

Old age- Economic problems  
(1959 folder) ✓

# *Financial Resources of the Aging*

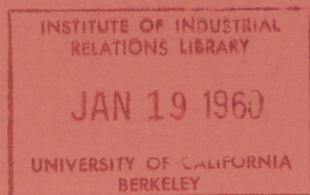
*--- reported resources available  
to those aged 65 and over in meeting  
medical costs up to \$500 //*

*by* Ethel Shanas, Ph.D.

*[New York]* HEALTH INFORMATION FOUNDATION *[1959]*

(RESEARCH SERIES

*10]*



# *Financial Resources of the Aging*

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aged 65 and over in meeting medical  
costs up to \$500

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*Research*  *Series 10*

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**I**N THE SPRING OF 1957, 1,734 persons 65 years old and over, constituting a random cross-section of all older persons in the United States (except those in institutions) were interviewed at length by the staff of the National Opinion Research Center.<sup>1</sup> The study was sponsored by Health Information Foundation.

Interviews were focused on the health needs of older people. Among the subjects investigated were the financial status of the respondents and the assets which they said would be available to them should they incur large medical costs. This is a preliminary report of data secured in the investigation of these two topics; further and more detailed analyses will be included in a forthcoming volume on the completed study.

### **Money income of the aging**

The yearly money income of persons 65 years of age and over is less than that of any other segment of the adult population. It is of some interest, therefore, that almost half of those interviewed in the National Opinion Research Center survey felt that financially their situation was about the same as it had been when they were 60. One person of every three interviewed thought that his financial situation was worse than it had been when he was 60, and one person in every seven thought it was better.

More specifically, what are some of the findings from this survey concerning money income of the aging? Nine of every ten men and eight of every ten women in the sample reported that

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<sup>1</sup>See Appendix I, page 13, for a description of the characteristics of the sample.

**Table 1**

**Comparison of Financial Status of Persons Age 65 and Over at Time  
of Interview with Status at Age 60, by Sex of Respondent<sup>a</sup>**

	Percentage with each response		
	Total	Men	Women
About the same .....	45.4	43.3	47.2
Better .....	15.1	16.7	13.6
Worse .....	37.3	38.3	36.3
Can't make comparison ....	1.2	0.9	1.5
No answer .....	1.1	0.7	1.4

<sup>a</sup> Data from responses to question, "In order to help people get the best possible medical care, we have to know something about how they're getting along in the way of money. How would you say you're getting along financially, compared with when you were 60?"

**Table 2**

**Proportion of Persons Aged 65 and Over Reporting  
Money Income in 1956, by Sex**

Report of money income	Total	Men	Women
Total with money income.....	85.7	90.0	81.9
Money income reported by respondent ..	68.6	89.4	50.7
Money income reported by spouse of respondent <sup>a</sup> .....	17.1	0.6	31.2
Total reporting no money income .....	5.8	1.2	9.7
Without income .....	2.1	0.7	3.3
Without income, spouse of respondent not in sample .....	3.7	0.5	6.4
No answer <sup>b</sup> .....	8.5	8.7	8.4

<sup>a</sup> Where husband and wife both reported income from social insurance or public assistance programs, the income has been tabulated as received by the husband. Similarly, where husband and wife both reported income from rents, interest, or annuities, the income has been tabulated as received by the husband.

<sup>b</sup> Includes those who report that they received money income but who did not give source of such income, as well as those who did not answer questions on income sources and/or amounts.

they had some money income in 1956. These figures are comparable to the findings on money income reported by the United States Census Bureau for this age group for the same period; the Bureau's report on money income shows about the same proportion of men with income, nine of every ten—and a slightly lower proportion of women with money income, seven of every ten.<sup>2</sup>

The median income of persons 65 years of age and older with money income in 1956 as reported in this survey was \$1,300. For men who had some money income the median was \$1,935; for women it was \$880. These medians derived from the National Opinion Research Center sample are probably somewhat higher than the true figures, as a result of the methods of tabulation used—that is, where husband and wife both received income from social insurance programs or from public assistance, the total income for the couple was reported as the husband's income because of the difficulty in differentiating between the amounts received by each member of the couple.<sup>3</sup> The Census Bureau for the year 1956 reports a median income of \$1,421 for men with income, and a median income of \$738 for women with income.

Over one-third of all persons 65 and over reporting money income in this survey had incomes of less than \$1,000 a year in 1956. If persons with no money income of their own (including wives whose total income is reported by the husband) are added to that group whose money income was less than \$1,000 a year, it may be estimated that about one-half (52 per cent) of all persons aged 65 years and over had money incomes of less than \$1,000 in 1956.

Income data for the aged are most meaningful when they can be related to living arrangements. To illustrate, persons with no money income who live with grown children may have few, if any, material concerns; on the other hand, an aged person who lives alone with no money income may be in a desperate situation. In the final report detailed attention will be given to the relation

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<sup>2</sup> *Income of Families and Persons in the United States: 1956*, Current Population Reports, P-60, No. 27, April, 1958. Table 18.

<sup>3</sup> See explanatory footnotes to Table 3.

**Table 3**  
**Percentage Distribution of Cash Income and Median Income**  
**in 1956, for Persons Aged 65 and Over with Income, by Sex<sup>a</sup>**

Income	Per cent		
	Total	Men	Women <sup>b</sup>
\$ 1 - 499 .....	13.0	8.0	20.5
500 - 999 .....	24.3	16.6	35.9
1,000 - 1,999 .....	26.1	25.6	26.8
2,000 - 2,999 .....	13.5	17.5	7.4
3,000 - 3,999 .....	8.2	10.6	4.4
4,000 - 4,999 .....	5.5	7.5	2.3
5,000 - 5,999 .....	3.3	4.9	0.8
6,000 - 6,999 .....	1.6	2.4	0.4
7,000 - 9,999 .....	2.6	3.9	0.6
10,000 and over .....	2.1	3.1	0.6
Median income .....	\$1,300	\$1,935	\$880

n = 1189

<sup>a</sup> The total money income referred to in this table is money income received from wages or salary, net earnings from self-employment, interest, dividends, rents, social insurance and related programs, public assistance, private assistance, contributions from outside the household, and periodic receipts from insurance policies or annuities. Amounts received represent income before deductions for personal taxes. Income as defined here excludes money receipts from the following sources: withdrawals from bank deposits, loans, tax refunds, gifts, lump-sum inheritance or insurance payments, and income derived from sale of assets. It also excludes income in kind, such as the value of home-grown food, free housing, and contributions of food or clothing. This distribution does not include those without money income.

<sup>b</sup> Excludes married women living with husbands: where husband and wife report joint income, as was the case with certain recipients of OASDI benefits, or OAA grants, the complete income has been tabulated for the husband. This has the result of increasing the median income of both men and women with income. In the case of men, this is because higher total incomes than are actually correct for individuals have been reported; in the case of women, the small amounts of OASDI and OAA benefits received by married women would lower the median, were they to be included in the tabulation.

**Table 4**  
**Percentage Distribution of Husband-Wife Families with Head**  
**Aged 65 and Over, by Total Money Income in 1956<sup>a</sup>**

Income of husband and wife	Per cent
Under \$2,000	43.8
\$2,000 - 3,999	31.4
\$4,000-\$5,999	14.0
\$6,000 and over	10.9

n = 566, of whom 516 reported income

<sup>a</sup> Only income of couples with male head aged 65 years and over is given here; income of other family members is excluded in this tabulation.

between living arrangements and income for the aged. In this preliminary report it has been possible to select only one type of family for detailed income analysis: husbands and wives in those families where the husband is 65 years of age and over. The results of this tabulation are shown in Table 4, where it may be seen that more than two-fifths of these couples had incomes of less than \$2,000 in 1956.<sup>4</sup>

### Sources of income<sup>5</sup>

Older people receive money income from the same sources as the general population. In addition, a number of older people receive regular income from a less usual source: someone outside the older person's household (Table 5). One of every five older persons interviewed reported receiving a salary or wages in 1956, and one in every ten received cash income from a self-owned business, a farm or from a professional practice. In some instances, individuals reported income both from farming and from part-time or seasonal employment. Fewer older persons received money from employment than from social insurance programs. Three of every five aged persons reported the receipt of money from Old Age, Survivors and Disability Insurance and related programs. Money receipts from these sources were reported by 62 per cent of all older men and 54 per cent of all older women. One person in seventeen (6 per cent) said that he received a pension from a former employer.

One of every five persons interviewed reported the receipt of money from interest, dividends, or insurance, and one of every five received money as rent from a house or other property. One person of every seven (15 per cent) received money from public assistance programs.

One of every thirteen (8 per cent) reported that he had

<sup>4</sup> These findings are comparable to those reported in *Money Income Distribution of the Aged*, Social Security Administration, Division of Program Research, Research and Statistics, Note #14, May 13, 1959.

See also: *Social and Economic Characteristics of Households and Families*, March 1957, Current Population Reports, P-20, No. 83, August, 1958.

<sup>5</sup> These data on sources of income may be compared with the discussion of income sources in *Hospitalization Insurance for OASDI Beneficiaries*, Report submitted to the Senate Committee on Ways and Means by the Secretary of the Department of Health, Education, and Welfare, April 3, 1959. Washington: U. S. Government Printing Office, 1959.



**Table 5**  
**Proportion of Persons Aged 65 and Over Receiving Money Income**  
**from Specified Sources in 1956, by Sex**

Source of income	Per cent with income from specified sources		
	Total	Men	Women
Employment —			
Wages or salary .....	20.8	31.2	11.9
Business, farming, or professional practice .....	10.6	18.2	4.1
Social insurance and related programs .....	57.3	62.1	53.5
Public assistance .....	15.3	11.9	18.3
Pensions from private employer .....	6.0	10.9	1.8
Interest, dividends, annuities, insurance .....	22.5	24.2	21.1
Rent from house or property .....	20.0	20.6	19.5
Regular cash contribution from someone outside the household....	7.9	5.1	10.3
Other .....	1.1	1.0	1.2

received regular cash contributions from someone outside of his household; one of every ten women, but only one of every twenty men, reported such cash contributions.

Two of every three persons in the older population reported either social insurance or employment as their main source of money income in 1956. Thirty-four per cent of all older people reported that social insurance benefits were their main source of income, although 57 per cent of all older people reported receiving such benefits. Thirty-one per cent of all older people gave employment, either their own or that of a spouse, as their main source of money income.

Public assistance programs were the main source of money

income for 14 per cent of the older population (17 per cent of the women and 11 per cent of the men) ; about 15 per cent of the older population reported receiving public assistance.

Thirteen per cent of all older people reported interest, dividends, annuities, or rents as their main source of cash income, although one-fifth of the older population had reported some income from interest, dividends, and annuities, and one-fifth had reported some income from rents. The main source of money

**Table 6**  
**Percentage Distribution of Persons Aged 65 and Over,**  
**by Main Source of Money Income in 1956, by Sex<sup>a</sup>**

Source of income	Per cent with main income from specified sources <sup>b</sup>		
	Total	Men	Women
Employment .....	30.9	39.2	23.9
Wages or salary .....	19.1	23.8	15.1
Business, farming, or professional practice .....	11.8	15.4	8.7
Social insurance and related programs .....	33.8	36.0	31.9
Public assistance .....	13.8	10.6	16.6
Pensions from private employer ....	2.1	2.8	1.5
Interest, dividends, annuities, insurance .....	5.7	4.1	7.0
Rent from house or property .....	6.9	4.3	9.2
Regular cash contribution from someone outside the household....	3.5	1.6	5.2
Other .....	0.8	0.5	1.0
No money income .....	2.4	0.8	3.8

n = 1,734, of whom 1,677 answered this question

<sup>a</sup>For married women with no independent income, main source of income is the same as that reported by husband.

<sup>b</sup>Percentages tabulated on the basis of those who answered this question, which explains the minor discrepancy with Table 2.

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income for 4 per cent of all older people was the contributions they received from someone outside their household. A small group, 2 per cent of the total population (1 per cent of the men and 4 per cent of the women), had no cash income of any kind (Table 6).

As a supplement to limited cash incomes, three of every ten older persons (24 per cent of all older men and 39 per cent of all older women) reported that they had received non-cash assistance from various sources in 1956. Respondents were asked about *"important help that you didn't have to pay for in cash,"* and were queried specifically about medical or dental care, food, and clothing. About one-fifth of all respondents (22 per cent) primarily persons living with children or other relatives, reported that they had received regular meals or gifts of food for which they did not have to pay, one-seventh (15 per cent) of all respondents reported that they had received clothing, and one-eighth of all respondents (12 per cent) reported medical or dental care for which they personally had made no payments. One of every eight older persons in the sample (6 per cent of the men and 18 per cent of the women) had received more than one type of non-cash aid in 1956.

### Meeting the cost of sickness

When asked, *"What about sickness? Suppose you had a large bill, say \$500 or more, how would you pay for it? Do you have anything to fall back on (other than health and hospital insurance), such as your own house or real estate, money in the bank or cash savings, life insurance policies, stocks and bonds, anything else?"* four of every five older people reported that they owned some assets. On investigation, it was found that the assets from which older persons would try to meet large medical expenses *not covered by health or hospital insurance* included not only those specifically listed, but also the help of their grown children or of relatives. Three persons in every hundred voluntarily reported such help as a type of asset which could be drawn on for financial assistance should assistance be needed.

More than half of all older people in the National Opinion Research Center sample owned their homes or real estate; the

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**Table 7**

**Proportion of Persons Aged 65 and Over Receiving Non-Cash Assistance in 1956, by Type of Assistance, and Sex**

Type of assistance	Per cent receiving non-cash assistance		
	Total	Men	Women
With some non-cash assistance .....	32.1	24.0	39.0
Medical or dental care .....	11.7	9.4	13.7
Medical or dental care only .....	5.7	6.1	5.4
Medical or dental care and food ....	1.6	1.0	2.1
Medical or dental care and clothing	0.4	0.2	0.5
Medical or dental care, food, and clothing .....	4.0	2.0	5.7
Food .....	21.6	13.9	28.2
Food only .....	9.6	7.6	11.4
Medical or dental care and food ....	1.6	1.0	2.1
Medical or dental care, food, and clothing .....	4.0	2.0	5.7
Food and clothing .....	6.3	3.2	9.0
Clothing .....	15.1	9.2	20.2
Clothing only .....	4.4	3.7	4.9
Medical or dental care and clothing	0.4	0.2	0.5
Medical or dental care, food, and clothing .....	4.0	2.0	5.7
Food and clothing .....	6.3	3.2	9.0
With no non-cash assistance .....	67.9	76.0	61.0

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same proportion reported savings which they could draw on; slightly more than one-third (35 per cent) reported life insurance which they believed had some cash value, and one-fifth (19 per cent) reported that they owned stocks and bonds, including United States savings bonds.

The data in Table 8 indicate that one-fifth of all older people, if they had a medical bill of \$500, would have no financial resources from which they could draw to meet such expense. Further, for 12 per cent of the older population, an owned home or real estate represented their only asset; for an additional 4 per cent of the older population, the cash value of life insurance was their only asset; for 9 per cent of all older people, savings were their only asset; and for 1 per cent, the help of children or relatives would be the only way in which they could expect to meet large medical expenses not covered by health or hospital insurance. If the group whose only assets were homes which they owned, or the cash value of life insurance, or the help of children, are combined with the one-fifth of the older population who have no assets, two-fifths of all older people (38 per cent—35 per cent of the men and 41 per cent of the women) would have no ready resources from which to meet a medical bill of \$500.

Following the questions on types of available assets, the respondents were asked: "*What would you do if it just happened that you had that kind of bill for sickness? How would you manage it?*" The replies to this question are given in Table 9.

It is apparent that four of every ten respondents could meet a \$500 medical bill, in whole or in part, from their savings.<sup>6</sup> About one of every six respondents would meet such a bill from their current incomes. Only one person in a hundred stated he would draw on his life insurance, and one in ten reported he would consider a mortgage on his house or property. The help of grown children or relatives mentioned as a type of asset by 3 per cent of all older people, would actually be called upon by 15 per cent of the respondents should they have a large medical bill.

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<sup>6</sup> "A survey made for the Federal Reserve Board early in 1957 found that 45 per cent of all spending units headed by a person aged 65 or over had financial assets of less than \$500 or none at all, and 35 per cent had \$2,000 or more, including 11 per cent with holdings of \$10,000 or more." *Ibid*; p-9.

**Table 8**  
**Proportion of Persons Aged 65 and Over Reporting Assets Available**  
**for Payment of \$500 Medical Bill, and Proportion with**  
**Single Type of Asset Only, by Sex**

Type of Asset	Per cent reporting this type of asset			Per cent with this type only		
	Total	Men	Women	Total	Men	Women
With assets .....	79.2	80.5	78.0	—	—	—
Own home or real estate .....	55.2	58.4	52.5	12.0	11.9	12.1
Life insurance .....	35.4	39.1	32.3	4.3	3.2	5.1
Savings .....	53.8	57.7	50.5	8.8	8.9	8.7
Stocks and bonds <sup>a</sup> .....	19.1	20.8	17.6	0.4	0.5	0.3
Help of children or relatives .....	2.7	1.6	3.5	1.1	0.6	1.5
With no assets .....	20.8	19.5	22.0	20.8	19.5	22.0

<sup>a</sup>Includes United States savings bonds, usually reported as "bonds" rather than "savings."

**Table 9**  
**Proportion of Persons Aged 65 and Over Reporting Sources of Funds**  
**to be used in Payment of \$500 Medical Bill, by Sex**

Source of funds	Per cent reporting this source		
	Total <sup>a</sup>	Men <sup>a</sup>	Women <sup>a</sup>
Savings .....	40.2	44.4	36.6
Current income .....	17.0	19.1	15.2
Life insurance .....	1.0	1.0	1.1
Mortgage on house or property .....	7.2	8.4	6.1
Hospital or health insurance .....	7.6	8.7	6.6
Children or relatives .....	14.6	9.2	19.3
Public assistance or charitable aid .....	8.2	8.2	8.3
Other .....	0.7	0.6	0.8
Could not pay such a bill .....	9.6	7.2	11.6

<sup>a</sup>Per cents do not add to 100 since an individual might report that he would pay his bill from several sources.

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Twenty-one per cent of the older population had reported earlier that they had no assets; in later questioning, 8 per cent said that if they had a large medical bill, they would call on public assistance, and 10 per cent said that they could not pay such a bill, without mentioning the possibility of public aid or free care.

### Summary

The money income of persons 65 years and over is less than that of other segments of the population of the United States. This is to be anticipated since most older people are no longer in the labor force. The broadening of social insurance programs, however, has resulted in almost all older persons having some money income. Three of every five older people in 1956 were receiving money income from social insurance programs, and three of every ten were receiving money income from wages, salary, a business, farming, or professional practice. Two of every three persons in the older population in 1956 reported either social insurance or employment as their main source of money income.

The cash incomes of many older people were limited; the income of three of every ten older people was being supplemented through non-cash help. Such help took the form of food, clothing, or medical or dental care for which the older person made no cash expenditures. Non-cash contributions of this kind were more usual among older women than among older men.

Four of every five older persons had some kind of assets, although not necessarily liquid assets. The major assets held by older people were a home or real estate, and savings. Should it be necessary to make expenditures for medical care as large as \$500, two of every five older people would draw on their savings to cover all or part of such expenses, and one of every six would pay such expenses in whole or in part from current income. On the other hand, two of every five older people (one-third of the men and almost half of the women) would mortgage property, borrow on life insurance, ask help from their children, turn to public assistance or charitable aid, or simply say, as did one of every ten respondents, "I just couldn't pay such a bill!"

APPENDIX I

**Sample Characteristics and Size\***

Although the National Opinion Research Center study was designed to represent two population groups, those aged 60-64, and those 65 years of age or over, only findings for persons 65 years of age or more are given here. These estimates are based on data secured from 1,734 persons, 801 men and 933 women, living in the general population. While only a small proportion (3 to 5 per cent) of persons 65 years of age or more are in institutions, their omission from the study means that perhaps those among the older population who are physically most deteriorated have not been investigated.

The sample used was of the area-probability type; it resembled in general design that used by the Bureau of the Census for the Current Population survey. Multi-stage sampling was employed, and sampling procedures were developed so that every older person in the non-institutional population had an equal chance of being included.

In all, 2,090 persons aged 65 and over were located (by screening interviews in a probability sample of 7,528 households), of whom 8 per cent refused interviews. An additional 9 per cent could not be interviewed because they were too sick, too hard-of-hearing, spoke no English, or were otherwise unavailable. If only those who were too sick to be interviewed, many of whom were in general hospitals, are excluded from the total located, the response rate for persons 65 years of age or more rises to 87 per cent. Three of every ten persons interviewed in this research were 75 years of age or more; the oldest persons interviewed were 96.

A comparison of certain characteristics of older persons located in the National Opinion Research Center household screening and of persons interviewed, with estimates made by the United States Bureau of the Census, is given in the following table. As may be seen in this table, the sample is in good agreement with the Census estimates of the age distribution and marital status of the older population. It should be noted that the Census estimates, unlike those of the National Opinion Research Center, include the institutional population, which is heavily weighted toward the older age-groups.

\*James S. Coleman, formerly of the Department of Sociology at the University of Chicago and the National Opinion Research Center, was responsible for the sample design in this investigation. Dr. Coleman is now at Johns Hopkins University.



— ii —

**Comparison of Distributions of NORC Sample Located,  
NORC Sample Interviewed, and Estimates Derived  
from Independent Sources**

Characteristics of the Population	Percentage distribution		
	NORC sample located	NORC sample interviewed	U.S. Census
<b>Age distribution —</b>			<sup>a</sup>
Sex: Male			
65-74 .....	69.6	70.7	67.7
75 and over .....	29.7	29.3	32.3
Unknown .....	1.6	—	—
Female			
65-74 .....	66.4	69.2	64.6
75 and over .....	32.2	30.8	35.4
Unknown .....	1.4	—	—
<b>Average population aged 65 and over, per household .....</b>	0.29 <sup>b</sup>	Not applicable	0.28 <sup>c</sup>
<b>Marital status, by sex and age —</b>			<sup>d</sup>
Male, 65-74:			
Single .....	3.9	3.7	7.6
Married .....	79.6	79.7	75.4
Widowed and divorced .....	15.9	16.6	17.0
Unknown .....	0.6	—	—
Male, 75 and over:			
Single .....	6.6	6.4	6.8
Married .....	58.1	59.1	53.8
Widowed and divorced .....	34.6	34.5	39.4
Unknown .....	0.7	—	—
Female, 65-74:			
Single .....	9.1	9.1	7.7
Married .....	48.0	47.8	44.8
Widowed and divorced .....	41.3	43.0	47.5
Unknown .....	1.6	—	—
Female, 75 and over:			
Single .....	7.1	6.6	8.6
Married .....	20.9	21.9	21.3
Widowed and divorced .....	70.3	71.4	70.1
Unknown .....	1.6	—	—

<sup>a</sup> As of July, 1957. U.S. Bureau of the Census, *Current Population Reports*, Series P-25, No. 170. (Includes institutional population.)

<sup>b</sup> This proportion refers to households screened, not to households in which older people were located.

<sup>c</sup> As of March, 1957. U.S. Bureau of the Census, *op. cit.*, Series P-20, No. 81. (Includes institutional population.)

<sup>d</sup> *Ibid.*

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- documenting through research the accomplishments of the present system of medical care;

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