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## Glossary

*Income of the Population 55 or Older* is derived from the public-use file of the March Annual Social and Economic Supplement to the Current Population Survey. For this reason, most definitions in this Glossary are taken directly from documentation of the Current Population Survey and publications of the U.S. Census Bureau; when appropriate, the source of each definition is noted. The aged unit is not a concept used by the Census Bureau and as a result, no citation is given.

Information and definitions of concepts described here (except the aged unit and demographic characteristics of the aged unit) can be found at <http://www.census.gov/population/www/cps/cpsdef.html>. Further discussion of income sources and receipts not counted as income is taken from Section 9 of the technical documentation for the March 2005 Current Population Survey, available at <http://www.census.gov/apsd/techdoc/cps/cpsmar05.pdf>.

### Demographic Concepts

**Age.** Age classification is based on the age of the person at his or her last birthday as of March 2005. A married couple's age is defined as the age of the husband—unless he is under age 55 and the wife is 55 or older, in which case it is the age of the wife.

**Aged unit.** With age 55 as the cutoff, aged units are defined as married couples living together—at least one of whom is 55 or older—and non-married persons 55 or older. Persons who are separated or married but not living with their spouse are included in the nonmarried persons category.

Certain differences exist between Census Bureau and SSA figures because the units of analysis are not directly comparable. Aged persons living with a younger relative who is considered the householder are classified by the Census Bureau as members of nonaged families. Also, nonmarried individuals are treated simply as nonmarried persons by SSA. In comparison, the Census Bureau counts nonmarried persons living with other relatives as part of a family and nonmarried persons who are living alone or with nonrelatives as unrelated individuals. The Census Bureau's family category includes both married couples and those non-married persons who are living with relatives.

Census data show that the number of households with the householder aged 65 or older was 23,135,000 in 2004.<sup>1</sup> In comparison, SSA tabulations show that there were 35,213,000 persons and 26,865,000 units aged 65 or older in 2004. The SSA count generally includes the Census Bureau's aged households plus some aged units living in nonaged households or living with other aged units in the same household. The number of aged households was 86 percent of the number of aged units.

**Family.** A family is a group of two or more people (one of whom is the householder) related by birth, marriage, or adoption and residing together; all such people (including related sub-

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<sup>1</sup> DeNavas-Walt, Carmen, Bernadette D. Proctor, and Cheryl Hill Lee, U.S. Census Bureau, Current Population Reports, P60-229, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, Table 1. <http://www.census.gov/prod/2005pubs/p60-229.pdf>.

family members) are considered as members of one family.<sup>2</sup>

**Hispanic origin.** Persons of Hispanic origin may be of any race. A married couple is of Hispanic origin if the husband is of Hispanic origin.

**Marital status.** Married persons are married and living with their spouse. Nonmarried persons may be divorced, widowed, never married, separated, or married but living apart from their spouse.

**Race.** A person's race is his or her reported race. A married couple's race is defined as the race of the husband. Beginning with the 2002 edition, respondents were allowed to report more than one race. The categories White alone, Black alone, and Asian alone reflect respondents who reported only one race. Because of these changes, data on race are not directly comparable to editions prior to 2002, and one should use caution when interpreting changes in the racial composition of the elderly over time. In 2002, less than 1 percent of persons aged 55 or older reported more than one race.

### Income Definitions

Money income data are collected for all people 15 or older in the sample. Money income includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, pension or retirement income, interest, divi-

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<sup>2</sup> U.S. Census Bureau. *Current Population Survey (CPS) Definitions and Explanations*. <http://www.census.gov/population/www/cps/cpsdef.html>. Last revised January 20, 2004.

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dends, rents, royalties, income from estates and trusts, educational assistance, alimony, child support, cash assistance from outside the household, and other miscellaneous sources. It is income before deductions for taxes or other expenses and does not include lump-sum payments or capital gains.<sup>3</sup>

**Total Money Income.** The term is defined as the arithmetic sum of money wages and salaries, net income from self-employment, and income other than earnings. The total income of a household is the arithmetic sum of the amounts received by all income recipients in the household.<sup>4</sup>

**Earnings is the sum of income from wages and salaries and income from self-employment.**

*Wages and salaries.* Money wages or salary is defined as total money earnings received for work performed as an employee during the income year. It includes wages, salary, Armed Forces pay, commissions, tips, piece-rate payments, and cash bonuses earned, before deductions are made for taxes, bonds, pensions, union dues, and so forth. Earnings for self-employed incorporated businesses are considered wage and salary.<sup>5</sup>

*Self-employment.* Income from self-employment is the combined income from farm and nonfarm self-employment.

Farm self-employment is net money income (gross receipts minus operating expenses) from the operation of a farm by a person on their own account, as an owner, as a renter, or as a shareholder. Nonfarm self-employment is net money

<sup>3</sup> Cleveland, Robert W., U.S. Census Bureau, Current Population Reports, P60-228, *Alternative Income Estimates in the United States: 2003*, page 2. <http://www.census.gov/prod/2005pubs/p60-228.pdf>.

<sup>4</sup> Glossary. <http://www.census.gov/apsd/techdoc/cps/cpsmar05.pdf>.

<sup>5</sup> Ibid.

## How Income Is Measured

“For each person in the sample 15 years and over, the Annual Social and Economic Supplement (ASEC) asks questions on the amount of money income received in the preceding calendar year. . . .

It should be noted that although the income statistics refer to receipts during the preceding calendar year, the demographic characteristics, such as age, labor force status, and household composition, are as of the survey date. The income of the household does not include amounts received by people who were members during all or part of the previous year if these people no longer resided in the household at the time of interview. The Current Population Survey (CPS) collects income data for people who are current residents but did not reside in the household during the previous year.

Data on income collected in the ASEC by the U.S. Census Bureau cover money income received (exclusive of certain money receipts such as capital gains) before payments for personal income taxes, social security, union dues, Medicare deductions, etc. Therefore, money income does not reflect the fact that some families receive noncash benefits, such as food stamps, health benefits, subsidized housing, and goods produced and consumed on the farm. In addition, money income does not reflect the fact that noncash benefits are also received by some nonfarm residents, which often take the form of the use of business transportation and facilities, full or partial payments by business for retirement programs, medical and educational expenses, etc. Data users should consider these elements when comparing income levels. Moreover, readers should be aware that for many different reasons there is a tendency in household surveys for respondents to underreport their income. Based on an analysis of independently derived income estimates, the Census Bureau determined that respondents report income earned from wages or salaries much better than other sources of income, and that the reported wage and salary income is nearly equal to independent estimates of aggregate income.” (Source: DeNavas-Walt, Carmen, Bernadette D. Proctor, and Cheryl Hill Lee, U.S. Census Bureau, Current Population Reports, P60-229, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, page 29. <http://www.census.gov/prod/2005pubs/p60-229.pdf>).

income (gross receipts minus expenses) from one’s own business, professional enterprise, or partnership.<sup>6</sup>

**Retirement benefits is the sum of Social Security benefits and public and private pensions.**

**Social Security.** Social Security includes retired-worker benefits, dependents’ or survivor benefits, disability benefits made by the Social Security Administration prior to deductions for medical insurance, and railroad retirement insurance checks from the U.S. Government.

<sup>6</sup> Ibid.

“Medicare” reimbursements are not included.<sup>7</sup> In addition, fewer than 20 persons received transitionally insured benefits, a special type of retirement benefit, in 2004.<sup>8</sup> For further information on types of Social Security benefits, see Social Security’s *Annual Statistical Supplement 2005*, pages 18-19.

**Pensions.** Many employers and unions have established pension program for their employees so that upon retirement employees will receive regular income to replace their earnings.

<sup>7</sup> U.S. Census Bureau. *Current Population Survey (CPS)—Definitions and Explanations*. <http://www.census.gov/population/www/cps/cpsdef.html>. Last revised January 20, 2004.

<sup>8</sup> [http://www.ssa.gov/OP\\_Home/rulings/di/07/SSR81-08-di-07.html](http://www.ssa.gov/OP_Home/rulings/di/07/SSR81-08-di-07.html).

Many of these programs also provide income to employees if they become severely disabled, or to their survivors upon death.<sup>9</sup> Nonregular (nonannuitized or lump-sum) withdrawals from IRA, Keogh, and 401(k) plans are not included as income.

**Employer pensions.** Employer pensions include pensions from Railroad Retirement, government employee pensions, and private pensions and annuities.

**Government employee pensions.** Government employee pensions include regular payments from federal government (civil service), military, and state or local governments.

**Private pensions and annuities.** Private pensions and annuities include regular payments from companies or unions, annuities or paid-up insurance policies, individual retirement accounts (IRAs), Keogh, or 401(k) payments.

**Asset income includes interest, dividends, income from estates or trusts, and net rental income or royalties.**

**Interest income.** Interest includes payments people receive (or have credited to their accounts) from bonds, treasury notes, IRAs, certificates of deposit, interest-bearing savings and checking accounts, and all other investments that pay interest.<sup>10</sup>

**Dividends.** Dividends include income people receive from stock holdings and mutual fund shares. The CPS does not include capital gains from the sale of stock holdings as income.<sup>11</sup>

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<sup>9</sup> Glossary. <http://www.census.gov/apsd/techdoc/cps/cpsmar05.pdf>.

<sup>10</sup> U.S. Census Bureau. *Current Population Survey (CPS)—Definitions and Explanations*. <http://www.census.gov/population/www/cps/cpsdef.html>. Last revised January 20, 2004.

<sup>11</sup> Ibid.

**Rents, royalties, and estates and trusts.**

Include net income people receive from the rental of a house, store, or other property, receipts from boarders or lodgers, net royalty income, and periodic payments from estate or trust funds.<sup>12</sup>

**Unemployment compensation.** Payments include those the respondent received from government unemployment agencies or private companies during periods of unemployment and any strike benefits the respondent received from union funds.<sup>13</sup>

**Workers' compensation.** Payment includes those received periodically from public or private insurance companies for injuries received at work.<sup>14</sup>

**Veterans' payments.** Include payments disabled members of the Armed Forces or survivors of deceased veterans receive periodically from the Department of Veterans Affairs for education, on-the-job training, and means-tested assistance.<sup>15</sup>

**Supplemental Security Income.** Supplemental Security Income includes payments made by federal, State, and local welfare agencies to low-income persons who are aged (65 or older), blind, or disabled and who have limited income and financial resources.<sup>16</sup>

For more information on the SSI program, you may want to read our publication called "SSI" (Publication No. 05-11000). You may also want to read our introductory material in the booklet, "Understanding SSI." (Source: FAQ Answer ID 93 or visit the Social Security website at [www.ssa.gov](http://www.ssa.gov).)

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

**Income Sources-Other Public Assistance.**

Public assistance or welfare payments include public assistance payments such as Aid to Families with Dependent Children (now Temporary Aid to Needy Families) and general assistance.<sup>17</sup>

### Receipts Not Counted As Income

Receipts from the following sources are not included as income: (1) money received from the sale of property, such as stocks, bonds, a house, or a car (unless the person is engaged in the business of selling such property, in which case the net proceeds is counted as income from self-employment); (2) withdrawals of bank deposits; (3) money borrowed; (4) tax refunds; (5) gifts; and (6) lump-sum inheritances of insurance payments.<sup>18</sup>

**Noncash benefits** include Food Stamps, energy assistance, and housing assistance. Receipt of noncash benefits is only reported in the section on the sources of income received. No dollar values are assigned to the noncash benefits in this publication, and they are not included in total money income. A person or aged unit is indicated as having received a noncash benefit if any person in the household received food, energy, or housing assistance.

**Food.** In this publication, food noncash benefits are comprised solely of food stamps. School breakfast, lunch, and other food assistance programs are not covered. The Food Stamp Act of 1977 was enacted for the purpose of increasing the food purchasing power of eligible households through the use of coupons to purchase food. The Food and Nutrition Service of the U.S. Department of Agriculture (USDA) administers the Food Stamp Program through State and local welfare offices. The Food Stamp Program

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<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

is the major national income support program which provides benefits to all low-income and low-resource households regardless of household characteristics (for example, sex, age, disability, etc.).<sup>19</sup>

**Energy Assistance Program.** The Low-Income Home Energy Assistance Program provides financial assistance to qualified households to help them pay heating costs. The program is funded by the federal government and administered by the States under broad guidelines.<sup>20</sup>

**Housing Assistance.** There are some programs through which housing assistance is provided to low-income families and individuals living in public or privately owned dwellings. Two of the more common types of programs in which federal, State, and local funds are used to subsidize private sector housing are rent supplement and interest reduction plans. Under a rent supplement plan the difference between the “fair market” rent and the rent charged to the tenant is paid to the owner by a government agency. Under an interest reduction program the amount of interest paid on the mortgage by the owner is reduced so that subsequent savings can be passed along to low-income tenants in the form of lower rent charges. A recipient unit can either be a family of two or more related persons or an individual who is handicapped, elderly, or displaced by urban renewal or natural disaster.

Housing assistance questions differ from other questions covering noncash benefits in that they establish current reciprocity status in March 2005 rather than reciprocity status during 2004.<sup>21</sup>

## Other Key Concepts

**Poverty.** The Census Bureau uses a set of money income thresholds that vary by family size and composition to detect who is poor. If a family’s total income is less than that family’s threshold, then that family, and every individual in it, is considered poor. The poverty thresholds do not vary geographically, but they are updated annually for inflation with the Consumer Price Index (CPI-U). The official poverty definition counts money income before taxes and excludes capital gains and noncash benefits (such as public housing, Medicaid, and food stamps).

Poverty statistics are based on a definition developed by Mollie Orshansky of the Social Security Administration (SSA) in 1964 and revised in 1969 and 1981 by interagency committees. This definition was established as the official definition of poverty for statistical use in all Executive departments in 1969 (in Bureau of the Budget Circular No. A-46) and was reconfirmed in the Office of Management and Budget Statistical Policy Directive No. 14. For further details, see the section, “Changes in the Definition of Poverty,” in Current Population Reports, Series P-60, No. 133.

The poverty thresholds are increased each year by the same percentage as the annual average Consumer Price Index (CPI). The poverty thresholds are currently adjusted using the annual average CPI-U (1982-84 = 100).

For further information on how the poverty thresholds were developed and subsequent changes in them, see Gordon M. Fisher, “The Development and History of the Poverty Thresholds,” Social Security Bulletin, vol. 55, no. 4, Winter 1992, pp. 3-14.<sup>22</sup>

Discussions of alternative measures of poverty are available in Citro and Michael (1995).<sup>23</sup> The U.S. Census Bureau also publishes data on alternative measures of poverty; one of the most recent releases using Current Population Survey data is Dalaker (2005).<sup>24</sup>

**Relative Importance of Income Source.** The relative importance of a source is the ratio of the amount of income from a given source to total income.

**Aggregate Income Share.** An aggregate income share is the ratio of the amount of income from a given source to total income for an entire subpopulation. Aggregate income share tables are distributions of dollars by source.

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<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

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<sup>22</sup> Ibid.

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<sup>23</sup> Citro and Michael, eds., *Measuring Poverty: A New Approach*. National Academy Press, 1995.

<sup>24</sup> Dalaker (2005). *Alternative Poverty Estimates in the United States: 2003*. Current Populations Reports, P60-227. U.S. Census Bureau, 2005.

## Technical Information for Constructing Income Measures from the CPS Survey Data

The information provided here is intended to help users familiar with working with survey data to reproduce statistics in this publication or construct additional comparable measures. For questions regarding the survey variables themselves, please consult the technical documentation for the March 2005 CPS (<http://www.census.gov/apsd/techdoc/cps/cpsmar05.pdf>).

### Assigning persons to aged units

An aged unit can be either a nonmarried person or a married couple. The person record is used for nonmarried persons (A-MARITL equals 3,4,5,6, or 7). To create a married couple, a person with A-MARITL equals 1 or 2 is assigned to his or her spouse by matching A-LINENO of one person to the A-SPOUSE of another person in the same household (PH-SEQ is the same for both persons).

### Variables used to calculate income

These are the income variables for an individual. To obtain total income for an aged unit, sum amounts over the married couple or over the nonmarried person. To obtain family totals, sum over all family members (those with the same FH-SEQ and FFPOS).

Income category	CPS variable(s)	Condition(s)
Total income	PTOTVAL	
Earnings	PEARVAL	
Wages and salaries	WSAL-VAL	
	OI-VAL	OI-OFF=16
Self-employment	SEMP-VAL	
	FRSE-VAL	
	OI-VAL	OI-OFF in {17,18}
Retirement benefits	Sum of Social Security, Railroad Retirement, government employee pensions, and private pensions or annuities	
Social Security	SS-VAL	
	OI-VAL	OI-OFF=1
Benefits other than Social Security/Employer pension	Sum of Railroad Retirement, government employee pensions, and private pensions or annuities	
Other public pensions	Sum of Railroad Retirement and government employee pensions	
Railroad Retirement	SUR-VAL1	SUR-SC1=5
	SUR-VAL2	SUR-SC2=5
	DIS-VAL1	DIS-SC1=6
	DIS-VAL2	DIS-SC2=6
	RET-VAL1	RET-SC1=5
	RET-VAL2	RET-SC2=5
Government pensions	SUR-VAL1	SUR-SC1 in {2,3,4}
	SUR-VAL2	SUR-SC2 in {2,3,4}
	DIS-VAL1	DIS-SC1 in {3,4,5}
	DIS-VAL2	DIS-SC2 in {3,4,5}
	RET-VAL1	RET-SC1 in {2,3,4}
	RET-VAL2	RET-SC2 in {2,3,4}
Military pensions	SUR-VAL1	SUR-SC1=3
	SUR-VAL2	SUR-SC2=3
	DIS-VAL1	DIS-SC1=4
	DIS-VAL2	DIS-SC2=4
	RET-VAL1	RET-SC1=3
	RET-VAL2	RET-SC2=3
Federal pensions	SUR-VAL1	SUR-SC1=2
	SUR-VAL2	SUR-SC2=2
	DIS-VAL1	DIS-SC1=3
	DIS-VAL2	DIS-SC2=3
	RET-VAL1	RET-SC1=2
	RET-VAL2	RET-SC2=2

(Continued)

Income category	CPS variable(s)	Condition(s)
State or local pensions	SUR-VAL1	SUR-SC1=4
	SUR-VAL2	SUR-SC2=4
	DIS-VAL1	DIS-SC1=5
	DIS-VAL2	DIS-SC2=5
	RET-VAL1	RET-SC1=4
	RET-VAL2	RET-SC2=4
Private pensions or annuities	SUR-VAL1	SUR-SC1 in {1,9}
	SUR-VAL2	SUR-SC2 in {1,9}
	DIS-VAL1	DIS-SC1=2
	DIS-VAL2	DIS-SC2=2
	RET-VAL1	RET-SC1 in {1,6,7}
	RET-VAL2	RET-SC2 in {1,6,7}
Income from assets	OI-VAL	OI-OFF in {2,13}
	INT-VAL	
	RNT-VAL	
	DIV-VAL	
	SUR-VAL1	SUR-SC1=8
	SUR-VAL2	SUR-SC2=8
Interest	OI-VAL	OI-OFF in {5,6,7,8}
	INT-VAL	
Other income from assets	Sum of dividends, rent or royalties, and estates or trusts	
Dividends	DIV-VAL	
	OI-VAL	OI-OFF=6
Rent or royalties	RNT-VAL	
	OI-VAL	OI-OFF=7
Estates or trusts	OI-VAL	OI-OFF=8
	SUR-VAL1	SUR-SC1=8
	SUR-VAL2	SUR-SC2=8
Unemployment compensation	UC-VAL	
	OI-VAL	OI-OFF in {11,12}
Workers' Compensation	OI-VAL	OI-OFF=9
	SUR-VAL1	SUR-SC1=6
	SUR-VAL2	SUR-SC2=6
	DIS-VAL1	DIS-SC1=1
	DIS-VAL2	DIS-SC2=1
Cash public assistance	SSI-VAL	
	PAW-VAL	
	OI-VAL	OI-OFF in {3,4}
Supplemental Security Income	SSI-VAL	
Other public assistance	PAW-VAL	
	OI-VAL	OI-OFF in {3,4}

(Continued)

Income category	CPS variable(s)	Condition(s)
Personal contributions	CSP-VAL	
	ALM-VAL	
	FIN-VAL	
<i>Indicators of receipt only</i>		
Veterans' benefits	VET-YN=1	
Cash and noncash public assistance	Cash public assistance >0	
	Noncash public assistance=1	
Noncash public assistance	Food assistance=1 and/or	
	Energy assistance=1 and/or	
	Housing assistance=1	
Food assistance	HFOODSP=1	
Energy assistance	HENGAST=1	
Housing assistance	HPUBLIC=1 and/or	
	HLORENT=1 and/or	
	FHOUSSUB>0	
<i>Aggregate income shares only</i>		
Other	Total income-Retirement benefits-Earnings-Income from assets-Cash public assistance	

#### Demographic attributes

	Aged person	Aged unit		Family income of person
		Nonmarried person	Married couple	
Age	A-AGE	A-AGE	If husband A-AGE >= 55, then husband's A-AGE Else if wife's A-AGE >= 55, wife's A-AGE Otherwise not an aged unit	A-AGE
Race	PRDTRACE	PRDTRACE	Husband's PRDTRACE	PRDTRACE
Hispanic origin	PEHSPNON	PEHSPNON	Husband's PEHSPNON	PEHSPNON
Beneficiary	(Beneficiary)	(Beneficiary unit)		(In beneficiary family)
	Individual's Social Security income >0	Individual's Social Security income >0	Sum of both spouses' Social Security income >0	Sum of Social Security income for all members of family >0