

Spending patterns of older persons revealed in expenditure survey

New estimates point up differences in characteristics, incomes, and expenditures of younger and older populations within the larger group of persons age 65 and over

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Interest in the characteristics of older persons is flourishing due to the increasing size of the population age 65 and over. According to projections by the U.S. Bureau of the Census, presented in table 1, every fifth American will be over 65 by the year 2040. This reflects the aging of the postwar baby boom and declining birth rates during the later decades of this century. Clearly, older persons will constitute a rapidly growing political, social, and economic force for many years to come.

Within this environment, new estimates from the Bureau of Labor Statistics Consumer Expenditure Survey (CE) program are likely to be an important tool for trend assessment and policy formation. To date, "65 and older" has been the oldest age class for which expenditure data have been pub-

lished. (For study purposes, consumer units are assigned to the age category of the householder, or "reference person," as reported on the survey questionnaire.¹) In recently released estimates, however, that class has been divided into two groups, ages 65-74 and 75 and over. The results reveal that, although persons 65 and over are often viewed as a homogeneous group, the characteristics, incomes, and needs of the younger and older populations within the larger group are actually quite different.

Expenditure differences. Tables 2 and 3 summarize the differences in the 1984 characteristics and spending patterns of the two major subgroups of older Americans.² Consumer units in the 65-74 age group spent almost 22 percent more on housing than those in the 75-and-over group. However, housing accounted for a higher *share* of the older group's total expenditures. The expenditure share for fuels, utilities,

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Table 1. Distribution of the older population by age subgroup, actual and projected, selected years, 1970-2040

Year	Total, 65 and over		65-74		75 and over	
	Number	Percent of total population	Number	Percent of total population	Number	Percent of total population
1970	20,087	9.9	12,487	6.2	7,600	3.7
1980	25,708	11.3	15,647	6.9	10,061	4.4
2000	35,036	13.1	17,693	6.6	17,343	6.5
2020	51,386	17.3	25,968	10.0	25,418	7.3
2040	66,642	21.6	20,228	9.4	46,414	12.2

SOURCE: *Demographic and Socioeconomic Aspects of Aging in the United States*, series P-23, No. 138 (Bureau of the Census, 1984), ch. 2, pp. 5-18, middle series.

and public services was also higher for the 75-and-over group, even though the amount spent was less than that for those age 65-74. The average expenditure on owned dwellings was more than one-third higher for those 65-74 than for the older class. This can be attributed to higher levels of homeownership and a higher percentage of consumer units still paying on their mortgages in the younger group. About 76 percent of those age 65-74 owned their homes compared to 67 percent of the older group. On the other hand, only 8 percent of the homeowners in the older group still owed on mortgages compared to 33 percent of their younger counterparts. There were also large differences in property taxes, for which the expenditures of those 65-74 were 33 percent more than those of the 75-and-over group. This reflects the higher rate of homeownership for the younger group and also suggests they owned more expensive houses or lived in areas with higher property taxes, or both.

Expenditures for transportation accounted for 19 percent of the total expenditures of those age 65-74, compared with 13 percent of the total for those 75 and over. The average expenditures of the former age group were more than twice as high as those of the latter. Much of the difference can be attributed to the higher level of vehicle ownership, 81 percent by those aged 65-74, compared to 59 percent by older persons. It is also likely that vehicles are used less frequently by the older group, further reducing their transportation expenditures.

The data for health care confirms the expectation that both mean expenditures for health care and the health care share of total expenditures are higher for the 75-and-over age group than for their younger counterparts. Health care accounted for 13 percent of the total expenditures of those 75 and over compared with 8 percent of the total for those 65-74.

Income differences. Because income is one of the important determinants of spending, differences in income may help to explain the differences in expenditure patterns. The following tabulation compares selected income components for the age groups.

Sources of income

	Age 65-74	Age 75 and over
Income before taxes	\$16,815	\$12,442
Sources of income (percent)	100.0	100.0
Wage and salaries	29.3	9.3
Self-employment income	4.6	6.5
Social Security, railroad, and government retirement	52.7	62.9
Interest and dividends	9.6	17.6
Other income	3.8	3.7

The mean income before taxes of the 65-74 age group was more than one-third higher than for persons 75 and over. The largest components of income for both groups were retirement income (consisting of Social Security, private, and government retirement), which accounted for 53 percent of the income of the 65-74 group, compared with 63 percent for the 75-and-over group. Wages and salaries made up about 30 percent of the income of the younger group, which indicates that the reference person or other household member was still working, while it dropped to 10 percent of income for those 75 and over. This is consistent with the fact that the average number of earners is three times higher for the younger group.

The age groups in table 3 differ from those published in regular CE releases. The working age groups, those 25-54, are combined. Older age groups are subdivided into those approaching retirement, those 55-59 and 60-64, and into the two groups that are the focus of this article, those 65-74 and 75 and over.

Since 1980, the Consumer Expenditure Survey has been conducted on a continuing basis. As a result, trends for age and other demographic groups can be more effectively monitored over time. This article is but one of a series highlight-

Table 2. Selected characteristics and expenditure shares for urban consumer units in the age groups 65-74 and 75 and over, Interview Survey, 1984

Item	Age group	
	65-74	75 and over
Total expenditures	\$15,873	\$11,196
Consumer unit characteristics:		
Average number of earners	.6	.2
Average number of vehicles	1.4	.8
Percent homeowners:		
With mortgage	20	5
Without mortgage	56	62
Percent renters	24	33
Shares of total expenditures (percent):		
Total	100.0	100.0
Food at home	13.0	13.6
Food away from home	4.8	3.5
Housing	30.5	35.5
Transportation	19.2	13.0
Health care	8.4	13.3
Entertainment and reading	4.6	3.4
Personal insurance and pensions	4.9	2.1
Apparel	4.5	3.1
Other	10.1	12.5

Table 3. Selected characteristics and annual expenditures of urban consumer units classified by age of reference person, Interview Survey, 1984

Item	All consumer units	Under 25	25-54	55-59	60-64	65-74	75 and over
Total consumer units (in thousands)	74,884	7,266	42,688	5,418	5,592	8,312	5,608
Number of sample interviews	23,043	2,456	13,005	1,631	1,666	2,551	1,734
Consumer unit characteristics:							
Income before taxes ¹	\$24,578	\$12,579	\$29,114	\$30,670	\$23,477	\$16,815	\$12,442
Average number of persons	2.6	1.8	3.1	2.7	2.3	1.9	1.5
Average age of reference person	46.2	21.5	38.0	56.9	62.0	69.3	80.6
Average number in consumer unit:							
Earners	1.4	1.3	1.7	1.8	1.2	.6	.2
Vehicles	1.9	1.1	2.1	2.3	2.0	1.4	.8
Children under 187	.3	1.1	.4	.2	.1	.0
Persons 65 and over3	.0	.0	.1	.1	1.4	1.4
Percent homeowners	60	10	60	79	79	76	67
Average annual expenditures							
Food	\$21,788	\$13,178	\$25,484	\$25,369	\$20,705	\$15,873	\$11,196
Alcoholic beverages	3,391	2,030	3,834	4,092	3,413	2,831	1,912
Housing	299	364	347	320	225	179	90
Shelter	6,626	3,740	7,857	7,044	5,877	4,848	3,972
Owned dwellings	3,747	2,386	4,559	3,751	3,066	2,386	2,014
Rented dwellings	2,188	465	2,791	2,442	1,961	1,378	1,009
Other lodging	1,171	1,724	1,340	751	662	632	884
Utilities, fuels, and public services	388	197	428	558	443	377	122
Household operations	1,679	722	1,827	2,058	1,837	1,644	1,311
Housefurnishings and equipment	333	118	398	288	238	269	356
Apparel and services	868	513	1,073	947	737	549	291
Transportation	1,192	787	1,457	1,459	995	715	346
Vehicles	4,385	3,303	5,193	4,758	4,204	3,041	1,450
Gasoline and motor oil	1,873	1,678	2,263	1,804	1,750	1,175	385
Other vehicle expenses	1,047	759	1,225	1,246	993	764	354
Public transportation	1,176	732	1,401	1,389	1,096	800	473
Health care	288	133	304	319	366	302	238
Entertainment	899	305	796	986	1,132	1,340	1,487
Personal care	1,040	678	1,288	1,209	851	604	291
Reading	205	105	214	272	244	211	148
Education	140	66	158	163	135	130	93
Tobacco	312	601	343	416	139	88	101
Miscellaneous	225	151	260	299	221	173	65
Cash contributions	311	129	381	421	291	172	135
Personal insurances and pensions	740	106	803	913	746	762	878
Life and other personal insurance	2,023	814	2,554	3,017	2,233	778	229
Retirement, pensions, social security	302	57	337	640	360	220	86
	1,721	757	2,216	2,377	1,873	558	142

¹ Income values are derived from the responses of only those units providing complete reports of income.

ing interesting results from the expenditure survey. As the survey continues, additional issues will be covered.

—FOOTNOTES—

¹ The terms "household" and "consumer unit" are used interchangeably throughout this text. However, the consumer unit definition is the accurate

one for this survey. The Consumer Expenditure Survey is described in detail in *BLS Handbook of Methods*, 1982, ch. 6. Survey results are presented in annual reports and bulletins, the most recent of which is *Consumer Expenditure Survey Results from 1984*, USDL 86-258 (Bureau of Labor Statistics, June 22, 1986).

² The Consumer Expenditure Survey is composed of two independent surveys: An Interview Survey and a Diary Survey. The results in this article are from the Interview Survey.