispanics are more than double those of whites.

The official measure of poverty is based only on cash income and fails to account for other resources, such as assets. Housing equity, the most important asset for many Americans, reduces the need to make rental payments and effectively increases income. In addition, housing net worth provides a means of covering expenses. (For instance, reverse mortgages allow homeowners to borrow against the equity in their homes.)

Financial assets can also be used to cover expenses beyond the income they yield. Older adults could convert their wealth into an annuity that guarantees a lifetime income and helps them manage their spending. But regardless of whether retirees dip into their housing equity or convert their wealth into an annuity, their housing equity and financial wealth clearly provide security beyond traditional measures of income.

Data from the 2004 Health and Retirement Study (HRS) on adults age 65 and older, living alone or with only a spouse, show how racial differences in poverty rates change when imputed rental income and annuitized asset values are added to income. These data suggest that 6.5 percent of older adults living alone or with only a spouse were poor (Butrica, Murphy, and Zedlewski 2008).² Compared with white adults, black adults were 4.7 times more likely to be poor, and Hispanic adults were 5.8 times more likely to be poor (figure 1). Adding imputed rental values and the annuitized value of financial and pension assets to resources reduced overall poverty by 1.8 percentage points, but significantly increased racial disparities because blacks and Hispanics have relatively little housing equity or financial assets.³ Using this broader measure of resources, blacks were 6.4 times more likely than whites to be poor, and Hispanics were 8.1 times more likely than whites to be poor.

Notes

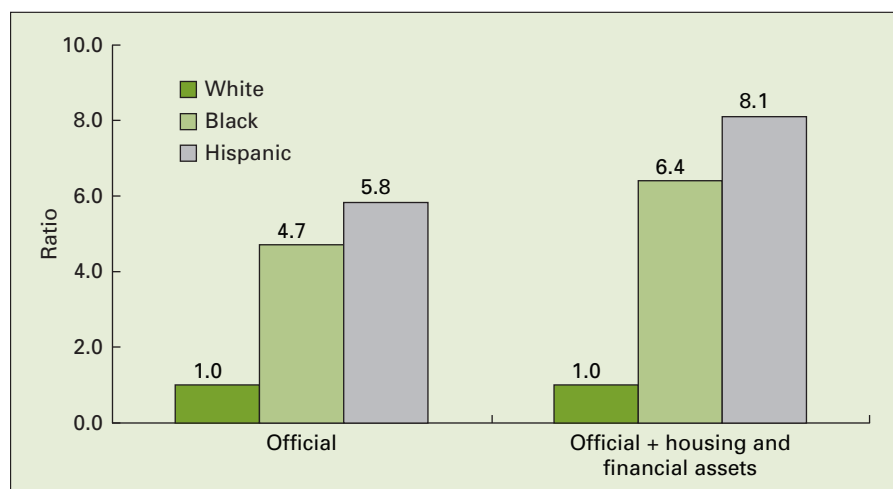
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1. U.S. Census Bureau. 2007. "Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race." Current Population Survey, 2007 Annual Social and Economic Supplement. http://pubdb3.census.gov/macro/032007/pov/new01_100.htm. (Accessed December 12, 2007.)
2. This rate is lower than the official poverty rate for an equivalent sample because of better reporting of income sources in the HRS than in the Current Population Survey—the data source for the official poverty measure.
3. These findings, based on the official poverty threshold, were similar using an alternative threshold recommended by a National Academy of Sciences panel.

Reference

Butrica, Barbara A., Daniel Murphy, and Sheila R. Zedlewski. 2008. "How Many Struggle to Get by in Retirement?" Washington, DC: The Urban Institute.

FIGURE 1. Ratio of Black and Hispanic Poverty Rates to That of Whites, among Adults Age 65 and Older in 2004



Source: The first set of ratios are based on the author's tabulations of poverty rates in Butrica, Murphy, and Zedlewski (2008). The second set of ratios are based on the author's tabulations of unpublished data used in Butrica, Murphy, and Zedlewski (2008).