

NEW ECONOMIC SECURITY STANDARD CHALLENGES OLD POVERTY THRESHOLD

By ELLEN BRUCE and LAURA HENZE RUSSELL

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Two older women, both with modest incomes, live alone. One is managing well; the other can't afford her medication, is seeing the foreclosure of her house for delinquent taxes and has credit card debt she can no longer pay. Although their incomes are the same, their expenses are very different--because one is healthy and the other isn't. Poverty statistics in the United States show that these women will look the same on paper, and therein lies the problem with assessing elders' needs using the U.S. Census Bureau's poverty threshold.

The Gerontology Institute at the University of Massachusetts, Boston, in collaboration with Wider Opportunities for Women (WOW) and a diverse advisory committee, is developing the Elder Economic Security Standard (also called the Elder Standard) to provide a realistic measure of the living costs people age 65 or older must incur to retain their housing, sustain their health and maintain their independence in the community. The Elder Standard project will provide a versatile new tool to more accurately assess elders' financial needs.

Since the federal poverty threshold was created in 1964, academics, policy analysts, elder advocates and service providers have used it to judge the economic well-being of elders in the United States. The poverty threshold, however, falls short of giving an accurate picture of how many elders are in need because it is based on an outdated formula federal officials applied using the 1955 data that was available to them. It assumes households spend one-third of their income on food, based on cost and consumption patterns of that time. Neither does it take into account the much higher rates of inflation for housing and healthcare over the past 40 years, nor does it adjust for regional variations in the costs of living.

Furthermore, the poverty threshold does not account for the changing life experiences of older people as they age--most notably, their increased health-related expenses. For example, older New Yorkers with long-term care needs will require substantially more income to meet their basic needs than healthy elders in rural Kansas.

The Elder Standard project is developing modules that reflect an elder's life circumstances. Various modules will be created for those who live alone or with someone, own their house or rent, are healthy or in poor health and need long-term care or not. The standard will be calibrated for a set of baseline representative older households in a given county or geographic region, using costs of living from the area. Sections will illustrate the effect of changing life circumstances, such as a change in health status



Evelyn "Tootie" Yeager, age 101, took charge of the microphone during the closing general session on centenarians at the 2005 ASA-NCOA Joint Conference. Researchers think the good humor she shares with her daughter, Jane Wolfe, left, age 63, might be one secret to longevity. For coverage of the session, turn to page 5. Photo: Raymond Holman Jr.

or a need for long-term care. The project will draw data from recognized, respected, accessible, objective and widely available national and state sources--data that will be comparable across states and localities.

DOES INCOME COVER COST OF LIVING?

The Elder Standard, modeled on the Family Economic Self-Sufficiency Standard developed by Diana Pearce in collaboration with WOW, will indicate whether retirement income from all sources--including pensions, Social Security, retirement savings or other income--covers the cost of living in the community at a modest level. The researchers are developing the methodology, identifying data sources and testing formats to convey the findings in a clear, compelling fashion. The project was launched in 2004 with a planning grant from the Boston Foundation, and a second-year grant will fund a pilot project of the Elder Standard for the Boston area.

Initial findings from Elder Standard research show that older adults spend the same percentage of their budgets on housing as all households (35 %)--but they spend twice the percentage of their budgets on healthcare as all households (11 % vs. 5 %). Health expenses rise dramatically when long-term care is needed. The Elder Standard will be used to illustrate the effect of rising living costs on the budgets of older people, and of rising costs due to changes in health status, housing tenure, need for long-term care to remain in the community or life circumstances, such as widowhood.

Elders spend twice the percentage of their budgets on healthcare as younger people.

The Elder Standard will have many uses--for example, to increase public awareness of the basic costs that older adults face and how these expenses change when life situations change. Legislators and other policymakers could apply the standard to assess the effects of public policies on elders and more accurately understand the need in their state or local community. Agencies in aging could use it as a tool to evaluate community needs and set goals or help with program design. Individual elders can employ the tool to help budget for their future and assess their likely needs under different circumstances. Researchers should find the standard to be useful in cross-regional comparisons. Also, elder advocates can use the information in persuading elders to help others like them.

MULTISTATE PILOT

In addition, the Gerontology Institute has begun working with WOW and other partners to develop a multistate pilot project that can replicate and test the Elder Standard in a variety of regions. As the elder population grows more economically diverse and as the poverty threshold becomes less accurate in determining need, the United States will require a tool such as the Elder Standard.

The share of federal, state and local budgets dedicated to and funded by elders compared with those in midlife or younger generations--as well as the generations to come--is contested terrain. In recent years, the press has portrayed intergenerational bonds of love, respect and caring as being threatened by intergenerational warfare over limited resources. A recent cartoon by Dan Wasserman of The Boston Globe depicted "USA Next" as a young protester with a picket sign declaring, "Throw Grandma From the Gravy Train." The debates over Social Security, Medicare, prescription drug help, property-tax relief for elders and supportive care in the home will continue. So understanding what is at stake and for whom will not only raise awareness and inform public debate, but also identify where there is real hardship and how American society can best address the need.

Ellen Bruce, associate professor in gerontology at the University of Massachusetts, Boston, is an attorney and the principal investigator of the Elder Economic Security Standard. Laura Henze Russell is an economist and director of the Elder Standard. This article is based on their presentation at the 2005 Joint Conference of the American Society on Aging and the National Council on the Aging.

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American Society on Aging
833 Market St., Suite 511
San Francisco, CA 94103
<http://www.asaging.org/>
info@asaging.org