

## How Low-Income Minorities Get By in Retirement: Poverty Levels and Income Sources

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### Summary

In 2009, higher poverty rates were clear among racial/ethnic minority elders in the U.S. Despite the disproportionate number of elder minorities in poverty, the Social Security and Supplemental Security Income (SSI) programs together served to provide a majority of retirement income for low-income (less than 200% of the poverty line) elders from all racial/ethnic groups studied: non-Hispanic whites, African Americans, Latinos, and Asians. The data presented underscore the importance of bolstering both the Social Security and SSI programs and providing education to low-income minorities regarding saving for retirement during their working lives.

### More Minorities are Entering Retirement

The baby boomer generation, the most racially and ethnically diverse generation in U.S. history, has begun to enter retirement. As increasing numbers of this generation retire, they will face the heightened economic pressures that accompany work cessation. However, even this vastly diverse generational cohort is still affected by the racial and ethnic economic disparities that have long been seen among the U.S. population. Income and wealth disparities by race/ethnicity continue to be seen throughout the lifespan, and these will become even more apparent when the large numbers of minorities in the baby boom generation retire. As such, an analysis of existing racial/ethnic economic disparities among the current retired population will provide insight that will be useful for informing economic policies that support racially/ethnically diverse boomers during their retirement.

Using data from 2009<sup>1</sup>, this policy brief first examines the overall economic characteristics of the non-institutionalized population aged 65 and older, focusing on disparities in the poverty status of existing retirees based on race and ethnicity. We then present disparities in income sources by race/ethnicity for different poverty groups and discuss the findings in terms of existing policies that promote economic security among retirees.

### Who are the Current Elders?

Based on 371,493 individuals sampled, 80.1% of the 65+ population in 2009 was non-Hispanic white, 8.2% was African American, 7.0% was Latino, and 3.4% was Asian.<sup>2</sup> Among the non-Hispanic white, Latino, and Asian populations, 57% were females; in contrast, 61% of the African American population was female. A vast majority of non-Hispanic whites and African Americans were native-born citizens (94% and 92%, respectively), compared to 46% of Latinos and only 14% of Asians. About 21% of both the Latino and Asian populations were non-citizens, with 33% of Latinos and 65% of Asians having naturalized.

Education levels among the 65+ population are highly varied based on race/ethnicity. Non-Hispanic whites had relatively high levels of education, with 22% having at least a college degree and only 18% having less than a high school education. Asians also had high levels of education, with 30% having at least a college degree. However, 33% of Asians had less than a high school education.

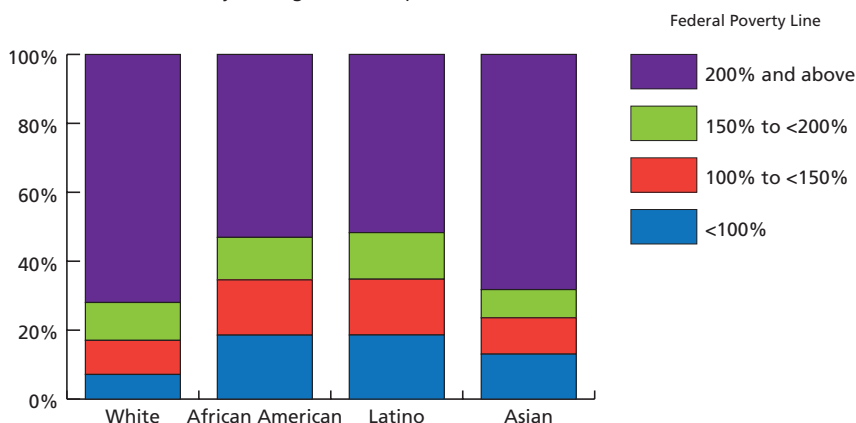
African Americans and Latinos had the lowest levels of education, on average, with 13% and 8% respectively having a college degree or higher, whereas 38% and 58% respectively had less than a high school education. Disability rates, often linked to education, also showed great racial/ethnic differences; based on the Census disability questions<sup>3</sup>, 44% of African Americans and 42% of Latinos had some disability, compared to 36% of non-Hispanic whites and 33% of Asians.

### Poverty Among Minority Elders

As shown in Figure 1, stark racial/ethnic disparities still exist in income. Among the 65+ population in 2009, 47% of African Americans and 48% of Latinos lived in households that were under 200% of the federal poverty line, compared to 32% of Asians and 28% of non-Hispanic whites. More individuals from these two groups

were also in absolute poverty, with 19% of African Americans and Latinos living in households that fell under 100% of the poverty line, compared to 13% of Asians and 7% of non-Hispanic whites. The average income levels for individuals in the four groups were also largely skewed: \$33,264 for non-Hispanic whites, \$23,706 for Asians, \$21,723 for African Americans and \$17,669 for Latinos. Median incomes revealed a similar racial/ethnic disparity, but the great variations within the Asian population meant that their median income level in 2009 was lower than any other group: \$10,000 for Asians, compared to \$20,400 for non-Hispanic whites, \$14,200 for African Americans, and \$10,800 for Latinos.

Figure 1  
Poverty Among the 65+ Population



### Income Sources of Minority Elders

This brief highlights racial/ethnic differences in the receipt of income from various sources: earnings from a job or self-employment, Social Security, asset-based income, pensions, state and local welfare, SSI, and other sources.<sup>4</sup> As shown in Table 1, a large majority of individuals aged 65 and older across all racial/ethnic groups received Social Security income in 2009.

Table 1. Percent of population aged 65 and older receiving income from various sources and public benefits in 2009, by race/ethnicity

	White	African American	Latino	Asian
Income from: <sup>1</sup>				
Earnings	19.79	18.05	16.92	17.55
Social Security	90.67	84.70	77.21	67.50
Asset-based	37.10	9.03	10.26	20.87
Pensions	40.57	38.00	22.12	20.51
Welfare	0.63	1.47	1.68	3.35
SSI	2.32	7.12	9.42	12.23
Other	8.96	8.54	8.11	7.47
Food stamps	4.09	17.75	18.46	12.34
Medicaid	11.79	27.12	31.62	32.09

<sup>1</sup>See Note 4 in the text for definitions of the various income sources.

This majority was less pronounced for the largely immigrant Latino and Asian populations, of whom 77% and 68%, respectively, received Social Security income, than for the native-born non-Hispanic white and African American populations, of whom 91% and 85%, respectively received Social Security income. Between one-fifth and two-fifths of all racial/ethnic groups received some type of pension; while four in 10 non-Hispanic whites received asset-based income, only two in 10 Asians and one in 10 African Americans and Latinos received asset-based income. Racial/ethnic minority elders were, however, far more likely to receive income from welfare and SSI, as well as to be recipients of two public benefits programs: food stamps and Medicaid.

### Where do Impoverished Minority Elders Get Their Money?

The large variations observed in the receipt of income by racial/ethnic minorities are closely tied to the higher rate of poverty that exists in these populations. Figure 2 shows, for various poverty groups, what proportion of average income for each racial/ethnic group comes from which source. The income of elders living in poverty (i.e., households under 100% of the poverty line; see

Figure 2a  
<100% Poverty Line

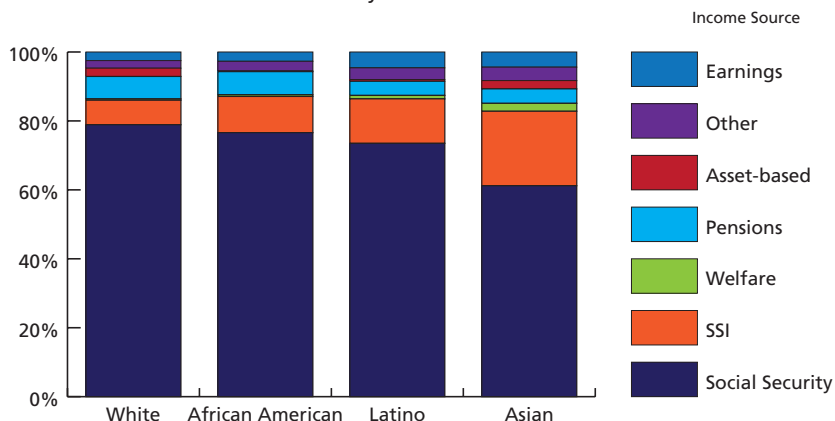
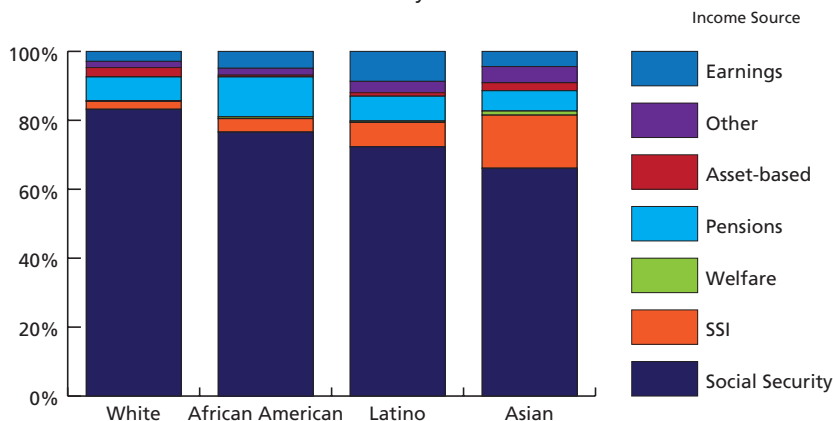


Figure 2a) comes overwhelmingly from Social Security, regardless of race/ethnicity. Social Security makes up for nearly 80% of the total income received by non-Hispanic whites, roughly 75% of the income received by African Americans and Latinos, and just over 60% of the income received by Asians.

Figure 2b  
100% to <150% Poverty Line



SSI making up 85% of total income for non-Hispanic whites, and roughly 80% for African Americans, Latinos, and Asians.

SSI acts as a leveler for the racial/ethnic disparities in Social Security income for those under 100% of the poverty line, with combined Social Security and SSI income accounting for 86% to 87% of the income of non-Hispanic whites, African Americans, and Latinos and 83% of the income of Asians. Similar patterns existed for those between 100% and 150% of the poverty line (see Figure 2b), with the combination of Social Security and

For those individuals living between 150% and 200% of the poverty line (see Figure 2c), the power of SSI to compensate for racial/ethnic differences in the receipt of Social Security remains for minorities, with African Americans, Latinos, and Asians all receiving roughly 68% of their total income from Social Security and SSI combined.

Non-Hispanic white individuals in this poverty bracket, however, receive 76% of their income from Social Security and SSI. To compensate for this discrepancy, a larger portion of the income of African Americans, Latinos, and Asians in this poverty bracket comes from pensions, assets, and earnings.

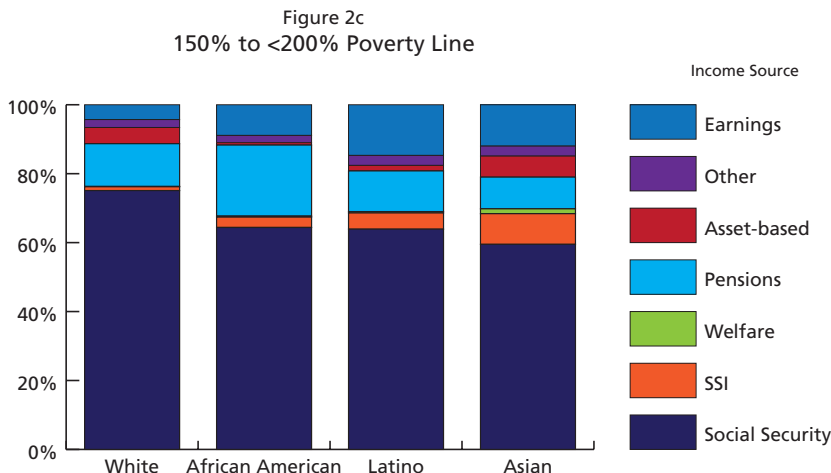
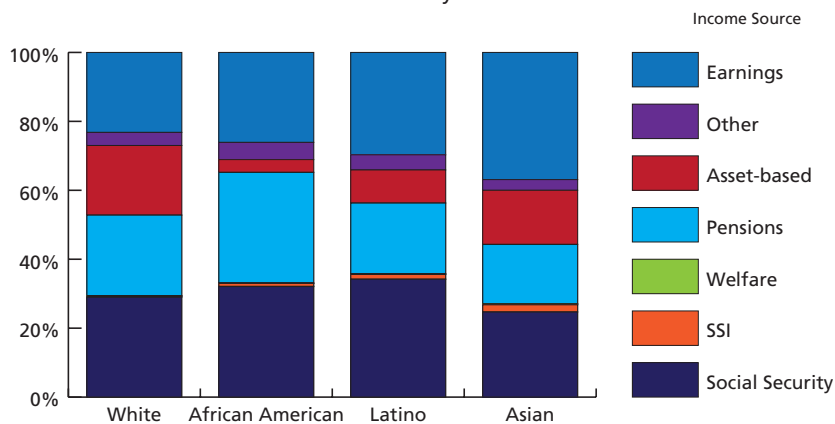


Figure 2d  
200% and Above the Poverty Line



Among all poverty groups, a relatively large portion of African Americans' income tends to come from pensions, and a relatively large portion of Latinos' income from earnings. Asset-based income in all poverty groups is relatively high for non-Hispanic whites and Asians, lower for Latinos, and lowest for African Americans; however, this type of income only accounts for a large proportion of income for those in households that are over 200% of the poverty line (see

Figure 2d). For Asians, those over 200% of the poverty line tend to receive a large amount of their income from earnings, a feature that is not seen for Asians of other poverty groups.

### Overarching Income Disparities Among Minority Elders

The data in this policy brief highlight that the largest disparity based on race/ethnicity is the degree to which racial/ethnic minorities are more likely to live in households that have incomes below or close to the poverty line. Among the population under 200% of the poverty line, a combination of Social Security and SSI act as general levelers to racial/ethnic income disparities. Non-Hispanic whites in these poverty groups generally receive a large proportion of their income from Social Security and little from SSI, whereas Asians receive relatively little of their income from Social Security but large proportions of their income from SSI.

All groups presented in this policy brief who fall below 200% of the poverty line have a stark over-reliance on federal entitlement programs (i.e., Social Security and SSI) to provide them with income in retirement. Although Social Security was originally intended as just one leg of the "three-legged stool" of retirement income (Social Security, pensions, and personal assets), it is currently being relied upon almost exclusively to provide income for many low-income retirees.

## Implications for Public Policy

In an era in which there is so much dependence on Social Security by low-income elders, often from racial/ethnic minorities, it remains of paramount importance that the Social Security system be bolstered to prevent extreme financial hardship from falling on future generations of retirees. This policy brief shows that low-income members of racial/ethnic minorities that receive less of their income from Social Security will supplement heavily with the SSI program; therefore, it is crucial that sufficient funding be provided to the SSI program at both the state and federal levels to ensure that these elders are not forced into even higher levels of economic insecurity in retirement.

Even with solid Social Security and SSI systems in place, it will be important that future U.S. retirees understand the role of the Social Security system as just one component of retirement income. By accumulating alternative sources of retirement income, such as 401(k) accounts—the regrettable successor to traditional pensions—and income-generating assets, future retirees can ensure higher levels of economic independence and reduce their risk of falling below the poverty line. Education regarding the true purpose of entitlement programs as only one component of retirement income will be especially important for racial/ethnic minority groups, especially African Americans and Latinos, who are less likely to accumulate savings during their working lives. As a disproportionate number of low-income workers and older adults are members of racial/ethnic minority groups, it would be appropriate to target minority communities when promoting and providing education about retirement savings.

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<sup>1</sup> Data for the analyses in this policy brief come from the American Community Survey's 2009 wave. The 1-year public-use microdata sample (PUMS) was used to avoid skewed estimates based on the economic slump and recovery of 2007-2008. This data set, collected and distributed by the U.S. Census Bureau, provides an annual account of approximately 1% of the population; sample weights are applied to make the data nationally representative. Due to the relatively small sample size, population estimates are rough approximations. Data are only presented on those adults who self-identified as “Hispanic, Latino, or Spanish origin” (regardless of race) and non-Latinos who reported their race as white only, “Black, African Am., or Negro” only, or Asian only; sample sizes for other racial/ethnic minority groups were too small to allow for meaningful interpretation.

<sup>2</sup> The terms white, African American, Latino, and Asian will be used throughout this policy brief to refer to the groups laid out in note 1.

<sup>3</sup> The Census disability questions assess difficulty in several domains: sensory (visual & auditory), mental, ambulatory, dressing, bathing, and running errands.

<sup>4</sup> Earned income includes wages, and other earnings from all jobs and self-employment. Social Security income includes funds received under the Railroad Retirement Program. Asset-based income includes interest, dividends, net rental income, royalty income, and income from estates and trusts. Welfare income is any public assistance or welfare payments from a state or local welfare office. Pension income includes retirement, survivor, and disability pensions. Other includes any other income received regularly (e.g., Veterans'/VA payments, unemployment, child support, alimony).

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The views expressed in this policy brief are those of the author(s) and do not necessarily represent the views of the University of Southern California (USC) Edward R. Roybal Institute on Aging or collaborating agencies and funders.

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#### Suggested Citation

Gassoumis ZD, Lincoln KD, Vega WA. *How Low-Income Minorities Get By in Retirement: Poverty Levels and Income Sources*. Los Angeles, CA: USC Edward R. Roybal Institute on Aging, 2011.

#### Further Reading

Vega WA, Gassoumis ZD. *Impact of Social Security and Proposed Benefit Changes on the Latino Population*. Los Angeles, CA: USC Edward R. Roybal Institute on Aging, 2011.