
Income of Retirement-Aged Persons in the United States

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This article reviews the composition and level of retirement income in the United States and how this has changed over time, focusing on two overlapping but distinct groups—the entire population aged 65 or older, and recent retirees. Changes in the composition of income of the aged over the past 20-30 years, including greatly expanded Social Security and pension coverage and an increasing number of persons with retirement savings, have improved the economic status of the aged not only in comparison with the aged in earlier years, but also in comparison with younger adults who derive most of their income from earnings. New retired workers are better off than the total aged population in several respects. The younger cohorts now in the labor force will spend more of their working lives in the more favorable conditions now present than was true of past new beneficiaries or the aged as a whole. It is, therefore, not unreasonable to expect that today's workers will enjoy more and larger pensions and increased income from savings to supplement their Social Security benefits when they retire.

Fifty years ago, the Social Security Act established a national system that would collect a share of workers' earnings and pay them benefits in old age. The social insurance features of the program, later expanded to provide other benefits, including disability income and health insurance, have transformed the economic status of older Americans. The number of Social Security beneficiaries has grown from less than 1 percent of the aged population in 1940 to over 90 percent today, and Social Security payments are now the largest single component of the income of the aged. At the same time, major changes have affected their income from other sources.

This article reviews what is known today about the composition and level of retirement income and how this has changed over time, with a particular empha-

sis on the role of Social Security retired-worker benefits. It focuses on two overlapping but distinct groups. The first section examines the entire elderly population of persons aged 65 or older, which includes persons who retired at widely different times. The second section deals with recent retirees—persons, regardless of age, who have just begun receiving Social Security retired-worker benefits.

The Social Security System in Brief

The national Old-Age, Survivors, and Disability Insurance (OASDI) program, popularly called Social Security, is the largest and most important social insurance program in the United States. It is financed on a pay-as-you-go basis through payroll taxes paid by employees, their employers, and the self-employed. These are used to provide cash benefits that replace part of the income lost after workers retire, die, or suffer severe long-term disability. Additional auxiliary Social Security benefits have been extended to wives, certain divorced wives, children, and disabled adult children of retired and disabled workers; and to surviving widows, divorced spouses, children, and depen-

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dent parents of deceased-worker beneficiaries. All auxiliary benefits are available to men and women on the same terms, though in practice few men find them advantageous.

Benefits are payable as a matter of statutory right without regard to personal need or level of nonwork income. To qualify for them, workers must acquire "insured status" by earning at least a minimum amount during a specified number of quarters in jobs covered by Social Security. When established in 1935, the program covered only employees in commerce and industry, but mandatory coverage had been extended to 91 percent of all workers by 1984. The major remaining groups of noncovered workers are railroad employees (covered under a separate, parallel system), Federal civilian employees hired before 1983, and employees of certain State and local governments that have chosen not to participate in the system.

The size of benefits is an indirect function of the amount of Social Security taxes previously paid on covered earnings. It is computed as a percentage of average earnings over the period when the applicant could reasonably have been expected to work in covered employment. The benefit formula is weighted in favor of persons with a history of low earnings, on the assumption that they have a smaller margin for reduction in income.

The full retirement benefit calculated by the formula is payable at age 65. However, workers have the option of retiring at age 62 (and widows and widowers as early as age 60). Although recent legislation has attempted to encourage later retirement, the early retirement benefit option has become very popular, so that retirement as late as age 65 is becoming somewhat unusual. This is having an impact on the income of the elderly because benefits taken before age 65 are actuarially reduced to equalize estimated lifetime Social Security income. Thus, workers retiring at age 62 are paid only 80 percent of their "primary insurance amount." Workers who choose to take their benefits late, after age 65, receive a proportionally smaller augmentation of the full amount, currently equivalent to 3 percent for each year deferred up to age 70.

It should be emphasized that receipt of old-age benefits is by no means synonymous with "retirement" in a labor-force sense. Beneficiaries can earn a substantial amount without any reduction in benefits (in 1985, up to \$7,320 for persons aged 65-69 and \$5,400 for persons under age 65), and benefits are reduced by only \$1 for every \$2 in earnings above the exempt amounts. Moreover, benefits are not reduced for any earnings at ages 70 or older.

The aged population includes many persons who began receiving benefits that reflect earlier, somewhat different versions of the benefit computation formula, delayed retirement credit, earnings offsets, etc., and

the Social Security Act includes a schedule of further gradual changes that will significantly affect workers retiring in the years to come. Their general purpose is to counteract the growing ratio of retired to active workers. Among these provisions are gradual increases in the age at which full benefits are payable from 65 to 67, substantially larger credits for delayed retirement, and diminished offsets for earnings after benefits begin.

The Total Aged Population

Changing Sources of Income for the Aged

Social Security payments have had an increasing impact on the income of the elderly for two reasons—more and more of the elderly are receiving payments, and the average payments have become larger in real terms. Past extensions in the range of jobs covered by Social Security have made receipt of some Social Security benefits almost universal. In 1984, 91 percent of aged units (couples or single persons) received benefits, compared with only 69 percent in 1962 (table 1). The real value of these benefits has also risen considerably more rapidly than consumer prices: In constant 1984 dollars, the average monthly benefit for retired workers grew from \$257 in 1960 to \$461 in 1984.

Amounts rose despite a great increase in the proportion of benefits actuarially reduced because they were claimed before age 65. Between 1961—when men were first eligible to claim early benefits—and 1984, the percentage with reduced benefits rose from 5 percent to 59 percent. Between 1956—when women

Table 1.—Percentage of aged units with income from various sources and shares of aggregate income from these sources, 1962 and 1984

Income source	1962	1984
Percentage of units with income from:		
Social Security.....	69	91
Private pensions.....	9	24
Government employee pensions.....	5	14
Assets.....	54	68
Earnings.....	36	21
Share of aggregate income provided by:		
Social Security.....	31	38
Private pensions.....	3	6
Government employee pensions.....	6	7
Assets.....	16	28
Earnings.....	28	16

Sources: Lenore Epstein and Janet Murray, *The Aged Population of the United States: The 1963 Social Security Survey of the Aged* (Research Report No. 19), Office of Research and Statistics, Social Security Administration, 1967, and Susan Grad, *Income of the Population 55 and Over, 1984*, Office of Research, Statistics, and International Policy, Office of Policy, Social Security Administration, December 1985.

first became eligible—and 1984, the percentage rose from 8 percent to 71 percent. If conversions of disabled workers to retired status at age 65 are taken into account, the proportion actually waiting until age 65 for their first benefits is even smaller.

The combined effect of more widely available and larger benefits is that Social Security has become a more important component of total income. Social Security accounted for 38 percent of aggregate income of the aged in 1984, compared with 31 percent in 1962. Because much of the aggregate income of the elderly is received by a relatively small minority, Social Security payments play an even more important part for many beneficiaries. In 1984, it provided the majority of the income received by 62 percent of them (table 2). Social Security is the only source of income for 1 beneficiary in 7, and accounts for almost all the income (90 percent or more) for about 1 in 4.

However, Social Security old-age benefits were never intended to be the sole source of support in retirement, but rather to supplement pensions and assets acquired during working life. Assets have indeed become an increasingly important source of income for the elderly. The proportion with at least some asset income rose from 54 percent to 68 percent between 1962 and 1984, and the share of aggregate income from assets increased from 16 percent to 28 percent, second only to Social Security payments.

Private pension income has increased even more rapidly than asset income among the elderly. Both in order to benefit workers and to promote capital formation, Federal policy has actively encouraged the expansion of private pension plans since the Revenue Act of 1942. The most important of a series of subse-

quent laws was the Employee Retirement Income Security Act (ERISA) of 1974, which was intended to ensure the viability of pension plans by setting minimum standards of administration and fiscal responsibility, and to increase the number of workers with pension coverage by setting vesting limits and prohibiting exclusion or differential treatment of most classes of employees.

These changes have had a considerable cumulative impact. Almost three times as many aged couples and single persons received employer pensions in 1984 as in 1962—24 percent of the aged had pensions from private former employers and 14 percent had pensions earned as former employees of Federal, State, or local governments. The share of aggregate income from private pensions doubled during this interval, while the share from public employee pensions remained about the same.

The one major component of income among the aged that has been declining is earnings. This reflects a consistent, long-term trend away from labor-force participation among older persons, including those below the normal retirement age. In 1962, 36 percent of the aged had earnings, but this had fallen to 21 percent by 1984. Income from earnings accounted for only 16 percent of the aggregate income in the latter year.

A fifth type of income, means-tested transfer payments, is of relatively little importance to most of the elderly. The main program providing money income to the elderly on the basis of need has been the Supplemental Security Income (SSI) program, which in 1974 consolidated under Federal administration various earlier State-run programs assisting the blind, disabled, and elderly. It provides a supplement to small Social Security benefits or an alternative payment for nonbeneficiaries to provide a minimum income level. As the Social Security system has matured (that is, as more and more persons have worked longer in covered employment), the importance of means-tested transfers has declined among the elderly. In 1940, this type of income was received by 22 percent of the population aged 65 or older, but the rate fell to 14 percent in 1960 and to only 7 percent in 1983 (table 3). In 1983, SSI was somewhat more important for single persons (11 percent had some) but accounted for only 2 percent of aggregate cash income even in this group. All other miscellaneous cash transfers accounted for only 1 percent.

However, a focus on cash income does tend to underemphasize the importance of need-based assistance. During the past two decades, indirect and in-kind forms of assistance have come to play a larger role. The most important of these benefits are medical care paid for by the Medicaid program, Food Stamps (banknote-like coupons that can be used to

Table 2.—Social Security¹ as a proportion of total cash income: Percentage distribution of aged units, by marital status, 1984

Proportion of income (recipients only) ²	All units	Married couples	Nonmarried persons
Number (in thousands).....	18,682	7,598	11,084
Total percent.....	100	100	100
1-19.....	9	13	6
20-39.....	18	24	15
40-59.....	22	24	20
60-79.....	19	19	19
80 or more.....	32	20	40
50 or more.....	62	51	69
90 or more.....	4	14	31
100.....	4	7	19

¹Social Security beneficiaries may be receiving retired-worker benefits, dependents' or survivors' benefits, transitionally insured, or special age-72 benefits.

²Units with zero or negative total income and units with a person receiving both Social Security and Railroad Retirement benefits are excluded.

purchase food items), and free or subsidized public housing. Even these were received, respectively, by only 13.7 percent, 7 percent, and 6 percent of elderly households in 1983.

Table 3.—Persons aged 65 or older receiving Social Security¹ or Supplemental Security Income (SSI), 1940-83

Year	Number of the aged (per thousands) ² receiving—	
	OASDI	SSI ³
1940 (June).....	7	217
1945 (June).....	62	194
1950 (February).....	164	224
1955 (February).....	394	179
1960 (February).....	616	141
1965 (February).....	752	117
1970 (February).....	855	104
1975 (December).....	904	111
1980 (December).....	914	87
1981 (December).....	912	81
1982 (December).....	913	75
1983 (December).....	918	73

¹Social Security beneficiaries may be receiving retired-worker benefits, dependents' or survivors' benefits, transitionally insured, or special age-72 benefits.

²Population data on which ratio is based furnished by the Bureau of the Census. Data not adjusted for errors of coverage and of age misreporting.

³For 1940-73, data refer to Old-Age Assistance program. Beginning January 1974, the Supplemental Security Income program superseded the Old-Age Assistance program in the 50 States and the District of Columbia.

Based on 10-percent sample.

Source: **Annual Statistical Supplement to the Social Security Bulletin**, 1984-85, table 168.

The Current Composition of the Income of the Elderly

The aged are an economically diverse group. Their median total income was \$10,170 in 1984, but 19 per-

cent had incomes of less than \$5,000 (approximately the official poverty threshold for a single person aged 65 or older) and 22 percent had incomes of \$20,000 or more (table 4). Aged couples generally have larger incomes than aged single persons; the married-couple median income is two-and-a-half times as great as the single median (\$17,250, compared with \$6,690).

Many of these income differences reflect variations in the composition of total income. The relatively well-off elderly received 39 percent of their aggregate income from assets and 15 percent from pensions provided by former public and private employers. These sources accounted for a negligible 4 percent and 2 percent of the aggregate income among the relatively poor elderly. On the other hand, Social Security accounted for most of the income of the relatively poor (77 percent), with Public Assistance payments (primarily SSI) providing much of the remainder. Social Security provided only 20 percent of the income of the relatively well-off and Public Assistance virtually none.

While asset income and Public Assistance are important at the extremes of the income distribution, the main determinants of income differences for most of the elderly population are earnings, Social Security, and employer pensions. Which of these three forms of income they receive greatly affects their average total money income (table 5). Nearly half (46 percent) of all aged persons and couples receive only Social Security, and their median annual incomes of \$6,270 are comparatively low. Only the very small group (4 percent of aged units) with neither work, pensions, nor Social Security have an even smaller median income. About one-third of aged units also have no earnings but receive a higher cash income from an employer pension instead of Social Security (\$11,430) or in addition to Social Security (\$14,400).

Only about 1 in 5 aged units receives any earnings.

Table 4.—Shares of aggregate income of aged units 65 or older, by levels of total money income: Percentage distribution of money income from various sources, 1984

Income source	Total	Less than \$5,000	\$5,000-\$9,999	\$10,000-\$19,999	\$20,000-or more
Number (in thousands).....	20,790	4,044	6,220	5,910	4,617
Total percent.....	100	100	100	100	100
Percentage of income from:					
Retirement benefits.....	53	80	81	67	37
Social Security.....	38	77	71	48	20
Railroad Retirement.....	1	1	1	1	0
Government employee pensions.....	7	1	3	7	9
Private pensions or annuities.....	6	1	4	9	6
Earnings.....	16	0	4	10	23
Income from assets.....	28	4	10	21	39
Public Assistance.....	1	14	3	0	0
Other.....	2	2	3	2	1

Source: Current Population Survey, March 1985.

Table 5.—Retirement benefits and earnings, by marital status: Number of aged units and median total money income, 1984

Retirement benefits	All units			Married couples			Nonmarried persons		
	Total	With earnings	Without earnings	Total	With earnings	Without earnings	Total	With earnings	Without earnings
Number of aged units									
Total number (in thousands).....	20,790	4,328	16,463	8,289	2,857	5,433	12,501	1,471	11,030
Total percent.....	100	21	79	100	34	66	100	12	88
No benefit.....	6	2	4	4	3	1	7	2	5
One benefit:									
Social Security.....	57	11	46	45	17	28	65	7	57
Employer pension.....	3	(¹)	3	3	1	2	3	(²)	3
Both types of benefits.....	34	7	27	47	13	34	25	3	22
Median total money income (in 1984 dollars)									
Total.....	\$10,170	\$18,540	\$8,410	\$17,250	\$23,280	\$14,810	\$6,690	\$12,100	\$6,290
No benefit.....	4,480	25,560	3,450	28,190	35,090	4,790	3,760	15,520	3,380
One benefit:									
Social Security.....	7,140	14,840	6,270	13,060	18,960	10,820	5,800	10,040	5,530
Employer pension.....	13,120	29,730	11,430	21,580	30,660	16,330	10,490	(²)	10,060
Both types of benefits.....	15,810	22,660	14,400	19,820	25,240	17,980	11,280	14,090	10,810

¹Less than 0.5 percent.

²Fewer than 75,000 weighted cases.

Moreover, earned income is much more commonly reported by aged couples (one member of whom may be below the age of 65) than aged single persons. Very few aged couples and single persons (about 2 percent overall) have only earnings and no retirement benefits. However, this small group, which despite its age has not yet retired, reports a relatively high median income of \$25,560. Work is sometimes referred to as “the poor man’s pension” and this is borne out by the relatively low cash incomes of persons with only Social Security benefits who are still working. Their median income of \$14,850 is almost exactly the same as the \$14,400 median income of the elderly who have employer pensions to supplement Social Security and who do not work. Workers with earnings and both kinds of retirement benefits are almost as well-off as workers with earnings only but fewer than 1 out of 10 elderly units falls into these two relatively advantaged groups.

The Current Economic Status of the Aged

The economic status of older persons has improved substantially since the early 1960’s, when the first comprehensive national survey of the aged was conducted. After discounting the effects of inflation, the real income of both married couples and single persons increased about 75 percent between 1962 and 1984 (table 6). The proportion of the aged with income below the official poverty line declined correspondingly (table 7). In 1983, only 8 percent of families headed by an aged person had income below

the poverty line, compared with 27 percent in 1960. Among the single aged, the decline was from 66 percent to 26 percent.

This improvement is attributable to several factors, including the growing importance of Social Security, private and public pensions, and assets. Taken together, they have more than offset a substantial decline in employment rates and earnings among older persons.

These changes in the composition of income have improved the economic status of the elderly not only in comparison with the elderly in earlier years, but also in comparison with younger adults who derive

Table 6.—Median total money income in 1984 dollars of aged married couples and nonmarried persons in 1962 and 1984

Marital status	1962	1984	Percentage change
All units.....	(¹)	\$10,170	(¹)
Married couples.....	\$9,780	17,250	76
Nonmarried persons.....	3,840	6,690	74
Men.....	4,640	7,490	61
Women.....	3,450	6,500	88

¹Data not available.

Sources: Lenore Epstein and Janet Murray, **The Aged Population of the United States: The 1963 Social Security Survey of the Aged** (Research Report No. 19), Office of Research and Statistics, Social Security Administration, 1967, and Susan Grad, **Income of the Population 55 and Over, 1984**, Office of Research, Statistics, and International Policy, Office of Policy, Social Security Administration, December, 1985.

Table 7.—Aged families and unrelated individuals with income below the poverty line, 1960 and 1983

Family status	Percentage below poverty line	
	1960	1983
Families	27	8
Headed by men	26	7
Headed by women	31	17
Unrelated individuals	66	26
Men	60	22
Women	68	28

Source: Bureau of the Census, "Characteristics of the Population Below the Poverty Level," **Current Population Reports** (Series P-60), various years.

most of their income from earnings. Social Security benefits received two substantial *ad hoc* increases of 10 percent and 20 percent in the early 1970's, and were then indexed to maintain their purchasing power relative to consumer prices; moreover, with recent and limited exceptions, they have been tax free. Over the period, most government employee pensions have also been indexed, though not tax free. By comparison, earned income was subject to taxation and did not keep pace with inflation during much of the 1970's.

As a result, the gap between the incomes of the elderly and nonelderly, which had widened between 1960 and 1970, has narrowed or disappeared. When mean income is compared, households with an aged head still have less than 52 percent as much money income as other families, but aged households contain considerably fewer persons on average. When income is calculated on a *per capita* basis, most of the gap disappears and ratio of the elderly to nonelderly money incomes is about 90 percent. When the narrow cash definition of money income is broadened in various ways, the relative position of the elderly improves consistently (table 8).

The relative position of the elderly is better with respect to disposable income than to total money income because most of Social Security benefits, a major income component only among the elderly, are not subject to taxation; moreover, the elderly are treated favorably in other ways by the tax system. Counting the market value of public in-kind benefits also improves their position because by far the most important of these benefits is the Medicare program, which provides insurance to almost everyone aged 65 or older. Because the elderly are more likely to own their own homes, the inclusion of implicit rental value of housing also improves their standing. The only major adjustment that lowers the apparent relative position of the elderly is the addition of the value of noncash employee benefits, since the elderly are considerably less likely to work. None of these adjustments, however, is as important as the simple

distinction between household and *per capita* income. Moreover, while these calculations suggest that, overall, the elderly may now be somewhat better off than the nonelderly, the single aged have lower incomes than their younger counterparts even after adjustment.

Table 8.—The effects of alternative adjustments for household size and income composition on the ratio of incomes of the elderly to the nonelderly in 1979

Income measure	Ratio of household income	Ratio of per capita income
Census money income	0.518	0.903
Disposable income (money income less income and payroll taxes)601	1.036
Public income (disposable income plus market value of public in-kind benefits)672	1.189
Public and insurance income (public income plus employer cost of noncash employee benefits)619	1.107
Total income (public and insurance income plus implicit rental value of owner-occupied and rent-free housing)647	1.142

Source: Adapted from Timothy Smeeding, **Full Income Estimates of the Relative Well-Being of the Elderly and the Nonelderly**, May 1985.

Recent New Beneficiaries

The New Beneficiary Survey

Because many older persons are well above the usual retirement age and stopped work long ago, the income of older persons today reflects the legal, labor-market, and institutional provisions of the past. The impact of today's arrangements will be felt gradually in the decades to come, as present workers age and retire. These arrangements have changed significantly in recent years. Since the early 1970's, the country has experienced periods of unusually high inflation and high unemployment. More and more women were working, while unprecedented numbers had fewer or later children, or none at all. Legislative measures were taken to expand pension coverage, secure pension rights, and curb age discrimination in employment. The Social Security program has made an extensive series of changes in benefit calculation, benefit levels, and earnings offset provisions.

The New Beneficiary Survey (NBS) was therefore launched in 1982 to provide more current information for program analysts, and to provide detailed data that would permit policy planners to estimate the probable consequences of changes in the Social Secu-

rity program. The NBS was designed to obtain a comprehensive and detailed work history for each person in the sample together with information on income sources and asset holdings of both beneficiaries and their spouses (a likely source of support), marital and child-rearing histories, and the costs (forgone earnings) and benefits (retirement income and financial resources) associated with the beginning of retirement, as well as such other relevant characteristics as health and spouse's employment.

The NBS was designed to interview a representative sample of noninstitutionalized persons in the United States who had begun receiving different kinds of Social Security and medical insurance benefits between mid-1980 and mid-1981 (table 9). Sample cases were selected from the Social Security Administration's internal files containing the names, addresses, and Social Security numbers of everyone entitled to cash or Medicare benefits. The overall response rate was at least 85.9 percent, on the very conservative assumption that everyone who could not be contacted was in fact eligible for interview. The information obtained in the resulting 18,599 interviews was weighted to represent the entire new beneficiary population and matched to SSA record data.

The Economic Status of New Beneficiaries Today

As expected, the new retired-worker beneficiaries in the NBS proved to be better off than the total aged population in several respects (table 10). They are more likely to have earnings, pensions (other than Social Security), and income from assets. Their median

monthly income is higher and they rely on Social Security for a smaller fraction of their total income.

In part, this is because they are relatively young (the majority had retired before age 65) and fewer of them have yet experienced changes likely to occur with advancing age, such as declining health and earnings capacity, death of a spouse, and erosion of the real value of income sources that are not indexed for inflation. Moreover, because the new beneficiaries all had substantial work histories as a precondition for receiving retired-worker benefits, they were somewhat more likely to have pensions and, perhaps, more assets and better work capacity than the elderly population in general.

One to 2 years after the first benefit had been paid, employment was still fairly common: Earnings were reported by 27 percent of single beneficiaries and 44 percent of couples (in which a beneficiary might be married to someone who had not retired). However, the level of earnings was rarely so high that retirement benefits had been suspended: 98 percent of the married couples and 97 percent of the single group were still receiving Social Security (table 11).

The other two sources of income expected to supplement Social Security were also reported quite frequently. Asset income (most commonly interest on savings accounts) was reported by 84 percent of the couples, 73 percent of the single women, and 63 percent of the single men. However, the amounts were often quite small. Only 51 percent of married men and their wives and 35 percent of single men and women had more than \$100 per month in asset income.

Fewer beneficiaries reported income from employer

Table 9.—New Beneficiary Survey sample size and interview outcomes

Domain of study	Population size	Desired number of interviews	Total selected for interviews	Not eligible for interview ¹	Nonrespondent	Interviewed
Retired workers:						
Men, aged:						
62.....	340,988	1,350	1,673	37	194	1,442
63-64.....	195,564	1,350	1,698	53	179	1,466
65.....	112,418	1,300	1,651	47	216	1,388
66 and older.....	67,540	1,000	1,264	53	201	1,011
Women, aged:						
62.....	348,099	1,200	1,538	19	200	1,319
63-64.....	120,986	1,000	1,275	16	185	1,074
65.....	64,505	1,000	1,283	25	213	1,045
66 or older.....	24,689	800	1,009	35	200	774
Disabled workers:						
Men.....	171,655	3,450	4,376	290	493	3,593
Women.....	70,602	1,550	1,986	127	204	1,605
Wives.....	213,332	1,000	1,243	22	180	1,041
Widows.....	115,356	950	1,188	19	194	975
Divorced wives.....	5,517	200	246	11	23	210
Divorced widows.....	9,096	200	258	6	40	212
Medicare recipients.....	257,286	1,500	1,795	17	334	1,444

¹Ineligibles include the deceased, the institutionalized, and beneficiaries who had received a first payment before specified date.

Table 10.—New retired workers and total aged beneficiaries: Percentage of beneficiaries with income from various sources, median monthly income, and share of aggregate income from Social Security, by sex and marital status, 1982

Income source	New retired workers ¹			Total aged beneficiaries ²		
	Married men and their wives	Unmarried		Married men and their wives	Unmarried	
		Men	Women		Men	Women
Percentage receiving:						
Earnings.....	44	22	30	33	15	9
Income from assets.....	83	63	72	78	61	64
Employer pensions, total.....	56	41	43	50	36	24
Private.....	39	26	28	35	26	14
Public.....	20	16	16	17	11	11
Median monthly income.....	\$1,490	\$780	\$760	\$1,240	\$600	\$480
Share of aggregate income from Social Security (percent).....	35	40	42	39	45	53

¹Includes only married men retired workers and their wives and unmarried workers interviewed in the 1982 New Beneficiary Survey who received a first Social Security benefit during mid-1980 to mid-1981.

²Includes all couples and unmarried persons aged 65 or older in 1983 who reported receipt of Social Security benefits in 1982 in the

March 1983 Current Population Survey of the Bureau of the Census.

Source: Linda Drazga Maxfield, "Income of New Retired Workers by Age at First Benefit Receipt: Findings From the New Beneficiary Survey," *Social Security Bulletin*, July 1985.

Table 11.—Sources of 1982 income during the 3 months preceding interview for persons who first received retired-worker benefits in June 1980-May 1981

Income source	Married men and their wives	Unmarried beneficiaries
Total number (in thousands)...	580.0	295.9
Percentage receiving income from:		
Social Security.....	98.3	97.1
Employer pensions.....	55.7	42.4
Private.....	38.3	26.8
Public.....	21.0	16.5
Assets.....	83.8	69.1
Earnings.....	43.7	27.1
Other source.....	16.5	15.2
Welfare.....	2.0	7.1

¹Includes receipt of at least one of the following: veterans' pensions or compensation, Workers' Compensation, Unemployment Insurance, Black Lung benefits, contributions from others within or outside of the household, and welfare (Supplemental Security Income, Aid to Families with Dependent Children, and Food Stamps).

Source: New Beneficiary Survey, October-December 1982.

pensions than from assets, but when they did their median monthly pension amounts were considerably larger than median asset income. The proportions with at least \$100 a month in asset and pension income were therefore almost identical. Roughly half of the retired-worker beneficiaries had pensions from former public or private employers: 56 percent of the married and 42 percent of the unmarried. While single women were (rather unexpectedly) more likely than single men to have pensions, their median pen-

sion income was much smaller: \$253, compared with \$400 per month.

Income from other sources was reported by fewer than 1 out of 6 beneficiaries. The most common of these other forms of income was veterans' benefits, received by 8-10 percent of the men. SSI or other forms of Public Assistance were received by only 2 percent of the married couples and 7 percent of the unmarried.

When the relative importance of income components at different levels of the income distribution is examined (table 12), the dominant role of Social Security payments stands out. They account for more than half of total income up to the 45th percentile of the income distribution for couples and the 55th percentile for single persons. They decline steadily in importance as total income rises, but are relatively unimportant only to the most affluent decile. Asset income and earnings have an inverse distribution, increasing steadily in importance as income rises. Employer pensions do the same, except at the highest level. Income from other sources accounts for only a small share of the total at all levels.

As expected, these findings from the NBS indicate that persons entering retirement recently are in a considerably better financial position than earlier cohorts of retirees. Although the real value of Social Security payments has increased substantially, other forms of income to supplement them have grown even more rapidly. The proportion of married couples and single beneficiaries relying on Social Security for the majority of their income has decreased only slightly over the years (from 47 percent and 59 percent in 1941-42 to

Table 12.—Married men and their wives and unmarried persons who first received retired-worker benefits in June 1980-May 1981: Percentage of mean total 1982 monthly income from major sources, by percentile of total monthly income distribution

Percentile of total income distribution	Mean total monthly income	Percentage of mean total monthly income from—					
		All sources	Social Security	Employer pensions	Assets	Earnings	Other income
Married men and their wives							
1st-10th.....	\$521	100	77	4	4	9	6
11th-20th.....	843	100	67	10	7	12	4
21st-30th.....	1,068	100	59	14	9	15	3
31st-40th.....	1,257	100	54	20	11	14	2
41st-50th.....	1,427	100	48	20	12	17	3
51st-60th.....	1,630	100	44	22	16	15	3
61st-70th.....	1,880	100	38	24	15	20	3
71st-80th.....	2,225	100	32	23	20	22	3
81st-90th.....	2,829	100	25	26	23	23	3
91st-100th.....	5,895	100	13	14	39	27	8
Unmarried men and women							
1st-10th.....	\$248	100	87	1	2	3	7
11th-20th.....	375	100	80	2	4	6	8
21st-30th.....	478	100	71	5	6	6	12
31st-40th.....	588	100	70	7	6	13	5
41st-50th.....	708	100	61	12	9	13	4
51st-60th.....	839	100	52	18	10	15	5
61st-70th.....	983	100	43	21	17	16	4
71st-80th.....	1,189	100	42	22	17	15	4
81st-90th.....	1,520	100	34	25	21	15	5
91st-100th.....	3,287	100	17	19	34	18	12

Source: New Beneficiary Survey, October-December 1982.

42 percent and 57 percent in 1982), but a much smaller proportion now relies entirely on the program (table 13). The completely dependent group has fallen from 13 percent to 3 percent among the married couples and from 23 percent to 11 percent of single retirees over this period.

It was always intended that Social Security be supplemented in retirement by pension and asset income, but for the majority of beneficiaries this has not been the case. However, the goal of universal supplementation is being approached, especially for assets. In the early days of the program, only 44 percent of married couples and 37 percent of single persons had any asset income, and the figures for employer pensions were only 17 percent and 13 percent (table 14). By 1982, newly retired workers were twice as likely to have asset income and, rising from a lower base, more than three times as likely to have employer pensions.

The overall value of assets has increased even more impressively than simple receipt of asset income over the same period (table 15). Since the early 1940's the constant-dollar value of the asset portfolios of new retirees has increased dramatically: Six-fold for married men and their wives, 11-fold for single women, and 19-fold for single men. Perhaps the most important increase has been in home ownership, a form of asset holding that is also associated with lower living

costs and greater security among the elderly. In 1941-42, barely half of married men and less than a fourth of single men and women owned their own homes. By 1982, the great majority of married men (87 percent) were owner-occupants, and ownership rates for unmarried men and women had more than doubled to 47 percent and 58 percent, respectively.

As a result of these combined increases, the eco-

Table 13.—Social Security as a proportion of total cash income: Percentage distribution by marital status, 1941 and 1982

Proportion of income	1941 ¹		1982	
	Married men and their wives	Non-married persons	Married men and their wives	Non-married persons
Total percent.....	100	100	100	100
0.....	3	2	2	3
1-49.....	50	39	56	40
50-99.....	34	36	39	46
100.....	13	23	3	11

¹Sample for St. Louis, Mo., only.

Sources: Edna C. Wentworth and Dena K. Motley, **Resources After Retirement** (Research Report No. 34), Office of Research and Statistics, Social Security Administration, 1970, table 5, and tabulations from the 1982 New Beneficiary Survey.

Table 14.—Percentage of new retired workers with pensions other than Social Security and with income from assets, 1941-42 and 1982

Item	1941-42	1982
Percentage with pensions other than Social Security:		
Married men and their wives.....	17	56
Nonmarried persons.....	13	42
Percentage with income from assets:		
Married men and their wives.....	44	83
Nonmarried persons.....	37	69

Sources: Edna C. Wentworth and Dena K. Motley, **Resources After Retirement** (Research Report No. 34), Office of Research and Statistics, Social Security Administration, 1970, table 7, and Linda Drazga Maxfield, "Income of New Retired Workers by Age at First Benefit Receipt: Findings From the New Beneficiary Survey," **Social Security Bulletin**, July 1985, table A.

Table 15.—Assets of new retired workers, 1941-42 and 1982

Asset ownership and marital status	1941-42	1982
Percentage owning their own homes:		
Married men and their wives.....	54	87
Nonmarried men.....	23	47
Nonmarried women.....	23	58
Median home equity for those with equity (in 1982 dollars):		
Married men and their wives.....	\$17,300	\$48,000
Nonmarried men.....	17,270	35,000
Nonmarried women.....	13,180	38,000
Median net worth (in 1982 dollars):		
Married men and their wives.....	11,230	68,000
Nonmarried men.....	910	17,000
Nonmarried women.....	2,840	30,100

Sources: Edna C. Wentworth and Dena K. Motley, **Resources After Retirement** (Research Report No. 34), Office of Research and Statistics, Social Security Administration, 1970, tables 14 and 16, and Sally R. Sherman, "Assets of New Retired-Worker Beneficiaries: Findings From the New Beneficiary Survey," **Social Security Bulletin**, July 1985, table 7.

conomic well-being of the recently retired elderly has greatly improved (table 16). In terms of the present official poverty standard, the majority of the newly retired were in poverty in the early 1940's: 57 percent of married couples, 75 percent of single men, and 80 percent of single women. As recently as 1970, a large minority of the unmarried (40 percent) were still poor. By 1982, only 5 percent of the newly retired married couples and 20 percent of the unmarried had incomes below the poverty threshold.

Future Prospects

In a sense, these findings may exaggerate the well-being of the elderly population in the years to come. Many new beneficiaries were still employed when interviewed, and health problems afflicted only a

Table 16.—Percentage of new retired workers with income below the poverty threshold, 1941-42, 1970, and 1982

Percentage with income below the poverty threshold ¹	1941-42	1970	1982
Married men and their wives.....	57	13	5
Nonmarried men.....	75	38	20
Nonmarried women.....	80	42	18

¹Income of the couple or nonmarried person only, in relation to the poverty threshold for an aged couple or individual living alone. Poverty thresholds for 1941-42 were estimated by adjusting the 1982 thresholds by the change in the Consumer Price Index (45.2 in 1941-42, 288.6 in 1982). Poverty rates in 1941-42 were estimated by interpolation from published income distributions.

Sources: Edna C. Wentworth and Dena K. Motley, **Resources After Retirement** (Research Report No. 34), Office of Research and Statistics, Social Security Administration, 1970, page 10; **Reaching Retirement Age: Findings From a Survey of Newly Entitled Workers, 1968-70** (Research Report No. 47), Office of Research and Statistics, Social Security Administration, 1976, table 8.5; Linda Drazga Maxfield, "Income of New Retired Workers by Age at First Benefit Receipt: Findings From the New Beneficiary Survey," **Social Security Bulletin**, July 1985, table 10; and unpublished tabulations from the New Beneficiary Survey.

minority. As they age, almost all retirees will cease to receive earnings, and it is an open question to what extent their assets will gradually be consumed and no longer generate income. Finally, while Social Security payments are fully indexed to increases in consumer prices, it is unclear how well other pension benefits are protected. Therefore, it is likely that the economic position of this cohort will decline somewhat in years to come.

On the other hand, even though the NBS sampled the newest retirees, the factors that made them better-off than their predecessors are likely to have an even more favorable effect on their future counterparts. The higher wage levels, broader pension coverage, increased labor-force participation among married women, and incentives to asset accumulation in recent years (especially a rapid increase in tax-sheltered Individual Retirement Accounts and employer-subsidized savings plans) that benefitted NBS retirees are generally fairly recent developments that had most of their impact on the NBS sample only in the last years of their working lives. The younger cohorts now in the labor force will spend more of their working lives in the present, relatively favorable conditions. It is not unreasonable to expect that today's workers will enjoy more and larger pensions and increased income from savings to supplement their Social Security payments when they retire. Despite the increase in life expectancy and the decline in labor-force participation among the elderly, therefore, there is good reason to hope that the financial position of the aged population in the United States will continue to improve for some years to come.