

## The Economic Security Status of Hispanic Older Adults in the United States

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### OVERVIEW

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The number of Americans aged 65 and older reached 36 million in 2005, representing about one in every eight persons in the United States. By 2030 this number will increase to 72 million, doubling its size. Older Americans are now living healthier lives and are therefore living longer. The same is true for the Hispanic population. According to the United States Census Bureau, Hispanics are the fastest growing portion of the population at or near retirement. A common concern for Americans is to achieve financial stability as they reach their retirement years. Even though the economic security of those aged 65 and older has improved over the last decade, it continues to be a major challenge for the fast-growing Hispanic elderly population. For many older Americans, Social Security, pensions, and assets combine to create their income during their golden years. In contrast, Hispanic elders rely mainly on Social Security income during retirement. In fact, Social Security is by far the most important source of income for the Hispanic elders who receive this benefit. Without it, their poverty rate would triple. Factors such as lower lifetime earnings and lack of knowledge about saving for retirement contribute to the economic challenges faced by Hispanic retirees.

Following is a summary of the data on the economic status of the Hispanic elderly population, including their work force participation rate compared with their knowledge about retirement. In addition, the following data highlights the limited income resources of the Hispanic elderly, with Hispanic women having the fewest resources.

### DEMOGRAPHICS

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The Hispanic population over 65 is a fast-growing segment of the United States elderly population; over half are women. Hispanic elderly are expected to live longer than their White and African-American counterparts and they have less formal education than the White or African-American elderly.

- ◆ In 2006, the Hispanic elderly comprised 6.4% of the total United States elderly population.<sup>1</sup>
- ◆ By 2030, it is projected that the Hispanic elderly will comprised 11.2% of the United States elderly population, and by 2050, 17.5%<sup>2</sup>
- ◆ Hispanic elders are expected to live longer than their White and African-American counterparts. In 2004, Hispanic men aged 65 could expect to live 19.5 more years 3.0 years longer than White men and 4.4 years longer than African-American men. Hispanic women aged 65 could expect to live 22.8 more years -- 2.9 more years more than White women and 4.2 more years than African-American women.

- ◆ Of the Hispanic population aged 65 and older, 57 % are women.
- ◆ Three out of ten Hispanics aged 65 and above have at least a high school diploma compared to four out of ten African Americans and seven out of ten Whites. In 2006, 9% of Hispanics elders had completed a bachelor's degree compared to 20% of all older Americans.

## EMPLOYMENT

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Hispanics tend to participate in the workforce at higher rates than other U.S. ethnic groups regardless of education level.

- ◆ **Hispanics have a higher participation rate in the work force at all educational levels.** Only 36 % of Whites and African-Americans with less than high school diplomas participate in the labor force, while 45% of Hispanics participate. The gap continues with people who have graduated from high school, with only 61% of Whites and 65% of African Americans participating in the workforce compared to 72 % of Hispanics. The gap narrows with more education, as 71% of Whites and 74% of African-Americans who have attended college participate in the work force, compared to 80% of Hispanics.
- ◆ **Hispanic elders are more likely than African-American elders and less likely than White elders to participate in the labor force.** According to the Bureau of Labor Statistics, in 2004 13% of Hispanics and 12 .5 % of African-American aged 65 and above participated in the labor force, while 15% of Whites 65 and older were still working.

## RETIREMENT

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Older Hispanics have much less diversified sources of income and savings, generally resulting in low incomes during their golden years, and possibly forcing them back into the workforce.

- ◆ **Hispanics elders are less likely than Whites to have individual retirement accounts.** Among the White population aged 65 years and older, more than six out of ten have some type of retirement account. In contrast, only one out of ten Hispanic elders has any retirement account at all.<sup>3</sup>
- ◆ **Most of the Hispanics aged 55 to 59 had nothing accumulated in either a 401(k) or an IRA.** The average combined 401(k)-IRA balance for people aged 55-59 was \$120,000 whereas among Hispanics of the same age it was just over \$35,000.<sup>4</sup>
- ◆ **Hispanics have little knowledge of how to save for retirement and they are less likely than all workers to be confident about retirement.** In 2003, the Retirement Confidence Survey revealed that 43 % of Hispanics rate their knowledge of investing or savings for retirement as “knowing nothing” compared to 12 % for all workers. Less than four out of ten Hispanic workers have “limited knowledge” of investing and savings and only two out of ten claim solid knowledge about saving. According to the Minority Retirement Confidence Survey, only 13 % of Hispanic-American workers are very confident they will have enough money for retirement compared to 21 % of all workers surveyed.<sup>5</sup>
- ◆ **Hispanic workers receive less retirement information from their employers than other workers.** Three out of ten Hispanic workers reported that their employment-based retirement plan provider had given them educational materials, information or seminars about retirement planning savings compared to half of all the other workers surveyed.<sup>6</sup>

## SOURCES OF RETIREMENT INCOME

Combined Social Security, pensions, and assets income generally make up the financial support for older adults. Hispanics and African-Americans, however, have limited sources of income other than Social Security. Among all population segments: Hispanic and African-American women are the most vulnerable due to limited sources of income.

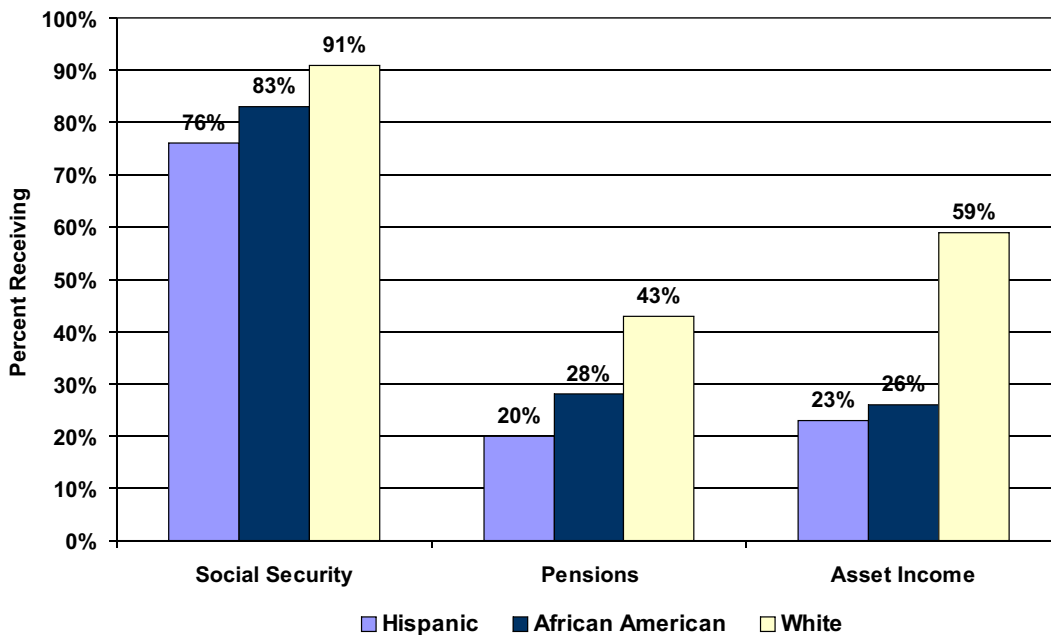
◆ **Households headed by Hispanic elders have less income than those headed by White elders.** In 2004, households headed by Hispanics aged 65 and older reported a median income of \$25,179 compared to \$37,375 for Whites. Almost 22% of Hispanic households had an income less than \$15,000 compared to 7.5% of White households. Only 31.7% of Hispanic households had incomes \$35,000 or higher compared to 54.3% of those households headed by White elders.<sup>7</sup>

◆ **Hispanic elders are less likely than their counterparts to receive Social Security benefits.** About 91 % of Whites received some of their income from Social Security in 2004, compared to 83% of African-Americans and 76% of Hispanics who receive Social Security benefits (see figure 1). Hispanics however depended on Social Security for most of their income. In 2004, 82% of Hispanics over age 65 relied on social Security for 50% or more of their total income compared to 79% of African-Americans and 73% of Whites.<sup>8</sup>

◆ **Twice as many White elders receive pension income than Hispanics.** In 2004, four out of ten Whites received pension income compared to three out of ten African-Americans and only two out of ten Hispanics.<sup>9</sup> (See Figure 1)

◆ **Hispanic elders are less likely than Whites and African-Americans to have income from assets.** While 59% of Whites received income from assets in 2004, only 26% of African-Americans and 23% of Hispanics had any asset income in retirement.<sup>10</sup> (See Figure 1)

Figure 1. Sources of Income by Race/Ethnicity, 2004



◆ **Hispanics elders are less likely than Whites to own mutual funds, stocks, bonds or businesses.** In 2003 while 43% of Whites aged 65 and older owned mutual funds, stocks, or bonds, only 15% of Hispanics owned mutual funds, stocks, or bonds. This gap is mirrored in the statistics pertaining to senior-owned businesses. Although 8% White elders owned a business only 4% Hispanics did.<sup>11</sup>

◆ **Hispanic women are less likely than White and African-American women to have income from pensions.** In 2003 about three out of ten White and African-American women had income from pensions, and only one out of ten Hispanic women had any pension income.<sup>12</sup> This is mainly because Hispanic women are employed in jobs where employers do not provide pension plans.

◆ **Hispanic women are less likely than other women to receive interest income.** Interest on investments is a source of income for more than half of White women older than 65; however, in 2003, only a quarter of African-American women and one in five Hispanic women had interest income.<sup>13</sup>

◆ **Hispanic and African-American women are less likely than White women to receive income from dividends.** According to AARP, in 2003 one out of five White women age 65 received dividend income, whereas less than five out of one hundred African-American and Hispanic women received income from dividends.

## POVERTY

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In 2006, 12.3% of the United States population lived at or below the poverty level.<sup>14</sup>

The poverty rate for people aged 65 and older decreased from 10.1% in 2005 to 9.4% in 2006; however, the statistics for Hispanic and African American elders are still sobering.

◆ **Hispanic elderly are more likely than Whites, but less likely than African-Americans, to live at or below poverty level.** In 2004, 19.5 % of Hispanics over 65 lived below the poverty level compared to 8% of Whites and 23.9 % of African-Americans.<sup>15</sup>

◆ **Hispanic women are also more likely than White women, but less likely than African-American women, to be poor.** According to AARP, 22% of Hispanic women over 65 years of age live in poverty compared to 27.5 % of African-American women and 10% of White women.

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1 Administration on Aging. A Statistical profile of Hispanic Older Americans Aged 65+

2 National Hispanic Council of La raza: Hispanic Workers and Retirement Security Fact Sheet

3 Uncharted Waters: paying benefits from Individual Accounts in Federal retirement Policy. Table 2-12

4 National Hispanic Council of La Raza: retirement security for Latinos: Bolstering Coverage, Savings and adequacy

5 2003 Minority Confidence Survey

6 Ibid

7 Administration on Aging. A Statistical Profile of Hispanic Older Americans Aged 65+

8 Social Security Administration. 2006 table 6.B4

9 Social Security Administration 2006. Income of the Populations 55 and older.

10 Main source: Social Security Administration. 2004. Income of the Aged ,2004

11 Uncharted Waters: paying benefits from Individual Accounts in Federal retirement Policy. Table 2-12

12 Women Age 65 and Older: Their Sources of Income. Figure 3

13 Ibid

14 U.S. Census Bureau, *Housing and Household Economic Statistics Division*

15 US Census Bureau, Current population Survey, annual social and economic supplement, 2004.