

U.S. Wealth Gap Widening

47 Million Older American Households

Facing Financial Risks

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We previously published an **analysis** of data from 2016 that shed light on the unfortunate reality that 80% of older Americans are financially insecure or at risk. In this brief, researchers at the National Council on Aging (NCOA) and the LeadingAge LTSS Center @UMass Boston share an updated analysis of the Health and Retirement Study (HRS) data, incorporating newly released 2018 data, allowing for an examination of trends in the financial situations of older adults. The HRS is a longitudinal panel study that surveys a representative sample of approximately 20,000 people in America, supported by the National Institute on Aging and the Social Security Administration.¹

Our current updated analysis revealed that most older Americans have made little to no progress toward financial security. As in 2016, our analysis of 2018 data finds that 80%—or 47 million households with older adults—are financially struggling today or are at risk of falling into economic insecurity as they age. Between 2016 and 2018, we see that any increases in the net value of wealth occur to a greater extent for those with the most wealth. In other words, the gap between the haves and the have-nots appears to be widening. Given the disproportionate impact of the COVID-19 pandemic on older adults with the least resources, it will be important to update this analysis with 2020 data when it becomes available to see if the gap in wealth continues to widen.

Purpose

The purpose of this analysis was to explore the distribution of total net wealth across adults aged 60 and older. In doing so, we identified the share of the population with little savings and income, as well as the share of the population we consider to be at risk of falling into financial insecurity.

We defined a household as financially secure if their total net wealth could cover the costs of housing, food, other necessities, and long-term care, if needed. We defined an “at risk” household as one with some savings and assets to potentially meet current needs, but not enough to cover a financial shock or catastrophe. Financial shocks are major, unexpected expenses including, but not limited to, medical bills from an illness or disease, necessary home modifications, long-term care, and losing one’s job if still in the workforce.

The likelihood of experiencing this kind of financial shock is high as people grow older. Over a nine-year period, more than two-thirds of adults aged 70 and older will experience at least one negative shock with

¹ Learn more about the Health and Retirement Study: <https://hrs.isr.umich.edu/welcome-health-and-retirement-study>

financial consequences, such as falling into poor health, becoming widowed, or losing the ability to work or live independently.²

The risk of long-term care is even more significant. Among those aged 65 and over, half will have a significant need for help with two or more functional limitations or with dementia-related issues,³ and nearly one in six will need care for more than five years,⁴ incurring more than \$250,000 in expenses.⁵ Long-term care represents the single largest financial risk faced by older adults and their families.

Methodology

For this analysis, we segmented the HRS sample of adults aged 60 and older who reported being the head of household into quintiles based on the household net value of their total wealth, which is to divide the population into five equal parts of 20%. The last quintile was further broken out into two equal parts of 10%. Each quintile represents approximately 12 million older U.S. households, and the two deciles each represent 6 million U.S. households. The study sample was robust with 11,819 households being included in this analysis.

We examined several financial measures of well-being across the quintiles. We also compared data for 2014, 2016, and 2018, which allowed us to examine trends over time. This data is the latest available from HRS. The measures are defined as follows:

- The *net value of total wealth* is the total sum of housing and financial assets less debts.
- The *net value of primary residence* is the value of homeowner's primary residence less mortgages and home loans. This measure reflects home equity that an older person may tap should they need income and desire to stay in their current home.
- The *total value of financial assets* is the total sum of retirement plans; stocks, mutual funds, and investment trusts; checking, savings, and money market accounts; government savings and other bonds, T-bills, and bond funds; and other savings. It does not take into account debts or the net value of homeowner's primary residence.

Figure 1 shows households with adults aged 60 and older divided into quintiles based on their net value of total wealth. For each quintile, there are three columns showing data for the years 2014, 2016 and 2018, the latest available from HRS. The numbers in the rows represent the median value of the financial measures for each quintile.

² Johnson, R. W., Mermin, G., & Uccello, C. E. (2005). When the nest egg cracks: Financial consequences of health problems, marital status changes, and job layoffs at older ages. Center for Retirement Research at Boston College. Retrieved: <https://ssrn.com/abstract=1150386>

³ Favreault, M. and Dey, J. (2016). Long-Term Services and Supports for Older Americans: Risks and Financing Research Brief. U.S. Department of Health & Human Services Office of the Assistant Secretary for Planning and Evaluation. Retrieved: <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>

⁴ Tumlinson, A. (2016). The Case for Financing Older America's Long-Term Care Need. Anne Tumlinson Innovations. Retrieved: https://www.thescanfoundation.org/sites/default/files/financing_long-term_care_chartpack_092016_final.pptx

⁵ Favreault, M. and Dey, J. (2016). Long-Term Services and Supports for Older Americans: Risks and Financing Research Brief. U.S. Department of Health & Human Services Office of the Assistant Secretary for Planning and Evaluation. Retrieved: <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>

FIGURE 1. Older Adult Households Divided into Financial Quintiles based on Net Value of Total Wealth.

	0-20%			21-40%			41-60%			61-80%			81-90%			91-100%		
	2014	2016	2018	2014	2016	2018	2014	2016	2018	2014	2016	2018	2014	2016	2018	2014	2016	2018
Total Household Income (median)	\$17,227	\$16,500	\$16,989	\$28,700	\$26,052	\$27,240	\$39,578	\$38,069	\$40,000	\$54,983	\$49,200	\$52,229	\$74,514	\$65,786	\$71,135	\$113,621	\$110,684	\$109,092
Net Value of Primary Residence (median)	\$0	\$0	\$0	\$39,000	\$30,000	\$45,000	\$110,000	\$100,000	\$115,000	\$185,000	\$190,000	\$220,000	\$250,000	\$260,000	\$300,000	\$260,000	\$370,000	\$400,000
Household Value of Financial Assets (median)	\$150	\$0	\$0	\$4,000	\$2,000	\$2,000	\$30,000	\$15,100	\$16,300	\$179,000	\$127,000	\$130,000	\$490,000	\$407,900	\$480,000	\$407,900	\$1,175,718	\$1,331,254
Household Net Value of Total Wealth (median)	\$0	\$0	\$0	\$47,841	\$36,000	\$39,500	\$151,000	\$133,000	\$150,000	\$356,059	\$323,000	\$369,405	\$731,119	\$700,500	\$779,287	\$700,500	\$1,606,000	\$1,800,000
Age (median)	69	69	68	72	72	71	72	73	73	73	73	73	73	73	73	72	73	73

Findings

- **The bottom 20% of older adults—approximately 12 million households—have no assets.** In fact, some are in debt. This group has a median income of \$16,989. These individuals are currently facing economic insecurity, and matters will only get worse as they age because many will need long-term care.
- **21% to 80% of older adults—approximately 35 million households—face significant risk for economic insecurity** because they could not afford more than two years of long-term care if their average income and the household value of their financial assets were added together.
- **The gap in wealth continues to widen.** The bottom 20% of older adults made zero gains in the net value of total net wealth. The rest of older adults experienced slight increases in the net value of wealth in 2018. However, the increases were quite modest for those with less wealth and much greater for those in the top 20%. Older Americans in the second quintile (21-40%) gained only \$3,500 in median net wealth, compared with over \$75,000 for the top 81-90% and nearly \$200,000 for those in the 91-100% of wealth.
- **Most of the gains in net wealth in 2018 were due to increases in the net value of older adults' primary residence.** Non-housing financial assets, however, remained relatively flat for the bottom 60% of older adults. This shows that home ownership is an important vehicle for wealth accumulation in the United States, yet tapping into home equity is not always feasible.

Conclusions

There is a misconception that older adults are asset rich, yet the reality is that the vast majority (80%) are financially struggling now or are at risk of falling into economic insecurity as they age. This analysis shows just how “at-risk” the majority of older Americans continue to be since our first analysis. Looking at the trends, from 2014 through 2018, we see that the wealth gap continues to widen for older adults. Those in the top 20% experienced much larger gains in net wealth in two years than their less wealthy counterparts. There is more reason now than ever to bolster social safety net programs such as Medicaid to help the least wealthy older adults access healthcare and long-term care when needed.

About NCOA

The National Council on Aging (NCOA) is the national voice for every person’s right to age well. NCOA empowers individuals with trusted solutions to improve their own health and economic security—and protects and strengthens federal programs that people depend on as they age. Working with a nationwide network of partners, NCOA’s goal is to improve the lives of 40 million older adults by 2030. Learn more at ncoa.org and [@NCOAging](https://twitter.com/NCOAging).

About the LeadingAge LTSS Center @UMass Boston

The LeadingAge LTSS Center @UMass Boston conducts research to help our nation address the challenges and seize the opportunities associated with a growing older population. Established in 2017, the LTSS Center is the first organization of its kind to combine the resources of a major research university with the expertise and experience of applied researchers working with providers of long-term services and supports (LTSS). Learn more at www.ltsscenter.org.