

Social Security: A Key Retirement Income Source for Older Minorities

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- ✓ **Social Security is the primary source of retirement income for older minorities: About 80 percent of African Americans and Hispanics and 70 percent of Asians age 65 and older depend on it for part of their family income.**
- ✓ **One-third of older African Americans and Hispanics in families receiving Social Security depend on it for more than 90 percent of their family income.**
- ✓ **Social Security keeps roughly one-third of older African Americans and Hispanics and 20 percent of older Asians out of poverty. Nonetheless, high poverty rates persist among these groups.**

There are marked differences in the retirement income received by whites and minorities age 65 and older and their families. This Fact Sheet focuses on elderly minorities' reliance on Social Security and other sources of income by race, ethnicity, and nativity in an effort to better understand the factors contributing to these differences. As the minority population in the United States grows,¹ it becomes even more important to understand what factors will affect the economic well-being of minorities in retirement.

Social Security Is an Important Source of Retirement Income for Older Minorities

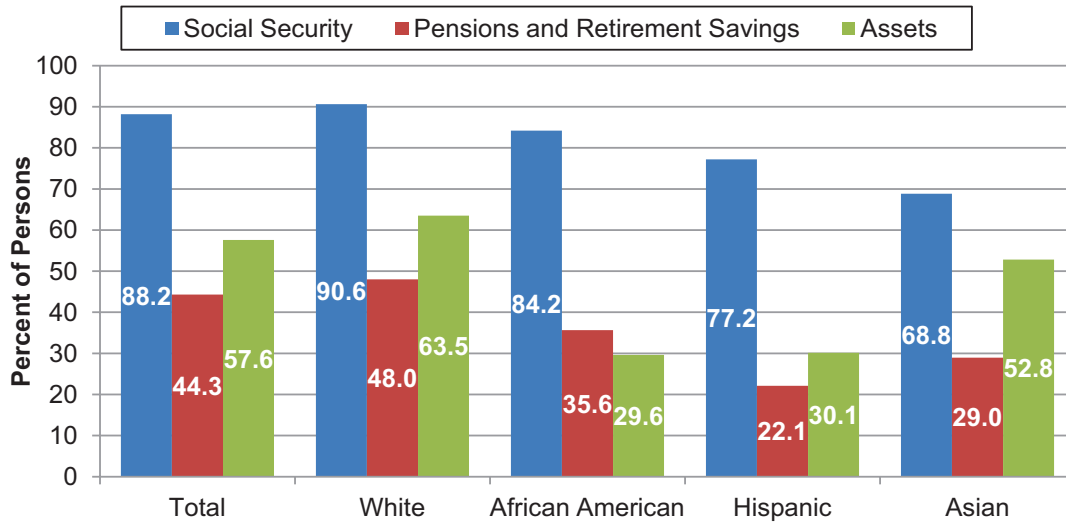
In 2011, 6.4 million minority Americans age 65 or older (3 million African Americans, 2.3 million Hispanics, and 1.1 million Asians) depended on Social Security for part of their family income (see methodological note at end).

Older Minorities Are Less Likely to Receive Social Security Than Whites, But Are Even Less Likely to Have Other Sources of Retirement Income

Roughly 91 percent of older whites live in families that receive Social Security benefits (see figure 1). In contrast, only about 84 percent of older African Americans, 77 percent of older Hispanics, and 69 percent of older Asians include Social Security as part of their family income.

Nevertheless, older minorities are more likely to receive Social Security than any other retirement income source. But their receipt of other sources of retirement income lags behind that of whites too. Only about a third of African Americans (36 percent) and Asians (29 percent) and one-fifth of Hispanics (22 percent) live in families that receive income from pensions or retirement accounts. Roughly a third of older African Americans and Hispanics (30 percent) and half of older Asians (53 percent) live in families that receive asset income (interest, dividends, or rental income) (figure 1).

Figure 1
Family Income Sources of Older Americans, by Race and Ethnicity, 2011



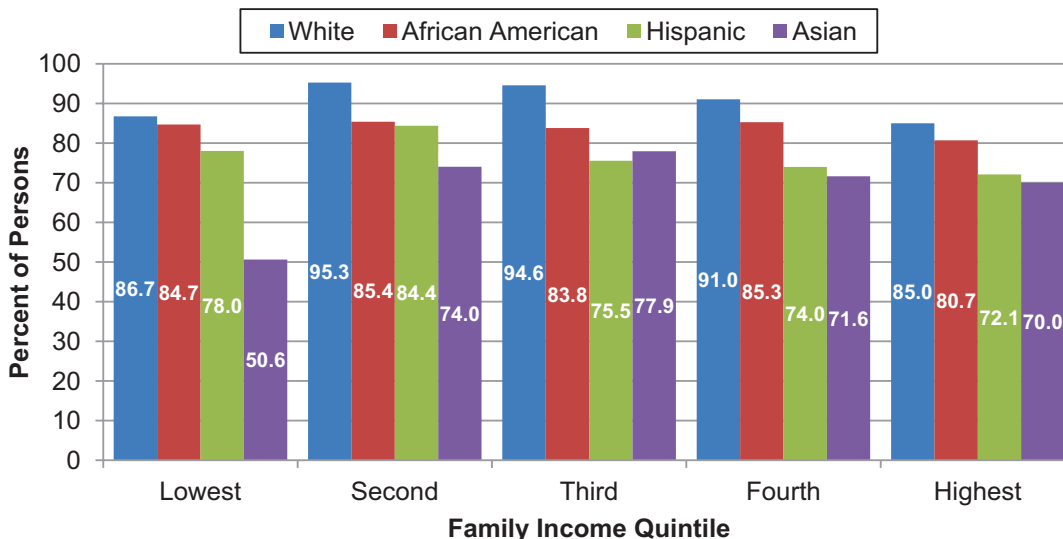
Source: Author's tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

The pattern of fewer sources of retirement income overall is not limited to lower-income minorities. Minorities' receipt of Social Security income lags behind that of whites at all income levels² (see figure 2). The result is similar for pension income (figure 3) and asset income (figure 4).

Older Minorities Rely on Social Security for More of Their Family Income

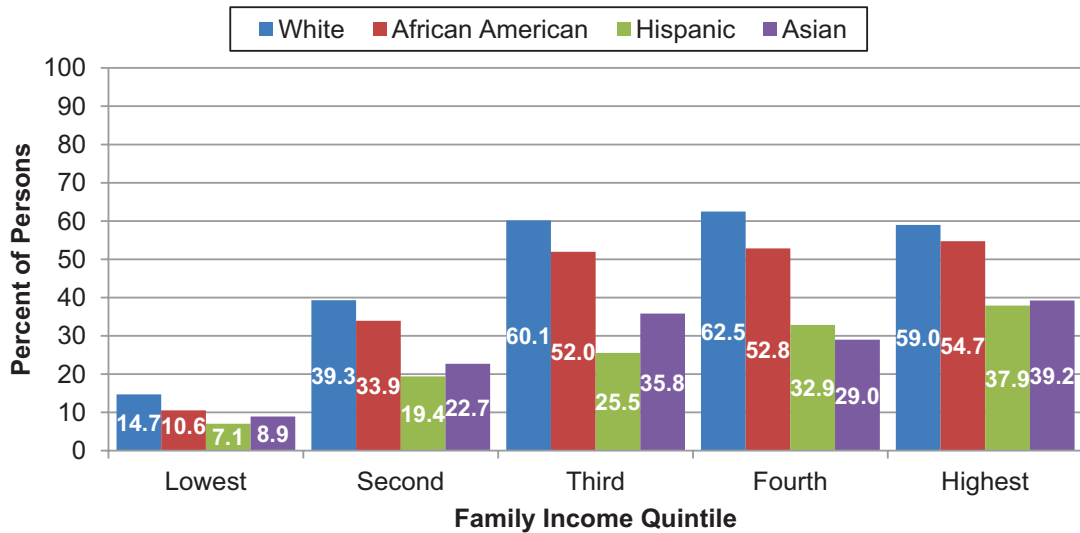
Older minorities are less likely to live in a family that receives any Social Security income, but for African Americans and Hispanics who do, Social Security makes up a significant share of their family income. About a third of older African Americans (34 percent) and Hispanics (35 percent) in beneficiary families rely on

Figure 2
Social Security as a Family Income Source, by Income Quintile, 2011



Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Figure 3
Pensions and Retirement Savings as a Family Income Source, by Income Quintile, 2011



Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Social Security for more than 90 percent of their family income (see figure 5).

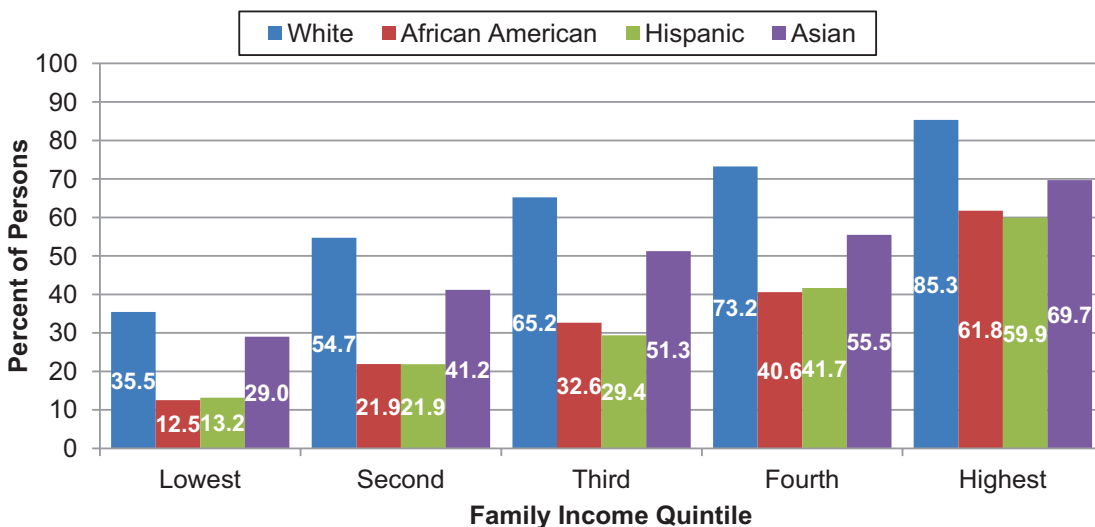
Older minorities in beneficiary families are more likely to rely on Social Security for all of their income: About a quarter of older African Americans and Hispanics rely on Social Security for all of their family income compared to only 14 percent of older whites. Because they are unlikely to receive

other sources of retirement income, Social Security is vitally important to older minorities.

Although Social Security Helps Keep Older Minorities out of Poverty, Their Poverty Rates Are Higher

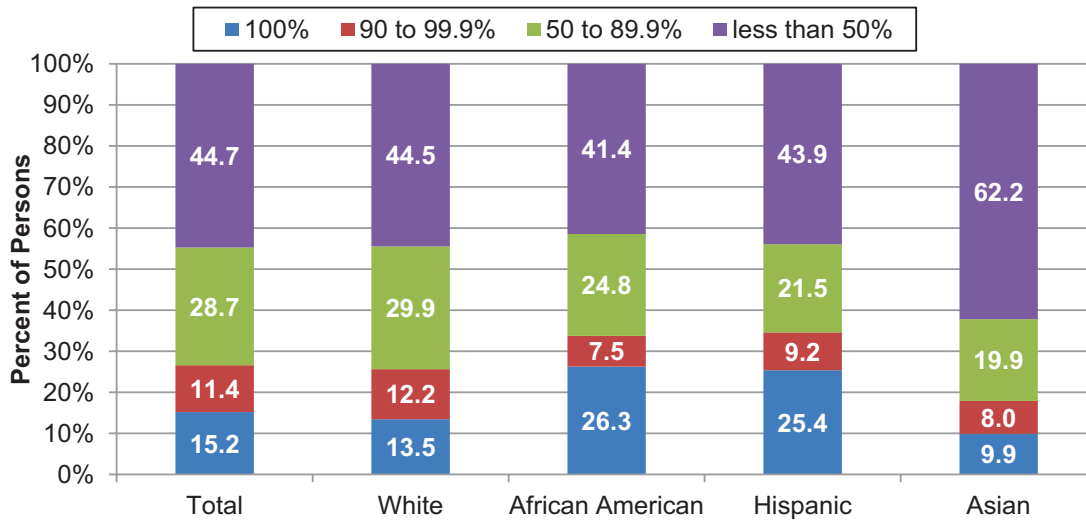
Social Security is important in keeping individuals of all races out of poverty. In 2011, Social Security benefits lifted

Figure 4
Assets as a Family Income Source, by Income Quintile, 2011



Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Figure 5
Older Minorities Rely on Social Security for a Significant Share of Family Income, Beneficiaries Only, 2011



Note: Family income includes income from all family members, including those in related subfamilies; persons with zero family income, negative family income, negative family earnings, or negative family asset income are excluded.
 Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

roughly 36 percent of older whites out of poverty, along with about a third of older African Americans (34 percent) and Hispanics (31 percent) and one-fifth of Asians (19 percent). Poverty rates for older minorities, however, are still much higher than those for older whites. In 2011, 17 percent of older African Americans and 19 percent of Hispanics—more than double the rate for whites (7 percent)—and 12 percent of older Asians lived in poverty (see figure 6).

The difference in the proportion of older minorities and older whites kept out of poverty by Social Security reflects two factors. First, as previously discussed, older minorities are less likely to receive Social Security income. Second, as discussed below, even among those who do receive Social Security, the typical benefit minorities receive is less than that of whites.

Despite Their Greater Reliance on Social Security, Older Minorities Receive Less Social Security Income

The median annual amount of family income from Social Security for older

African Americans and Hispanics in beneficiary families (\$14,400) is roughly 27 percent lower than that of older whites (\$19,757). The gap is about 9 percent for Asians (\$17,957) (see table 1).

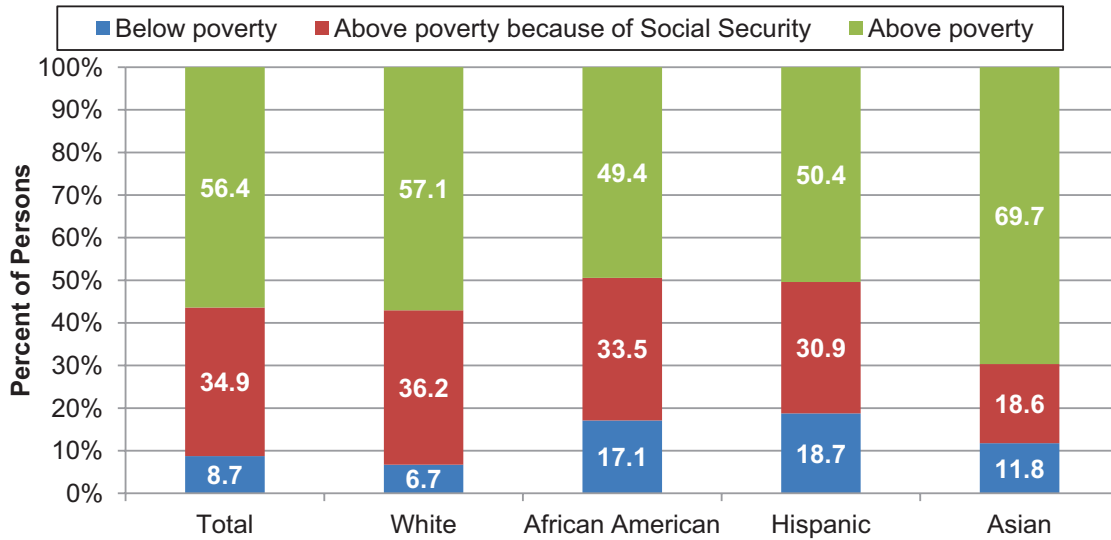
Even at higher family income levels, older minorities' Social Security income lags behind that of older whites. The median annual Social Security family income of older minorities in beneficiary families is lower at all income quintiles³ than that of white families (see figure 7).

Table 1
Median Family Income from Social Security for Older People in Beneficiary Families, 2011

	Median Social Security Income
White	\$19,757
African American	\$14,400
Hispanic	\$14,400
Asian	\$17,957

Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Figure 6
Poverty Rates Are Higher for Older Minorities, 2011



Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Lower Lifetime Earnings and Higher Disability Rates Have Important Effects on Minorities' Social Security Benefits

Lower wages and employment and higher disability rates negatively affect lifetime earnings, the basis for determining Social Security benefits, and therefore the amount of benefits minorities receive.

Minorities Tend to Earn Less

As shown in figure 8, a higher percentage of working African Americans and Hispanics ages 25 to 64 have earnings in the lower deciles.^{4,5} Median annual earnings of working African Americans are 75 percent of those of whites. Hispanic median earnings are 63 percent of white median earnings. Median earnings for working Asians are similar to those of whites⁶

Minorities' lower average lifetime earnings result in lower Social Security benefits. As shown in table 2, the median own Social Security benefit for white beneficiaries in 2011 was \$13,577; about 14 percent higher than the median amount

for African Americans and Asians and 26 percent higher than that for Hispanics.

Disability Has a Negative Effect on Minorities' Lifetime Earnings

Minorities, particularly African Americans and Hispanics, have higher disability rates than whites in the ages leading up to retirement.⁷ Studies suggest that minorities' higher rates of disability are also linked to lower employment rates, which negatively affect lifetime earnings.⁸ One study finds that minorities with disabilities experience larger decreases in employment rates than whites.⁹ Another

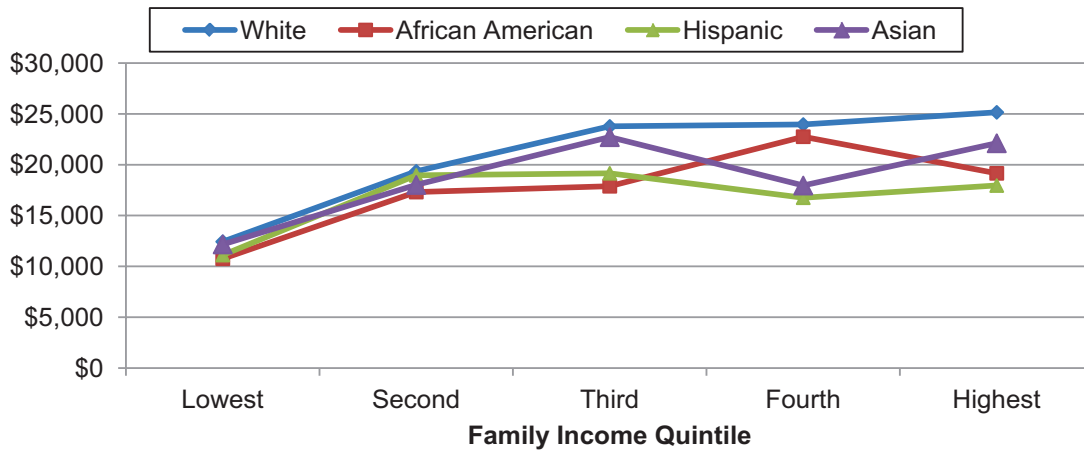
Table 2
Median Own Social Security Income of Older Beneficiaries, 2011

	Median Own Social Security Income
White	\$13,577
African American	\$11,957
Hispanic	\$10,757
Asian	\$11,945

Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Note: Only includes individuals with positive own Social Security income.

Figure 7
Median Family Social Security Income for Older Minorities Is Lower at All Income Quintiles, Beneficiary Families Only, 2011



Source: Authors' tabulations of U. S. Bureau of the Census, March 2012, Current Population Survey.

study finds that while government transfers offset some of disability's negative effect on income, the disabled still face less income and higher poverty rates than the nondisabled.¹⁰

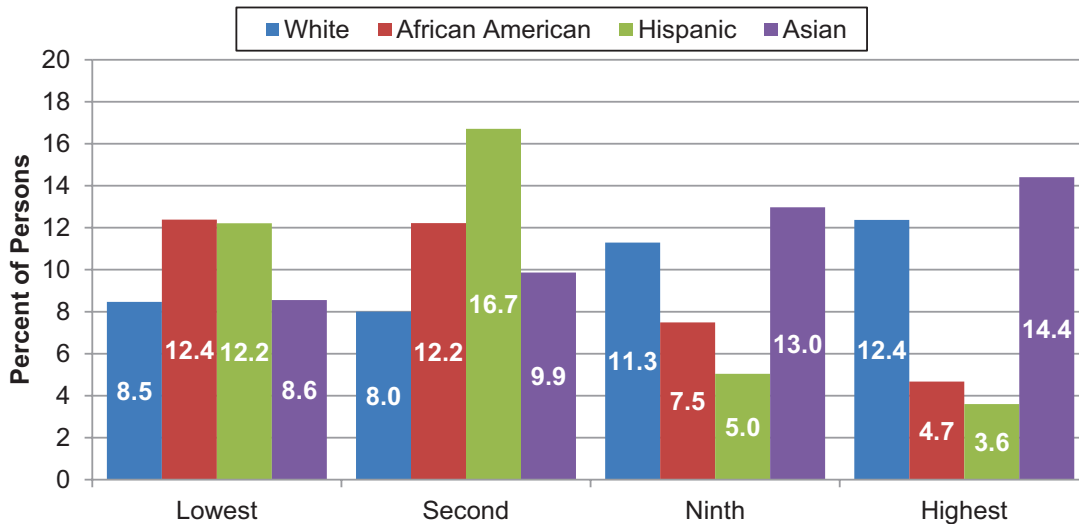
Immigration Has a Negative Effect on Retirement Income

For the older Asian and Hispanic population, immigration is another key factor that drives down families' Social

Security income. About 52 percent of older Hispanics and 80 percent of older Asians are either naturalized citizens or immigrants.¹¹ In contrast, only 6 percent of older whites and 8 percent of older African Americans are foreign-born.

It is important to note that undocumented immigrants are not eligible for Social Security benefits, but even legally present immigrants may not have enough reported years of work to be eligible.¹² For

Figure 8
More Working Minorities Have Earnings in Lower Earnings Deciles, 2011



Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Note: Earnings deciles are calculated for workers with positive earnings age 25 to 64.

Social Security: A Key Retirement Income Source for Older Minorities

naturalized citizens and immigrants who are eligible for benefits, a shorter history of U.S. earnings drives down their level of own benefits received (see table 3).

Older Foreign-Born People Are Less Likely to Receive Any Social Security Benefits Than Older Native-Born Citizens

Naturalized citizens and immigrants¹³ age 65 and older are less likely than their native-born peers to live in a family that receives any of the three major sources of retirement income (figure 9).

In addition to nativity’s effect, the number of years lived in the United States also has a significant impact on the likelihood of receiving one of the major sources of retirement income. As shown in figure 10, older people who have been in the United States the longest are much more likely to have family income from Social Security, assets, or pensions and retirement savings than those who have been in the United States for fewer years.

Median Social Security family income of older minorities is less than that of

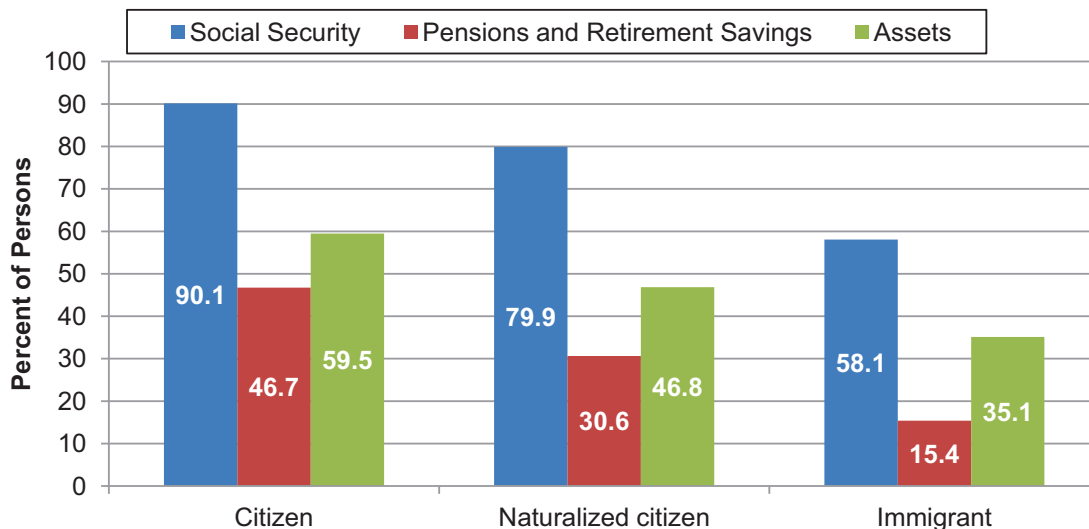
Table 3
Median Own Social Security Income of Older Foreign-Born Beneficiaries, by Years in the United States, 2011

Year of Entry	Median Own Social Security Income
63 Years or more	\$13,446
53 to 62 years	\$13,157
43 to 52 years	\$12,257
31 to 42 years	\$10,757
21 to 30 years	\$10,157
11 to 20 years	\$9,557

Source: Authors’ tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

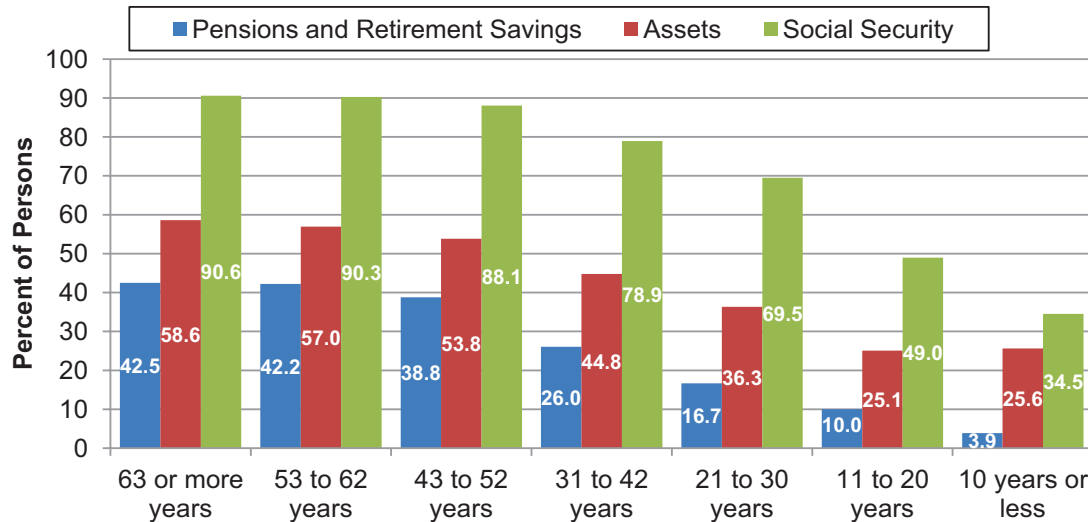
older whites, but the median benefit for foreign-born minorities and their families is even lower. For older foreign-born minorities who live in families that receive Social Security income, median annual Social Security income lags behind that of older native-born citizens (see table 4). Naturalized citizens receive somewhat lower benefits than native-born citizens, and the benefits of immigrants are generally much lower (except among whites). Older minorities have a lower median benefit, whether they are native-born, naturalized citizens, or immigrants.

Figure 9
Older Foreign-Born People Are Less Likely to Live in a Family That Has Any of the Three Major Sources of Retirement Income, 2011



Source: Authors’ tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

Figure 10
Years in the United States Affect Probability of an Older Foreign-born Person Living in a Family that Receives Social Security and Other Sources of Income, 2011



Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

The Progressivity of the Social Security Benefit Formula Boosts the Benefits of Older Minorities, But More Can Be Done

The progressivity of the Social Security benefit formula means that while benefits increase with lifetime earnings (up to a cap), Social Security replaces a higher share of average lifetime earnings for low lifetime earners than for higher lifetime earners. As a result, minorities, who tend to have lower lifetime earnings, experience higher replacement rates than non-Hispanic whites.

For example, one recent study found that, among workers reaching age 61 between 2003 and 2007, the median

share of taxable earnings replaced was 30 percent for whites, 37 percent for African Americans, 38 percent for Hispanics, and 34 percent for Asians. However, whites still receive more Social Security benefits over their lifetimes because they have higher lifetime earnings (which results in higher benefits) and live longer, on average.¹⁴

More can be done to boost the benefits of older minorities. For example, an enhanced minimum benefit for Social Security that would target workers with long careers and low lifetime earnings would increase the Social Security benefits of some low-income retirees, including many minorities. By tying an enhanced benefit to years of work,

Table 4
Median Family Social Security Income by Race and Ethnicity and Nativity, Older People in Beneficiary Families, 2011

	All	White	African American	Hispanic	Asian
Citizen	\$19,157	\$19,793	\$14,674	\$15,353	\$19,157
Naturalized citizen	\$17,698	\$19,200	\$13,157	\$15,157	\$17,957
Immigrant	\$14,357	\$20,486	\$13,157	\$11,074	\$14,357

Source: Authors' tabulations of U.S. Bureau of the Census, March 2012, Current Population Survey.

minimum benefit proposals would ensure the adequacy of benefits received by low-wage workers and reward their years of work. Minimum benefit proposals that also include credits for time out of the labor force for caregiving, unemployment, or poor health also would boost the benefits of minority groups.¹⁵

Conclusion

Social Security is and will continue to be the main source of income for low- and moderate-wage retirees, many of whom are older minorities, but improvements to Social Security and other programs could alleviate poverty and income insecurity among older Americans.

Reforming the Supplemental Security Income (SSI) program—a means-tested, federally administered income assistance program for needy aged, blind, and disabled persons—could mitigate hardship for many vulnerable older Americans. Reforms to SSI could include increasing the benefit to bring beneficiaries up to the poverty level, relaxing the asset test, eliminating the reduction in benefits for older people who live with others, and restoring benefits for legal immigrants.

Increasing retirement savings is another avenue to improving the retirement security of older minorities. For example, requiring employers without a retirement plan to implement a payroll deduction automatic Individual Retirement Account would help minorities—particularly Hispanic workers, who are much less likely than whites to have access to

Methodological Notes

Unless otherwise noted, the tables and figures in this report show the family income of older individuals. Family income is used because it is a better measure of the resources available to older people and their economic well-being. It is also the income measure used for determining poverty.

Family income includes any income received by related people living with an individual who is 65 or older. The characteristic on which the information is displayed is at the individual level.

This report uses self-identified racial and ethnic designations. Designations are exclusive in this report—Hispanics may be of any race, but all whites, African Americans, and Asians are non-Hispanic.

While American Indians and Alaska Natives (AIANs) also are considered minorities, they are not included in this report because of data limitations. The number of AIANs age 65 and older included in the Current Population Survey is not sufficient to produce reliable estimates for all the tables and figures in this report. For 2011, the median family Social Security income for older AIANs was \$14,381 (AARP Public Policy Institute tabulations of U.S. Bureau of the Census, Current Population Survey, March 2012).

employer-sponsored retirement plan—to save for their own retirement.¹⁶ Also, reforming the Saver’s Credit would increase the incentive for minorities to save for retirement.

Endnotes

¹ Karen R. Humes, Nicholas A. Jones, and Roberto R. Ramirez, Overview of Race and Hispanic Origin: 2010 (Washington, DC: U.S. Bureau of the Census, March 2011).

² Income quintiles for the figures 2 through 4 are calculated for the total population age 65 and older.

³ Income quintiles for figure 7 are calculated for the total population age 65 and older.

⁴ Includes all people age 25 to 64 with positive earnings in 2011.

⁵ Earnings deciles are calculated for the total working population.

Social Security: A Key Retirement Income Source for Older Minorities

⁶ AARP Public Policy Institute tabulations of U.S. Bureau of the Census, Current Population Survey (Washington, DC: U.S. Bureau of the Census, March 2012).

⁷ Laura Trupin, Douglas S. Sebesta, and Edward Yelin, *Transitions in Employment and Disability Among People Ages 51 to 61* (Washington, DC: National Institute on Disability and Rehabilitation Research, August 2000); Richard W. Johnson, Melissa M. Favreault, and Corina Mommaerts, *Work Ability and the Social Insurance Safety Net in the Years Prior to Retirement*, Discussion Paper 10-01 (Washington, DC: Urban Institute, January 2010).

⁸ John Bound, Timothy Waidmann, Michael Schoenbaum, and Jeffrey B. Bingenheimer, "The Labor Market Consequences of Race Differences in Health," *Milbank Quarterly*, 81, no. 3 (2003).

⁹ Trupin et al., *Transitions in Employment and Disability Among People Ages 51 to 61*.

¹⁰ Johnson et al., *Work Ability and the Social Insurance Safety Net in the Years Prior to Retirement*.

¹¹ The foreign-born population referenced in this Fact Sheet includes two major groups: foreign-born people who have obtained U.S. citizenship (naturalized citizens) and all other immigrants. The Current Population Survey does not distinguish between legal and undocumented immigrants.

¹² Generally, a person must work at least 10 years in Social Security-covered employment to be eligible for retirement benefits.

¹³ Foreign-born people include both naturalized citizens and immigrants. The Current Population Survey does not distinguish between legal and undocumented immigrants.

¹⁴ Benjamin Bridges and Sharmila Choudhury, "Examining Social Security as a Retirement Resource for Near-Retirees, by Race and Ethnicity, Nativity, and Disability Status." *Social Security Bulletin*, 69, no. 1 (2009).

¹⁵ Melissa M. Favreault, *A New Minimum Benefit for Low Lifetime Earners* (Washington, DC: Urban Institute, March 2009); Peter A. Diamond and Peter R. Orszag, *Reforming Social Security: A Balanced Plan*, Policy Brief No. 126 (Washington, DC: Brookings Institution, December 2003).

¹⁶ Ariel Investments and Hewitt Associates, *401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups* (2009), <http://www.arielinvestments.com/images/stories/PDF/ariel-aonhewitt-2012.pdf>; Yung-Ping Chen and Thomas D. Leavitt, *Employee Preferences as a Factor in Pension Participation by Minority Workers* (Boston, MA: University of Massachusetts, 2009), <http://www.mccormack.umb.edu/centers/gerontologyinstitute/pubAndStudies/DOLreport.pdf>; Lisa Southworth and John Gist, *The Saver's Credit: What Does It Do for Saving?* (Washington, DC: AARP Public Policy Institute, 2008), http://www.aarp.org/money/taxes/info-02-2008/i1_credit.html.

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