

4.

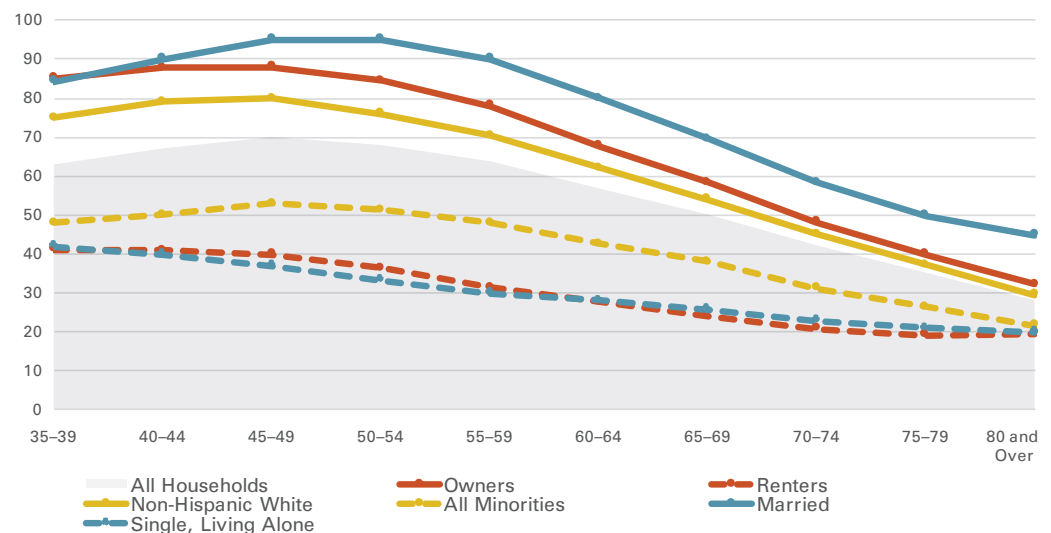
THE FINANCIAL SITUATIONS OF OLDER ADULTS

Since housing is typically the single largest item in the household budget, housing affordability has important repercussions for overall well-being. For homeowners, housing can also be—if equity is sufficient—an important source of wealth, one that can be tapped to pay for home modifications needed to age in place. And when households reach the stage where they need additional services and care to continue to live independently, their ability to pay for such services will depend significantly on their housing situations and costs.

Not surprisingly, older adults' financial resources vary widely. While many are financially secure, able to cover the costs of housing, other necessities, and long-term care if needed, significant numbers of low-, moderate-, and middle-income households live in unaffordable housing and lack assets to cover the costs of home modifications or in-home supports. Going forward, if current income and wealth distributions hold, population and household growth among older ages will mean millions more older owners and renters in precarious financial situations. Furthermore, today's pre-retirees may face heightened financial challenges as they cross into later life because of the blow many were dealt by the Great Recession (including unemployment or early retirement, loss of savings, and declines in home equity) and impending shortfalls in Medicaid and Social Security. Compared to previous generations, higher shares of these older adults are carrying debt into retirement, and smaller shares hold traditional pensions.

Figure 4.1: Median Income Declines with Age For Nearly Every Segment of the Older Population

Median Household Income by Age of Householder (Thousands of dollars)



Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey 1-Year Estimates.

FINANCES OF CURRENT OLDER ADULTS

Older adults' financial situations are a function of their income, wealth, costs, and debts, with housing costs a major piece of the household budget. Owners typically have higher incomes and greater wealth than renters, who are more likely to be unaffordably housed. However, members of both groups face housing challenges, and, as discussed later in this chapter, a number of trends will put pressure on the financial security of older renters and owners alike.

INCOME OF OLDER ADULTS

Older adults typically have lower incomes than the population as a whole.¹ In 2014, the median income for households headed by a person age 65 and older was \$38,900, compared to \$59,500 for households headed by an adult between the ages of 18 and 64. More than half (51 percent) of households aged 65 and older are low-income (with incomes below 80 percent of the area median), compared with 38 percent of households aged 18-64.

In later life, a sizeable income gap persists between owners and renters, as well as between households headed by non-Hispanic whites and Asians on the one hand, and non-Hispanic blacks and Hispanics on the other. The typical owner aged 65 and older took in \$45,000 of income in 2014, while the typical renter aged 65 and older took in less than half that amount (\$21,000). That same year, median household income for white households aged 65 and older was \$40,900; for non-Hispanic Asian and other households, it was \$40,000. In contrast, the typical black household aged 65 and older took in \$28,400, and the typical Hispanic household of the same age took in just \$28,000.

Incomes fall for nearly every segment of the population when households cross into retirement and replace working incomes with pensions and/or Social Security (**Figure 4.1**). Median incomes for each age group then continue to fall with age, likely the result of more and more people retiring through older age and losing second incomes as spouses and partners pass away. In 2014, median household income for households headed by a pre-retirement aged person

(50-64) was \$63,000. For those 65-79, median income was 30 percent lower, at \$43,500; and for the oldest households (headed by a person aged 80 or over), median household income fell to \$28,300. Similarly, while 34 percent of households aged 50-64 are considered low-income (with annual household median income at or below 80 percent of the area median), the low-income share rises to 47 percent among adults aged 65-79, and to fully 65 percent among older adults in the 80-and-over age range.

These sizeable differences illustrate how closely age, household type, and tenure are related to income: in general, minorities, renters, and single-person households are most likely to be low-income—though because incomes decline with age for all groups, income gaps among groups do narrow appreciably for those aged 80 and over. As earlier chapters have described, the future older population will be relatively older and more diverse; these changes may have important implications for the financial stability of the older population as a whole in coming decades.

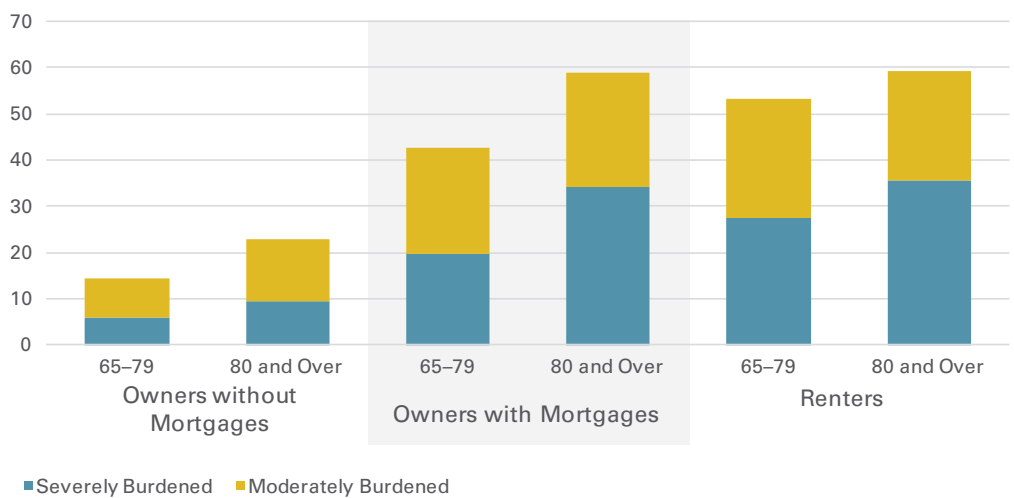
HOUSING COST BURDENS

In 2014, fully 78 percent of households headed by a person aged 65 and older owned their homes, while the remaining 22 percent were renters. Among owners, the share with mortgages declines with age. Nearly two-thirds (64 percent) of homeowners over age 65 possessed their homes without a mortgage, compared with 25 percent of homeowners under 65. Monthly housing costs vary widely by tenure and mortgage status: in 2014, median monthly costs for homes owned outright by a person aged 65 or older were \$450; for renters, \$770; and for owners with mortgages, \$1,262.²

Largely reflecting these significant differences in costs, the shares of older households that are housing cost-burdened, paying more than 30 percent of gross income toward housing costs, are closely linked to tenure type and presence of a mortgage. Owners aged 65 and over who own their homes outright are least likely to be housing cost-burdened (17 percent), while more than half (55 percent) of renters of the same age bear housing cost burdens. Meanwhile, 45 percent of older owners with mortgages face cost burdens.

Figure 4.2: Cost Burdens are Lowest among Owners without Mortgages

Share of Households by Age Group (Percent)



Notes: Moderately / severely cost burdened is defined as paying 30–50% / over 50% of income on housing.

Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey 1-Year Estimates.



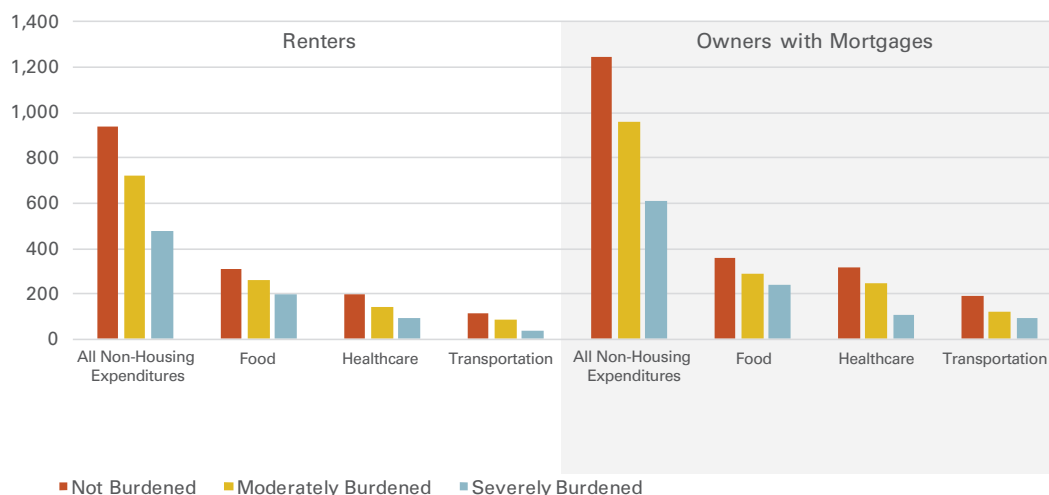
Housing cost burdens vary by age as well, and are highest among all tenures for the oldest age groups (**Figure 4.2**). In 2014, 32 percent of 65-79 year-olds were cost-burdened, including 15 percent who were severely burdened, paying more than 50 percent of income toward housing costs. In comparison, among households aged 80 and older, the share of cost-burdened households rises to 37 percent, with fully 20 percent, or one in five households, severely burdened.

Housing cost burdens also differ by race and ethnicity. Non-Hispanic whites aged 65 or older are far less likely than their non-Hispanic black, non-Hispanic Asian, and Hispanic peers to be burdened by housing costs. In 2014, 31 percent of non-Hispanic white households aged 65 and over were cost burdened, compared with 46 percent of non-Hispanic black, 44 percent of Hispanic, and 38 percent of non-Hispanic Asian and all other minority households of the same age.

The rising cost burdens that accompany advancing age shrink the amount of income left over after paying for housing to cover daily expenses and supportive services. Even though expenditures also decrease as age advances, these declines are overcome by declining incomes. In 2015,

Figure 4.3: Housing Cost Burdens Force Low-Income Older Households to Cut Spending on other Basic Necessities

Average Monthly Expenditures for Low-Income Households Aged 65 and over (Dollars)



Notes: Moderately / severely cost burdened is defined as paying 30–50% / over 50% of income on housing. Low-income households are in the bottom quartile of all households ranked by total spending.

Source: JCHS tabulations of US Bureau of Labor Statistics, 2014 Consumer Expenditure Survey.

the Consumer Expenditure Survey reported the average pre-tax income for households headed by a person aged 65-74 to be \$54,100, and average total annual expenditures to be \$49,500.³ For the 75 and older group, average income fell to \$36,400, while total annual expenditures averaged \$38,100—lower than for the 65-74 age group but not by enough to offset parallel income declines, demonstrating how older households must often look to non-income financial reserves to finance daily expenses.

A detailed look at expenditures on selected necessities further elucidates the extent to which falling incomes and rising housing cost burdens hurt the ability of the oldest households to afford even basic costs of daily life. Households in the 65-74 age range spend an average of \$8,900 on housing (and an additional \$3,800 on utilities), \$6,200 on food, \$8,000 on transportation, and \$5,700 on healthcare per year.⁴ For the 75 and over group, the rise in the share of single-person households among older age groups as spouses pass away contributes to lowered costs on nearly everything except healthcare, with an average of \$8,000 spent on housing (and an additional \$3,300 on utilities), \$4,600 on food, \$5,200 on transportation, and \$5,800 on healthcare. For households aged 75 and older,

average expenditures on even these basic necessities sum to roughly \$27,000 per year, leaving the average household of this oldest and most disabled group with just \$9,400 in pre-tax income to put toward all other costs.

With housing costs the largest discrete piece of older households' total expenditures, housing cost burdens can put considerable pressure on households' budgets. Analysis of Consumer Expenditure data reveals the extent to which housing cost burdens force older households, particularly those with low incomes, to cut back on other basic necessities (**Figure 4.3**). Among renters aged 65 and over in the bottom income quartile, severely cost-burdened households reduce spending on transportation by 67 percent, on food by 37 percent, and on healthcare by 51 percent compared with their unburdened peers. Similarly, among owners with mortgages aged 65 and over in the bottom income quartile, severely cost-burdened households reduce transportation spending by 49 percent, food spending by 34 percent, and healthcare spending by 67 percent compared to those without housing cost burdens.

Figure 4.4: Even Excluding Home Equity, Older Owners Have Substantially More Wealth than Renters

Median Wealth of Households Aged 65 and over (Dollars)

	Renters	Owners		
	Net Wealth	Net Wealth	Home Equity	Non-Housing Net Wealth
All Households	\$6,150	\$258,600	\$125,000	\$103,180
Race/Ethnicity				
Non-Hispanic White	\$12,000	\$293,300	\$135,000	\$139,470
All Minorities	\$1,600	\$115,450	\$85,000	\$16,370
Income				
Less than \$15,000	\$1,300	\$87,920	\$78,000	\$8,240
\$15,000-29,999	\$3,580	\$155,500	\$100,000	\$33,200
\$30,000-44,999	\$90,700	\$200,000	\$98,000	\$77,660
\$45,000-74,999	\$70,000	\$273,600	\$120,000	\$162,840
\$75,000 or More	\$370,500	\$1,115,110	\$250,000	\$859,550

Notes: Medians are calculated independently, so home equity and non-housing wealth values will not sum to net wealth.

Source: JCHS tabulations of US Federal Reserve Board, 2013 Survey of Consumer Finances.

WEALTH

Since income is often insufficient to fully cover the costs of housing, daily expenses, and supportive services in later life, accrued wealth becomes an increasingly important source of additional financial support as households age. However, while some households have enough wealth to bolster fixed retirement incomes sufficiently, many others—particularly renters, minorities, and low-income households—have very limited financial reserves.

Among all households aged 65 and over, one in four (26 percent) holds \$500,000 or more in net wealth, and an additional one in three (33 percent) holds between \$150,000 and \$500,000. At the other end of the spectrum, one in eleven (9 percent) households aged 65 and over are extremely low-wealth, with less than \$5,000 in total. The wealth gap between non-Hispanic whites and minority communities is also substantial: among households headed by non-Hispanic whites aged 65 and over, median net wealth in 2013 was \$260,700, almost quadruple that of minority-headed households of the same age (\$68,000).

The typical older owner household has far more wealth than the typical older renter household—42 times more, in fact (Figure 4.4). In 2013, the median net worth of owners aged 65 and older was \$258,600, while that of renters aged 65 and older was \$6,150. Nearly half (47 percent) of older renters have less than \$5,000 in total wealth, compared with just one percent of older owners. Excluding home equity, which is less easily liquefied than many other forms of wealth, the share of owners with less than \$5,000 in net wealth rises to 10 percent. As this difference indicates, home equity is a key source of wealth for older owners: half of all owners aged 65 and over held at least 50 percent of their total net wealth in the form of home equity in 2013. Among older homeowners of color, home equity is particularly important: in 2013, 69 percent of owners of color aged 65 and older held at least half their net wealth in home equity, with 57 percent of these households holding at least three-quarters of their net wealth in home equity.

Housing wealth can provide a valuable safety net for older households who have exhausted other financial reserves, through second mortgages, reverse mortgages, or home sales. However, survey evidence indicates the use of home equity to finance retirement is seldom an explicit plan. In a 2004 Health and Retirement Study module on

retirement planning, respondents aged 50 and over were asked about the likelihood they would sell their homes to finance retirement. The majority of respondents (70 percent) reported a minimal to zero percent chance of selling their homes to finance retirement.⁵ Home equity thus appears to be a less accessible sort of financial reserve than non-housing wealth, and one that many would prefer to avoid utilizing.

INCOME AND WEALTH IN COMBINATION

Given the differences in wealth described above, large disparities exist between the total financial reserves of owners and renters. Even excluding owners' home equity, the typical older renter household has substantially lower income and wealth than the typical older owner. Fully 67 percent of renters aged 65 and older bring in less than \$30,000 per year and hold under \$50,000 in net wealth, compared with 23 percent of owners of the same age. The number of renters with very low financial reserves is more than double the number with middle-to-high financial reserves: one-quarter (24 percent) of all renters aged 65 and older hold less than \$5,000 in non-housing net wealth and have an annual income under \$15,000 per year, while just 11 percent of older renters bring in at least \$30,000 in income and hold at least \$150,000 in non-housing net wealth.

Older owners, on the other hand, are far less likely to be at risk of financial insecurity in later life, even without cashing in the valuable safety net of home equity. Only 3 percent of owners aged 65 and older are very low-income and very low-wealth, with incomes less than \$15,000 and non-housing net wealth less than \$5,000. Meanwhile, 38 percent of owners aged 65 and older bring in more than \$30,000 and hold at least \$150,000 in non-housing net wealth, with 16 percent bringing in more than \$75,000 per year and also holding at least \$500,000 in non-housing net wealth.

THE COSTS OF CARE

Covering the costs of paid support and care in the home is a major challenge for many older adults, particularly for the groups most likely to need it. Medicare does not cover most long-term service and support expenses, while Medicaid typically covers long-term care in nursing homes for people who meet income and other eligibility requirements, though the rise of state Medicaid Home and Community Based Waivers allow for in-home care under some conditions and in some locations.⁶ Only a very small share of the elderly population has long-term care insurance: recent analysis of HRS data by the Urban Institute indicates that only 11 percent of community-dwelling adults aged 65 and older had long-term care insurance in 2014.⁷ Consequently, most older adults who receive formal long-term care pay out-of-pocket.⁸



THE TYPICAL OLDER
OWNER HOUSEHOLD HAS
42 TIMES MORE
WEALTH THAN THE TYPICAL
OLDER RENTER HOUSEHOLD.

Figure 4.5: Most Older Owners Can Afford Long-Term Care, While Most Older Renters Cannot

Care Category	Median Monthly Cost (Dollars)	Number of Months Before Median 65 & Over Household Spends Down Wealth		
		Renters	Owners	
			Including Home Equity	Excluding Home Equity
Homemaker Services	3,623	2	71	28
Home Health Aide	3,813	2	68	27
Adult Day Health Care	1,408	4	184	73
Assisted Living Facility	3,500	2	74	29
Nursing Home Care	6,448	1	40	16

Notes: Annual homemaker, adult day health care, and home health aide costs assume 5 days of care per week, 52 weeks per year. Nursing home care costs are for a semi-private room, and represent daily costs multiplied by 365. Annual assisted living costs represent the cost of one month of care multiplied by 12.

Source: JCHS tabulations of US Federal Reserve Board, 2013 Survey of Consumer Finances and 2014 Genworth Cost of Care Survey.

Figure 4.6: Most Older Households, Though Few Renters, Have Enough Wealth to Afford Average Long-Term Care Costs

Households Aged 65 and over by Total Net Wealth (Millions)



Notes: The average cost of long-term care for one person aged 65 through end of life is projected to be approximately \$100,000. Calculations are based on 2014 Genworth Cost of Care Survey data and long-term care needs projections from Kemper, P., Komisar, H.L. and Alexih, L., 2005. Long-term care over an uncertain future: what can current retirees expect?. INQUIRY: The Journal of Health Care Organization, Provision, and Financing, 42(4), pp.335-350.

Source: JCHS tabulations of US Federal Reserve Board, 2013 Survey of Consumer Finances.

Yet the costs of long-term care are unreachably high for many older households, particularly those who are already cost-burdened. According to the Genworth Cost of Care Survey, the median cost of a year of full-time in-home assistance from a home health aide in 2016 is \$46,300. Adult day health care is the least expensive form of long-term care, but at full-time still costs \$17,700 per year. Median national costs for facility-level care range from \$43,500 for an assisted living facility up to \$92,400 for a private room in a nursing home. In comparison, median household income for all households aged 65 and older was just \$38,900 in 2014, and dropped to \$28,300 for households aged 80 and over.

Those lacking adequate income to cover long-term care in addition to other costs of living may look to wealth reserves to pay for supportive services. For most older owners, wealth is sufficient to pay for at least several years of any kind of long-term care. The “typical” older owner household, or those holding the median amount of wealth for all households aged 65 and over, can afford to pay for more than two years of care from a homemaker, home health aide, or in an assisted living facility even without tapping into home equity, or can also pay for 6 years of adult day health care or 16 months of nursing home care. Tapping home equity would allow the typical older owner to pay for 6 years of homemaker services, help from a home health aide, or residence in an assisted living facility; three years of nursing home care; or 15 years of adult day health care. In contrast, however, most older renters have enough wealth to pay for only a month or two of care (Figure 4.5). Dedicating all their wealth to the costs of long-term care would allow the typical renter aged 65 and over to afford 2 months of care from a homemaker, home health aide, or assisted living facility, 4 months of adult day health care, and just one month of nursing home care.

As the preceding chapter describes, researchers have found that on average, older individuals can expect to need 3 years of long-term care from age 65 through the end of life.⁹ In 2005, it was estimated that approximately 60 percent of this care could be expected to be received at home, most from informal (unpaid) helpers,

and 40 percent could be expected to take place in long term care facilities such as nursing homes and assisted living facilities.¹⁰ Applying the costs of long-term care (as derived from the Genworth Cost of Care Survey) to these estimates indicates that the average individual would need approximately \$100,000 in financial reserves to afford the costs of long-term care during later life. Assuming most forms of care can cover multiple members of a household, most older owners today will have sufficient wealth to afford the average expected costs of care (Figure 4.6). Even without tapping home equity, just over half (51 percent) of owners aged 65 and older have enough wealth to pay for the average expected amount of long-term care if they dedicated the entirety of their wealth to this purpose. Including home equity, 79 percent of older owners will be able to afford care (though as noted earlier, few wish or plan to tap their home equity for such costs, and again, this would deplete all assets). In striking contrast, just 16 percent of renters aged 65 and older have enough wealth to pay for the average expected amount of long-term care before depleting all assets. On the plus side, because owning is far more common than renting among older age groups, most older households overall will have enough wealth to be able to pay for long-term care. Still, this leaves 4.1 million older renters today lacking enough wealth to pay for the average expected costs of care in later life—a number that can be expected to grow substantially as the older population soars over the next two decades.

LONG-TERM TRENDS IN OLDER ADULTS’ FINANCIAL RESOURCES

A number of trends may reshape the financial realities faced by older households in coming decades. These include an increase in prevalence and median amount of housing debt carried by older households, rising median income and labor force participation rates in later life, declines in employer-provided traditional pension plans, the recent recession’s erosion of net worth for households on the verge of retirement today, and expected shortfalls in Medicare and Social Security within the next 20 years.

INCREASED MORTGAGE DEBT

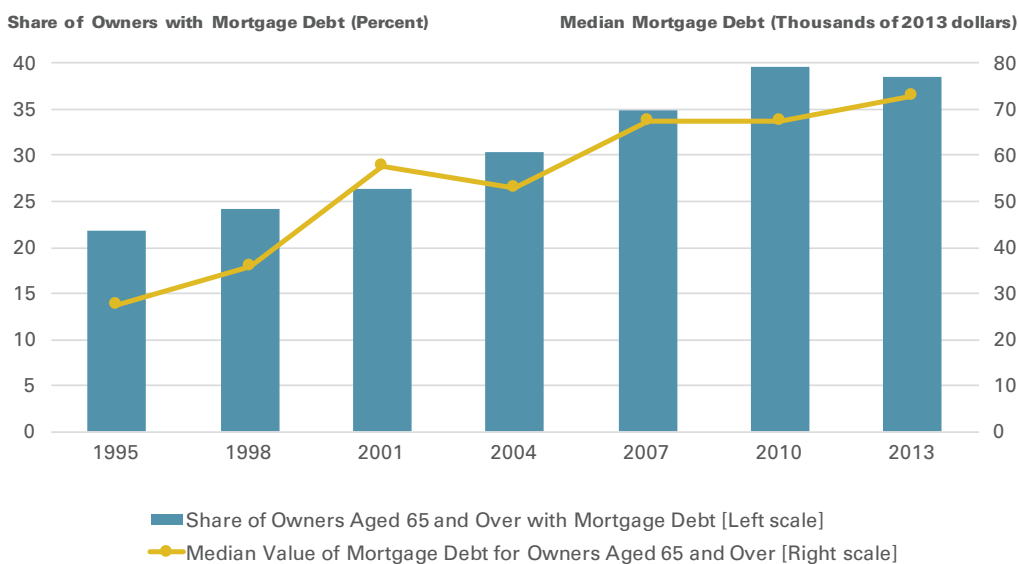
In recent decades, a higher share of older households have been carrying mortgage debt into retirement. While in 1995, 22 percent of owners aged 65 and older had mortgage debt on their primary residences, by 2013 this share had grown to 38 percent. The amount of debt these households are carrying has steadily increased as well over the past two decades, with the median value of that debt rising from \$27,300 to \$73,000 in real terms (Figure 4.7).

Today's pre-retirees (currently aged 50-64) have seen similar increases in mortgage debt incidence and value in recent years. However, this group also took a more substantial hit in the recent recession than the 65-and-over population. The recession resulted in a nearly five-percentage-point decline in homeownership among this pre-retiree age group since 2008, which in lowering aggregate housing wealth contributed to the decline of real median net worth for this age group back below 1995 levels. The 65-and-over group did not escape the effects of the recession, but fared far better than younger groups, with a one-percentage-point drop in homeownership and far more moderate damage to net worth. Tremendous uncertainty remains about whether today's near-retirement aged households will be able to rebuild depleted wealth reserves in coming years.

SAVINGS TRENDS

Savings and debt patterns among pre-retirees also have troubling implications for the financial stability of future cohorts of older households. Analysis of data from the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation's 2012 National Financial Capability Survey (NFCS) indicates that future cohorts of older Americans may be financially strained in their retirement years due to lack of savings and high shares with debt burdens.¹¹ A recent study from the George Washington University School of Business examined the responses of 5,000 pre-retirees between the ages of 51 and 61, finding that 60 percent have at least one source of long-term debt and 26 percent have more than one source. Thirty percent lack any form of retirement account; fully 43 percent said that they had too much debt; 36 percent of respondents reported that they probably or certainly could not come up with \$2,000 if an unexpected need arose within the next month; and only 40 percent reported having set aside sufficient funds to cover three months of expenses in the event of an unexpected shock. Less than half (45 percent) reported spending less than they are earning. The ability to cover expenses in the event of an unexpected economic shock is lower among low-income, minority, and unmarried respondents.

Figure 4.7: More Older Households are Carrying Higher Amounts of Mortgage Debt into Retirement



Notes: Mortgage debt is debt on a primary residence. The share with mortgage debt is among all older owners. Median value of mortgage debt is among owners with mortgage debt only and in constant 2013 dollars adjusted for inflation using the CPI-U-RS.

Source: JCHS tabulations of US Federal Reserve Board, 2013 Survey of Consumer Finances.

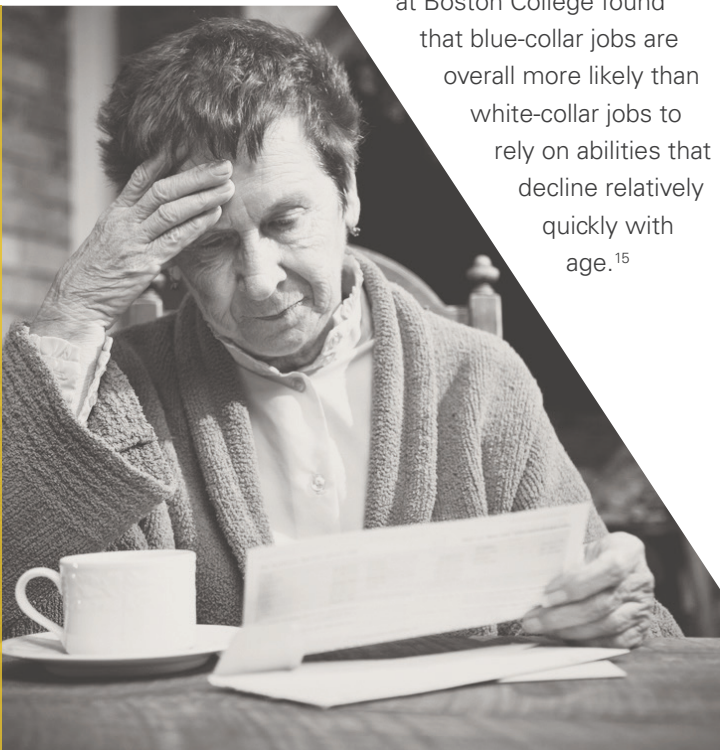


INCOME TRENDS

The incomes of adults aged 65 and older have been rising since the beginning of the 21st century, while incomes for households aged 50-64 have stagnated. In large part, income increases for the 65-and-over group are due to greater numbers continuing to work after traditional retirement age, either extending full-time work life, or pursuing gradual retirement or even returning to work in later life.¹² Reflecting this trend, labor force participation rates for those aged 65-74 increased from 17.2 percent in 1994 to 26.2 percent in 2014. For those aged 75 and over, labor force participation rates jumped from 5.4 percent to 8 percent. The Bureau of Labor Statistics' Employment Projections Program has projected labor force participation rates among older Americans through 2024, and reports that rates will likely continue to rise at least through that year.¹³

Using CPS and HRS data, a Brookings Institute report found that the trend toward higher labor force participation among older adults is more pronounced for high-income workers and those in less physically demanding jobs.¹⁴ Similarly, a brief from the Center

for Retirement Research at Boston College found that blue-collar jobs are overall more likely than white-collar jobs to rely on abilities that decline relatively quickly with age.¹⁵



Consequently, while these trends toward later retirement will likely result in higher overall earnings among older households in coming decades, income gains may be concentrated among higher income earners.

Another critical trend affecting incomes of older adults is the declining prevalence of traditional, defined-benefit pension plans. Nearly half (49 percent) of today's 65-and-older households have a traditional defined-benefit pension plan. However, the share of households entering retirement with defined-benefit plans has steadily declined over the past two decades, and today, less than a third (29 percent) of households on the verge of retirement (aged 50-64) have defined-benefit plans, raising concerns as to whether future retirees will have the level and stability of income as their predecessors.¹⁶

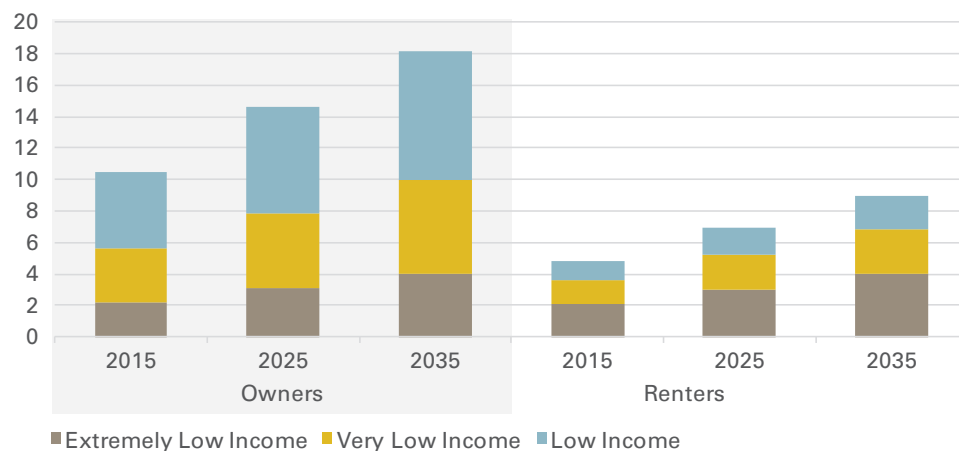
Finally, impending shortfalls in Medicare and Social Security may also present critical challenges to the financial stability of future retirees. Analysis of the most recent Trustees Report shows that the Medicare Part A (hospital insurance) trust fund will be exhausted in 2030, and that Medicare Parts B and D will require a substantial increase in participant premiums and taxes to finance current benefits.¹⁷ Similarly, analysis of Social Security Administration data indicates that Social Security can pay full benefits only through 2033.¹⁸ Social Security cuts would be particularly detrimental to lower-income older Americans, for whom Social Security comprises a much larger portion of post-retirement income.¹⁹

PROJECTIONS OF LOW-INCOME AND COST-BURDENED OLDER ADULTS

With the surge in older adult population, we anticipate a proportional increase in the number of lower-income older adults, resulting in a near doubling of low-income renters and owners, many of whom will face housing cost burdens.

Figure 4.8: There Will Be Millions More Low-Income Older Households by 2035

Projected Low-Income Households Aged 65 and over (Millions)



Notes: Extremely low income is defined as up to 30 percent of area median; very low income is more than 30 up to 50 percent of area median; and low income is more than 50 up to 80 percent of area median.

Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey 1-Year Estimates and 2016 JCHS Household and Tenure Projections.

LOW-INCOME POPULATION

Taking into account many of the trends described above, the Social Security Administration’s MINT (Modeling Incomes in the Near Term) model projects income for future generations of older Americans. MINT projections estimates that the share of retirees who will lack sufficient income at age 67 to maintain their preretirement living standards—generally defined as 75-85 percent of preretirement income—will increase in coming decades.²⁰ In particular, the projections find that 39 percent of the “leading boomers,” born between 1946 and 1955, will have inadequate retirement income at age 67 to maintain preretirement living standards.²¹ This share is projected to increase to 41 percent among “trailing boomers” (born 1956-1965), and to 43 percent among Generation X members (born 1966-1975). In comparison, 35 percent of today’s 80-90 year olds had too little income at age 67 to maintain their preretirement standards of living. For well-off older households, lowering standards of living to fit within limited retirement incomes may not be problematic, but lower-income households may have few, if any, non-essential expenses they can cut to reduce their costs of living.

Recent trends also find increasing rates of retirees holding mortgages, though the 2010-2013 period saw some slight moderation in this trend. Bearing these and other trends in income, savings, and debt in mind, we have chosen to estimate the prevalence of housing cost burdens among older households in 2035 assuming that current cost burden rates by age, race/ethnicity and tenure remain unchanged. This may be conservative given uncertainties around income and debt.

With these assumptions, by 2035 JCHS projects that there will be an additional 11.8 million households aged 65 or older with income less than 80 percent of area median income (**Figure 4.8**). According to JCHS projections, the number of low-income owners and renters aged 65 and over will each grow substantially over the next two decades, to 18.2 million and 9 million, respectively. Of the total projected 27.2 million low-income older households, 10.6 million—nearly 40 percent—will be aged 80 or older.

This growth in the number of low-income households and those aged 80 and over will dramatically increase the number of older renters eligible for housing assistance (those with income under 50 percent of area median

income). According to the US Department of Housing and Urban Development's most recent Worst Case Needs report to Congress, only one-third of older renters aged 62 and over who are eligible for housing assistance actually receive it. With population aging expected to nearly double the number of eligible older renters by 2035 to 7.6 million, housing assistance programs will be under increased pressure in coming years. To simply maintain current rates of assistance in 2035, federal programs would need to expand to serve an additional 1.3 million low-income renters aged 62 and older, still leaving 4.9 million older adults to find housing they can afford on the open market (Figure 4.9).

PROJECTED COST BURDENS

As noted above, 9.3 million older households aged 65 and older are housing cost-burdened as of 2014, paying at least 30 percent of their income toward housing. If current cost burden rates by age, race/ethnicity, and tenure hold constant, by 2035, projected growth in the number of older adult households alone will push the number of cost-burdened older households to 17.1 million. JCHS projections estimate that 8.5 million of these future cost-burdened households will be severely burdened, with housing costs exceeding 50 percent of their income. Single-person households will face the highest rates of cost burdens (Figure 4.10).

Renters are far more likely than owners to pay high shares of their income toward housing. JCHS projections estimate that in 2035, renters will comprise 23 percent of all households aged 65 and older, but 37 percent of all cost-burdened households and 41 percent of all severely cost-burdened households in this age group. Overall, the number of cost-burdened renter households aged 65 and older will rise by 2.9 million over the next two decades, while the number of cost-burdened older owners will increase by 4.4 million households, bringing the total number of cost-burdened older renters aged 65 and older to 6.4 million and the total number of cost-burdened older owners to 10.7 million households by 2035.

Population aging and increasing longevity will lead to a particularly large expansion of the number of cost-burdened households aged 80 and over in the coming decades, but particularly after 2025 when the baby boom begins to age into this group. In all, the number of cost-burdened households aged 80 and older will more than double from 2015 to 2035, increasing by 3.2 million households. By 2035, a total of 3.6 million owners and 2.4 million renters aged 80 and over will face housing cost burdens. Because incomes are lowest among this oldest age group, cost burdens make it particularly difficult for these older adults to afford supportive services and care, and yet this is the group with the highest disability rates and greatest likelihood of needing assistance. This doubling in the number of cost-burdened households from the oldest age group over the next two decades will therefore represent a critical housing, healthcare, and economic challenge.

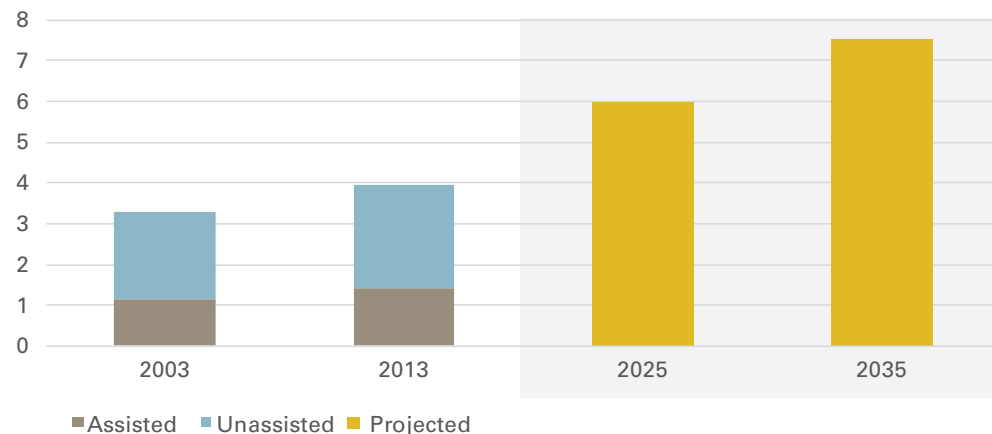
Although the number of cost-burdened households aged 65-79 will grow at a slightly lower rate than the 80-and-over group, the larger size of this group will generate 4.1 million additional cost-burdened households by 2035, including 2.7 million owners and 1.8 million renters; of these 4.1 million, 2 million will be severely cost-burdened. By 2035, a total of 7.1 million owners and 4 million renters aged 65-79 will be housing cost-burdened, for a total of 11.1 million—up from 6.6 million households today.

SUMMARY

In two decades, millions of older adults will likely lack the resources to secure suitable housing: in our quite possibly conservative estimate, nearly 17.1 million households will face housing cost burdens in 2035, an increase of more than 7 million from today. Over 8.5 million of these households will face severe cost burdens, spending more than 50 percent of gross income on housing costs; such households will have little left over for necessities, including the supports and care that could enable them to remain in their homes. While even moderate- and middle-income owners are likely to face cost burdens, renters will be especially vulnerable to cost burdens, and by 2035, over 7.6 million renters may be eligible for housing subsidies. Fulfilling their needs would require substantial increases in federal funding from current levels.

Figure 4.9: The Number of Older Renters Eligible for Housing Assistance is Projected to Nearly Double by 2035

Very Low-Income Renter Households Aged 62 and over (Millions)

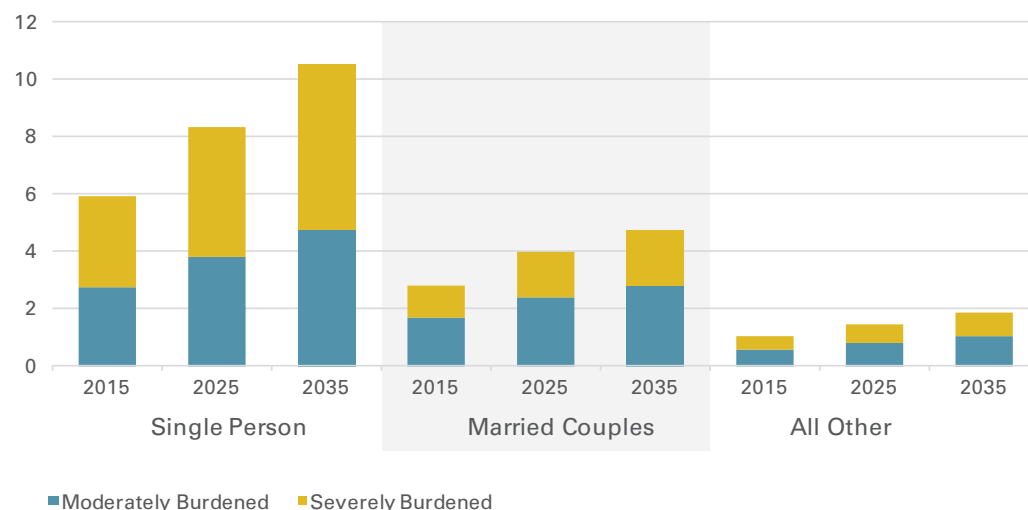


Notes: Households eligible for assistance have very low incomes (at or below 50 percent of area median). HUD assisted and unassisted households represent renters with very or extremely low incomes aged 62 and over. To approximate the number of very low-income households aged 62 and over in 2025 and 2035, JCHS estimates take the average of the projected number of very and extremely low-income renter households age 65 and over and aged 60 and over.

Source: JCHS tabulations of US Department of Housing and Urban Development Worst Case Needs Reports to Congress, and 2016 JCHS Household and Tenure Projections.

Figure 4.10: Single-Person Households Will Drive Growth in Older Cost-Burdened Households through 2035

Projected Cost-Burdened Households Aged 65 and over by Type (Millions)



Notes: Moderately/severely cost-burdened households pay 30–50%/more than 50% of income for housing. All other households includes those with two or more related or unrelated adults.

Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey 1-Year Estimates and 2016 JCHS Household and Tenure Projections.