

Hispanics Age 65 and Older: Sources of Retirement Income in 2005

Introduction

The economic well being of people age 65 and older has improved significantly over the past several decades. For example, the poverty rate for this age group has dropped from 35 percent in 1959 to 10.1 percent in 2005.

Unfortunately, the picture is not so positive for many older women and older people of color. This Fact Sheet focuses on Hispanics¹ who are age 65 and older. In 2005, Hispanics represented 14.9 percent of the U.S. population,² making them the largest minority group. Hispanics age 65 and older represented 6.6 percent of the total 65 and older population. This portion is projected to increase to 17 percent in 2050.³

What are the sources of retirement income for this group, and how do they compare with the retirement income sources of all older persons?

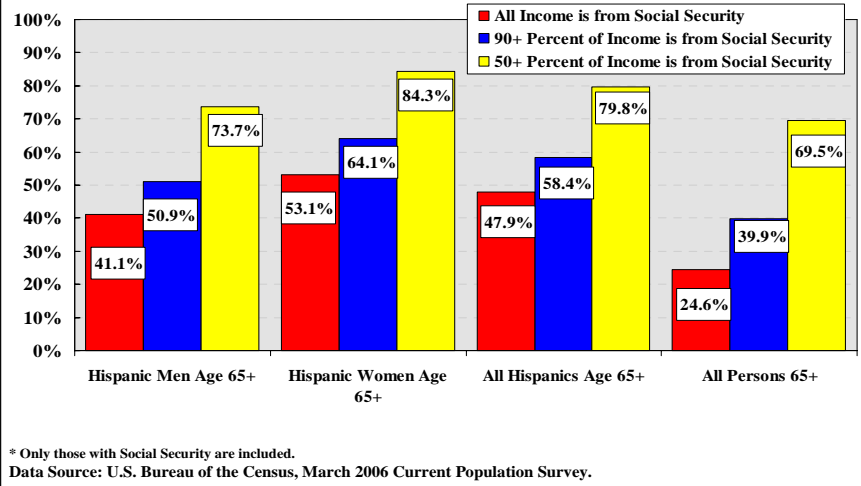
Sources of Retirement Income

Social Security. Social Security provides benefits to almost 75 percent of older Hispanics and represents the largest single component of retirement income for this population group. Almost 80 percent of Hispanics age 65 and older who receive Social Security depend on Social Security

for 50 percent or more of their income. Social Security is particularly important for older Hispanic women, nearly 85 percent of whom depend on it for at least half or more of their income; more than 50 percent depend on it for 100 percent of their income (Figure 1).

Pensions. Pensions are a part of retirement income security for just over 35 percent of

Figure 1
Social Security as a Percentage of Personal Income for Hispanics Age 65 and Older* in 2005



the total 65 and older population. For Hispanics, however, the portion is significantly lower—a mere 16.7 percent of older Hispanics receive income from pensions.⁴ The difference between Hispanic men and women age 65 and older is particularly striking: 22.4 percent of Hispanic men, but only 12.5 percent of Hispanic women, receive pension income (Figure 2).

Interest and Dividends. Interest from savings or investments is a source of income for 52 percent of all persons 65 and older.

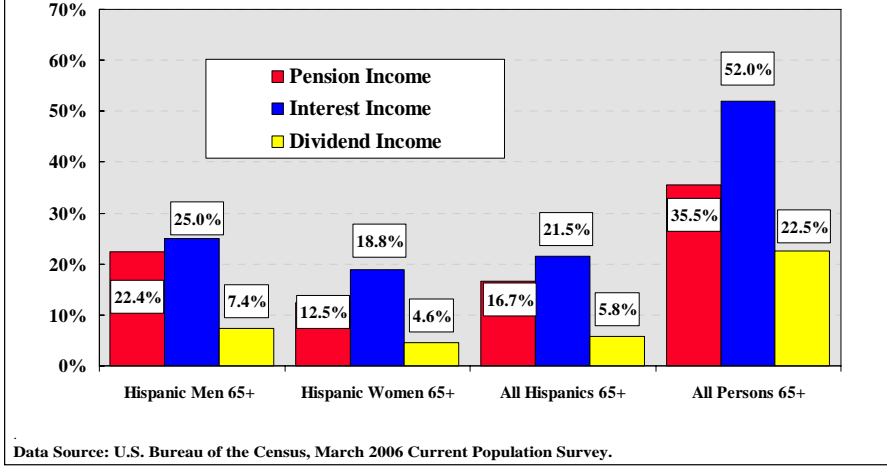
¹ The classification of Hispanic designates a person from a Spanish-speaking country or their descendants. Hispanics are not a race.

² Unless otherwise noted, all figures are for 2005 and are based on estimates of the U. S. Bureau of the Census, March 2006 Current Population Survey.

³ This figure is calculated based on Jennifer Cheeseman Day, *Population Projections of the United States by Age, Sex, Race, and Hispanic Origin: 1995 to 2050*, Current Population Report P25-1130, (Washington, DC: U.S. Government Printing Office, 1996), Tables F and M.

⁴ Pension sources include private company or union, federal government, military retirement, state and local government, railroad retirement, annuities, and IRA, Keogh, or 401(k) plans.

Figure 2
Percent of Hispanics Age 65 and Older with Pension, Interest, and Dividend Income in 2005



However, only 21.5 percent of older Hispanics receive income from interest. The portion of Hispanic men and Hispanic women with interest income differs by less than 7 percentage points—25 percent and 18.8 percent respectively (Figure 2). Income from dividends follows the interest income pattern. Nearly 23 percent of all persons age 65 and older but only 5.8 percent of older Hispanics (7.4 percent of Hispanic men and 4.6 percent of Hispanic women) receive dividend income (Figure 2).

Poverty

As seen in Figure 3, the poverty rate for older Hispanics is twice that for all persons age 65 and older (20.4 percent and 10.1 percent, respectively). Without Social Security benefits, more than one half (52.5 percent) of older Hispanics would live below the poverty threshold (not shown).

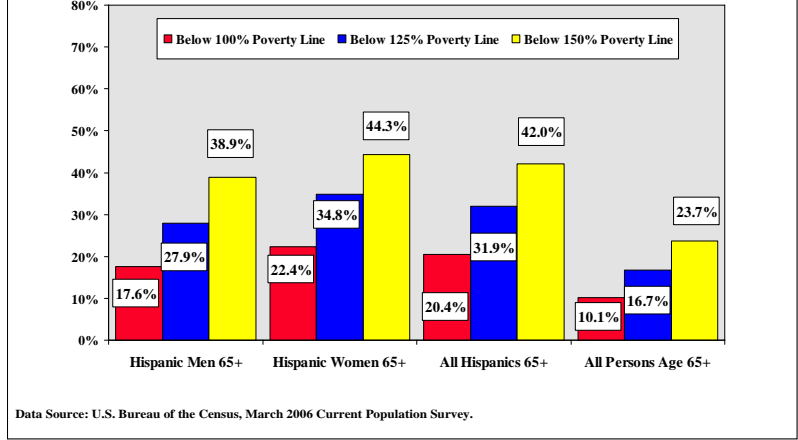
A greater portion of older Hispanics also falls into the near-poor categories of 125 and 150 percent of poverty. Almost 17 percent of the total 65 and older population fall below 125 percent of the poverty level and nearly 24 percent fall below 150 percent of the poverty level. In contrast, 32 percent of older Hispanics fall below 125 percent of the poverty level, and 42 percent fall below 150 percent of the poverty level (Figure 3).

Conclusions

Older Hispanics have fewer retirement income sources than others in the same age group—that is, income from Social Security, any kind of pension, interest earnings, or dividends. In addition, the poverty rate for Hispanics age 65 and older is twice that of all others in

the same age group. For older Hispanics, Social Security is not only their primary source of income, it is the source of income they rely on far more than retirees as a whole.

Figure 3
Percent of Hispanics Age 65 and Older Below 100%, 125%, and 150% Percent of the Poverty Threshold in 2005



Written by Ke Bin Wu
 AARP Public Policy Institute,
 AARP, 601 E Street, NW,
 Washington, DC 20049
 202-434-3910; E-Mail: ppi@aarp.org
 September 2007
 © 2007 AARP <http://www.aarp.org/ppi>
 Reprinting with permission only.