

# Spending Patterns of Older Consumers Raising a Child

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The growing population of older Americans has been an important focus of researchers and policymakers for some time, with issues such as Social Security benefits, long-term care, and prescription drug costs at the forefront. Recent studies show that an increasing number of these older Americans are also facing issues involved in raising children, such as the rising costs of child care and higher education. For example, the U.S. Census Bureau reports that, in 2000, approximately 2.4 million grandparents were “responsible for the basic needs” of their co-resident grandchildren.<sup>1</sup> At the same time, the National Center for Health Statistics reports that the number of births to women aged 45-49 years has more than quadrupled since 1984, and births to women aged 50 and older have increased 13 percent annually since 1997.<sup>2</sup> This article seeks to examine the lifestyle and welfare of these older caregivers, using demographic characteristics and spending patterns derived from the Consumer Expenditure Survey (CE).

## Study methodology

Data presented here were collected by the CE Interview Survey during the years 2000, 2001, and 2002. (Three years of data are necessary to provide sufficient sample sizes for analysis.) The Interview component of the CE is used rather than the Diary because the Interview Survey is estimated to cover 80 to 95 percent of total expenditures by consumer units (CUs).<sup>3</sup> Specifically, the Interview Survey collects detailed data on an estimated 60 to 70 percent of total household expenditures. In addition, global estimates, that is, expense patterns for a 3-month period, are obtained for food and other selected items. These global estimates account for an additional 20 to 25 percent of total expenditures.

The sample selected for this study is divided into three groups, based primarily on the age of the reference person<sup>4</sup> and the presence and age of children in the household. First, an “older with children” group is defined as having a reference person aged 60 or older and at least one child under the age of 18 years in the household. Furthermore,

<sup>1</sup> *Grandparents Living With Grandchildren: 2000*. U.S. Census Bureau, October 2003.

<sup>2</sup> Martin J.A., Hamilton B.E., Sutton P.D., Ventura S.J., Menacker F., Munson M.L. “Births: Final Data for 2002”, *National Vital Statistics Reports*; Volume 52, Number 10. National Center for Health Statistics, 2003.

<sup>3</sup> The Consumer Expenditure Survey collects data for consumer units. In this article, *consumer units* and *households* are used interchangeably. See the glossary at the end of this anthology for the definition of *consumer unit*.

<sup>4</sup> See the glossary at the end of this anthology for the definition of *reference person*.

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in order to ensure the role of the older person as caregiver, the sample is further restricted such that no other adults reside in the home, except the spouse of the reference person, if there is one. Additionally, only the reference person and spouse may earn income. (Presumably, some working teenagers may contribute significantly to the household budget.<sup>5</sup>) Two other groups are selected for comparative purposes. First, in order to determine if there are generational or age-related differences among households raising children, a “younger parents” group is selected, whose reference person is aged 35 to 49 years and for whom there is at least one child under the age of 18 years. Second, an “older without children” group, whose reference person is aged 60 or older with no children present, provides a measure of how dependent children in the household may change the lifestyle of the older generation. The additional criteria regarding other adults and earners are also applied to the younger parents and older without children groups for consistency. Finally, all three sample groups contain only persons related by blood, marriage, adoption, or other legal arrangements. The resulting sample sizes are: 9,869 younger parents; 18,056 CUs in the older without children group; and 206 older households with children.

The first part of the study is a comparison of the three sample groups by selected demographic characteristics. Selected sample demographics are displayed in table 1. Then, spending patterns are analyzed using expenditure shares, which are the proportions of total household expenditures allocated to specific categories of expense. Shares analysis has two important advantages in this study. First, using proportions of total spending allows for meaningful comparisons among groups of CUs with very different incomes, as is the case here. (See table 1.) Additionally, expenditure shares provide insight into the relative importance of one spending category over another,

<sup>5</sup> See David S. Johnson and Mark Lino, “Teenagers: employment and contributions to family spending,” *Monthly Labor Review*, September 2000, p. 15.

indicating that some budgetary decisions are being made. In order to test the significance of observed differences in spending, the standard *t*-test formula is modified to account for the use of proportional measures.<sup>6</sup> Before presenting any findings, it is important to note that the results of these analyses are not weighted to the general population.

### Demographic comparisons

As previously mentioned, the average incomes of the three groups are quite different. Most notable is the roughly \$30,000-per-year gap between those older CUs with children and those without children. Not surprisingly, those with children are younger on average (67 years old compared with 73 years old) and more likely to have an earner in the household than their contemporaries without children. It seems that having a child to raise may affect the decision to retire or to obtain some employment to supplement retirement income. While almost two-thirds of older households without children have a retired reference person, only about 35 percent of older households with children are retirees. However, an additional 11 percent of the latter have reference persons who are not working for reasons other than retirement, including unemployment, disability, school attendance, or caring for the home and/or family.

While the average income of older caregivers may more closely resemble that of the younger parents group, educational attainment appears to be more generational. The distribution of households among educational levels are almost identical between the two older groups, with the most prevalent category being high school graduate. Younger parents, on the other hand, are more likely to have reference persons who are college graduates (36 percent of the sample) than any other educational designation.

<sup>6</sup> See Geoffrey Paulin, “Consumer expenditures on travel, 1980-87,” *Monthly Labor Review*, June 1990, p.60. See also Geoffrey Paulin, “The changing food-at-home budget: 1980 and 1992 compared,” *Monthly Labor Review*, December 1998, p.32.

As shown in table 1, the sample contains different types of families. For older households without children, there are only two possible family types: 46 percent of these families are married couples, and 54 percent are single persons. Almost half of the older caregivers fall into the “other husband and wife” category, which includes those raising grandchildren or some other young relative, such as a niece or nephew. When comparing two-parent households, those with younger parents also are more likely to have younger children. (Approximately 12 percent have only children under the age of six, compared to just 1.5 percent of older households with children.) For both age groups, the majority of two-parent households have at least one child, the oldest being between the ages of 6 and 17 years. There are a greater percentage of single parents in the younger group (21 percent) than in the older group (roughly 5 percent).

In terms of housing tenure, table 1 shows that more than 75 percent of each of the groups studied are homeowners. However, while approximately two-thirds of younger parents own a home with a mortgage, 60 percent of older households without children and 46 percent of older households with children own homes with no mortgage.

Other demographic comparisons also reveal differences among the three groups of study. For example, the comparisons by race and origin of the reference person reveal that older caregivers are more likely to be Black and are more likely to be of Hispanic origin than either the younger parent group or the older without children group. Finally, while younger parent households and older households without children are similarly distributed across the United States by region, a greater percentage of older caregivers live in the South and West.

### Analysis of expenditure shares

Not only is total annual spending different, and actually higher, for older households with children than either of the comparison groups, but the allocation of those dollars among selected item categories is also different. (See

table 2.) For example, older caregivers devote a smaller proportion of total expenditures to food (9 percent) than younger parents and older households without children, each of whom spends roughly 13 percent. Examining the sub-components of the food category reveals that the shares for both food at home and food away from home compare similarly to the category as a whole, although the differences are only significant<sup>7</sup> for the proportions allocated to food away from home. (The difference in shares for food as a whole is also significant between older households with children and younger parents.)

Conversely to the food comparison, spending on housing accounts for a greater portion of the budget in households with an older reference person and children (approximately 40 percent, compared with 33 percent for younger parents and 29 percent for older households without children). In the CE Survey, the housing category is an aggregation of various subcategories. For this study, selected housing components are included either because they are predominant in the total housing measure, such as shelter and utilities, or because they are particularly relevant to the analysis, such as child care and other domestic services. Shelter, which includes mortgage interest, property taxes, rent, and various expenses related to the repair and maintenance of a dwelling, is similar to the total housing category, with older caregivers having the largest share of the three groups studied. Utility expenditures, on the other hand, make up a greater proportion of total spending by older households without children than by those with children (approximately 8 percent compared to 6 percent). Allocations of total spending to babysitting and daycare are close between younger parents and older households with chil-

dren at 1.9 percent and 1.2 percent, respectively. The same is true for other domestic services, for which older households without children devote a greater proportion of total spending (roughly 6 percent) than younger parents and older caregivers, who each devote only one-half of 1 percent to these services. (The category of “domestic services excluding child care” includes housekeeping services, gardening and lawn care, laundry and dry-cleaning, and care of the elderly or invalid, among other services.)

Another category of expense in which the subcategories are particularly relevant to this study is apparel. As one might expect, the older without children group spends a significantly lesser share for all three subcategories of children’s clothing than their contemporaries who have children in the home. Younger parents, however, spend a significantly greater share for young girls’ and infants’ clothing than the older caregivers spend. The expenditure shares for the apparel category as a whole are not significantly different among the groups, ranging from about 2.5 percent for older households without children to 3.7 percent for younger parents.

Perhaps, the most important spending category analyzed here is health care. Spending on medical insurance, services, supplies, and prescription drugs is a major budget concern for both older Americans and families raising children. In this study, age appears to have the stronger positive effect on health care expenditures. Older households without children, the group with the highest average age, devote significantly greater shares of their total spending to each component of health care than either of the other groups. In fact, the categorical shares of younger parents and older caregivers are almost identical, with the exception of prescription drugs, for which the share allocated by younger parents is significantly less.

Similar to health care, spending on personal insurance and pensions is also related to age and employment status. For example, retirees may no

longer make contributions to Social Security or other pensions, and life insurance premiums may cease beyond a certain age. So, it follows that younger parents, who are much more likely to be working, allocate a significantly greater proportion of their total spending to this category (roughly 11 percent, compared with 5 percent by older households without children and 4 percent for older households with children).

One major expenditure category for which older caregivers spend significantly less, as a percentage of total spending, than either of the comparison groups is cash contributions. Older caregivers allocate just 3 percent to this category, which includes contributions to religious organizations, educational or other institutions, political organizations, and cash support for college students, while older CUs without children allocate more than 15 percent of total expenditures. Younger parents devote just less than 7 percent of their total budget to contributions.

There are no significant differences in the allocations of total expenditures to transportation among the three types of households. The same is true for entertainment shares, even when specifically examining purchases related to children, such as pets, toys, and playground equipment. Although older households without children allocate less than one-half of 1 percent of total expenditures to educational expenses, compared with 1.8 percent by older households with children and 1.6 percent by younger parents, the differences are not statistically significant.

## Conclusion

This article has presented sample demographic characteristics and spending patterns for older CUs raising children. The results show that, for the sample studied, older caregivers are different both from those in their generation who have no children at home and from younger parents. The demographic comparison reveals that older caregivers are younger on average and earn roughly \$30,000 more per year than

<sup>7</sup> The *t*-test for significance is conducted in pairs—older with children compared to older without children and older with children compared to younger parents—such that “significantly different” means “significantly different from the older with children group.”

older households without children. When compared with younger parents, older caregivers are less likely to have a college education and more likely to own their homes without a mortgage. Older households with children are more likely to be Black and are more likely to be of Hispanic origin than either of the comparison groups.

The expenditure share analysis shows that older caregivers and younger parents allocate significantly different percentages of total spending to total food, food away from home, apparel for girls aged 2 to 15, apparel for children under 2 years old, prescription drugs, personal insurance and pensions, and cash contributions. Differ-

ences in expenditure shares among the older households with and without children are significant for food away from home, babysitting and daycare, apparel for boys and girls aged 2 to 15, apparel for children under 2 years old, total health care, as well as all health care components, and cash contributions. ■

Table 1. Selected demographic characteristics by type of consumer unit, Consumer Expenditure Survey, 2000-2002

Characteristic	Younger parents	Older with children	Older without children
Sample size .....	9,869	206	18,056
Averages:			
Income before taxes .....	\$55,790	\$53,175	\$23,164
Number of vehicles .....	2.2	2.1	1.5
Age of reference person .....	41.0	67.0	73.0
Family size .....	3.7	3.3	1.5
Number of children .....	2.0	1.4	n.a.
Number of earners .....	1.6	.8	.4
Percent of sample by:			
Family composition:			
Husband and wife only .....	n.a.	n.a.	45.8
Husband and wife with own children:			
Oldest child < 6 years .....	12.0	1.5	n.a.
6 years <= oldest child <= 17 years .....	67.0	44.7	n.a.
Other husband and wife <sup>1</sup> .....	n.a.	49.0	n.a.
Single parent .....	21.0	4.9	n.a.
Single person .....	n.a.	n.a.	54.2
Occupation of reference person:			
Retired .....	.1	35.0	65.7
Salaried .....	90.3	43.7	22.5
Self-employed .....	6.0	10.2	5.4
Other <sup>2</sup> .....	3.6	11.2	6.4
Education of reference person:			
Less than high school .....	8.0	23.8	25.3
High school graduate .....	25.5	33.5	32.5
Some college .....	30.5	18.5	22.0
College graduate .....	36.1	24.3	20.3
Housing tenure:			
Owner with mortgage .....	66.8	35.0	18.6
Owner, no mortgage .....	10.2	46.1	60.5
Renter .....	22.5	18.9	20.6
Region of residence:			
Northeast .....	19.4	13.1	18.5
Midwest .....	22.6	18.5	25.8
South .....	31.8	38.4	33.6
West .....	26.2	30.1	22.0
Race of reference person:			
White .....	83.2	75.2	88.8
Black .....	11.1	18.9	8.1
Other <sup>3</sup> .....	5.7	5.8	3.1
Origin of reference person:			
Hispanic .....	9.8	20.4	3.5
Non-Hispanic .....	90.2	79.6	96.5

<sup>1</sup> In this sample, "other husband and wife" families are those with children in the home who are not their own but are related, such as grandchildren, nieces, or nephews.

<sup>2</sup> "Other" occupation includes working without pay, unemployed, and not working due to disability, taking care of

the home/family, going to school, or doing something else. n.a. Not applicable.

<sup>3</sup> "Other" race includes American Indian, Aleut, Eskimo, Asian, Pacific Islander, and others.

Table 2. Expenditure shares for selected categories by type of consumer unit, Consumer Expenditure Survey, 2000-2002

Characteristic	Younger parents	Older with children	Older without children
Total annual expenditures .....	\$53,523	\$82,211	\$29,498
Share (percent) of total expenditures:			
Total food: .....	*13.3	9.4	13.0
Food at home .....	9.8	7.4	9.7
Food away from home .....	*3.4	1.9	*3.3
Housing: .....	32.6	39.8	29.3
Shelter .....	20.4	21.9	16.9
Utilities .....	6.0	5.9	7.7
Domestic services, excluding child care .....	.5	.5	5.8
Babysitting and daycare .....	1.9	1.2	*n.a.
Apparel: .....	3.7	3.2	2.5
Men, 16 and over .....	.6	.9	.5
Boys, 2 to 15 .....	.5	.5	*n.a.
Women, 16 and over .....	.8	.8	1.0
Girls, 2 to 15 .....	*.6	.2	*.1
Children under 2 .....	*.2	n.a.	*.1
Transportation .....	17.7	13.5	15.3
Health care: .....	3.9	4.0	*10.7
Health insurance .....	2.1	2.0	*5.7
Medical services .....	1.3	1.2	*2.3
Medical supplies .....	.2	.1	*.4
Prescription drugs .....	*.4	.7	*2.4
Entertainment: .....	5.6	4.8	4.0
Pets, toys, and playground equipment .....	.9	.6	.6
Education .....	1.6	1.8	.3
Personal insurance and pensions .....	*11.2	3.5	4.8
Cash contributions .....	*6.7	3.2	*15.4

\* Significantly different from "older with children" at the 95-percent confidence level  
n.a. Not applicable.