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Income and Assets of Medicare Beneficiaries, 2014 – 2030

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INTRODUCTION

Many Medicare beneficiaries, including seniors and younger adults with disabilities, live on fixed incomes supplemented by the savings they accumulated during their working years. Their income and accumulation of savings is tied to many life experiences, including their education, health status, marital status, number of work years, household income, periods of unemployment, investments, years of homeownership, access to employer retirement benefits, inheritance, other financial supports, and various economic factors. As a result, the income and assets of Medicare beneficiaries vary greatly.[1] This data brief updates previous work that describes the income and assets of Medicare beneficiaries now, and in the future (2030).[2] It incorporates updated projections about the current and future U.S. economy, and the effects of the economic downturn and recovery on current and future beneficiaries' income, savings, and home equity. This brief provides context for understanding the extent to which the current and future generations of beneficiaries can afford to absorb higher health care costs.

INCOME OF MEDICARE BENEFICIARIES

In this analysis, the income of the Medicare population takes into account Social Security, pensions, earnings, and other income sources, including income from assets, rental income, and retirement account (IRA) withdrawals. Income is presented on a per person basis; for married people, income is divided equally between spouses to calculate per capita income. Projected growth in income is adjusted for inflation and all dollar amounts are in 2014 per capita dollars.

Figure 1

Half of all Medicare beneficiaries had incomes below $24,150 per person in 2014

1% had incomes above **$163,600**

5% had incomes above **$93,000**

50% had incomes below **$24,150**

25% had incomes below **$14,350**

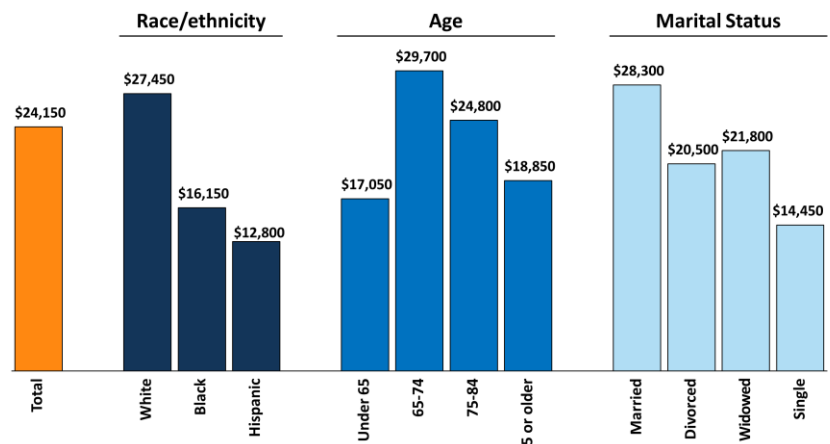SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

IN 2014

Half of all Medicare beneficiaries had incomes below $24,150 in 2014, but incomes varied substantially among beneficiaries (**Figure 1**). One-quarter of beneficiaries had incomes below $14,350, while at the other end of the distribution, five percent had incomes exceeding $93,000, including one percent who had incomes exceeding $163,600 in 2014.
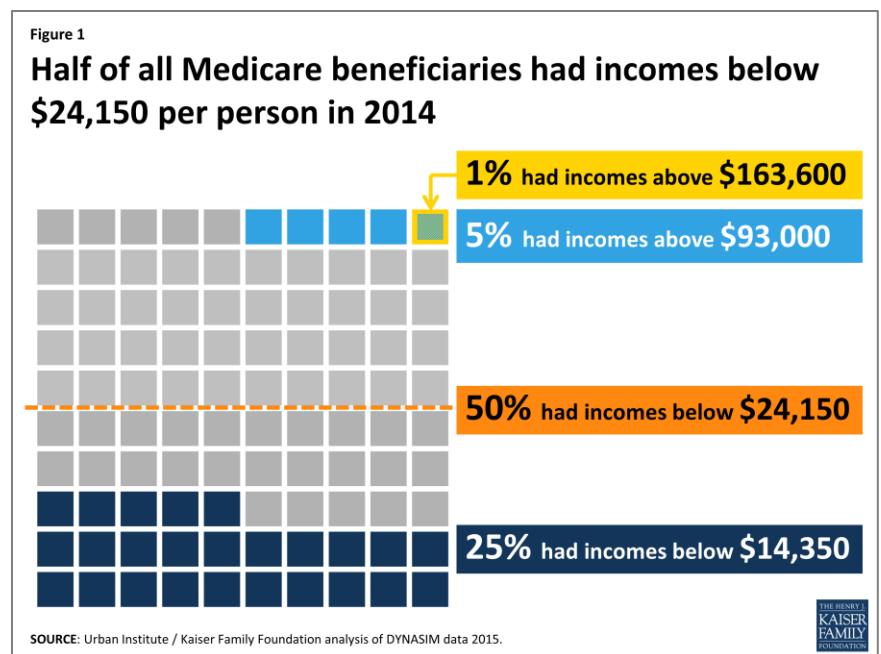
Incomes among beneficiaries varied across demographic characteristics (**Figure 2**). Median per capita income was substantially higher for white beneficiaries ($27,450) than for black beneficiaries ($16,150) or Hispanic beneficiaries ($12,800). Across all ages, median per capita income was lower for beneficiaries under the age of 65 with permanent disabilities ($17,050) than among seniors. Among seniors, median income declines with age. More than half of all beneficiaries ages 85 and older lived on an income of less than $18,850 in 2014. Married individuals had higher median per capita incomes ($28,300 per

Figure 2

Median per capita income among Medicare beneficiaries varies by beneficiary characteristics in 2014

NOTE: Total household income for couples is split equally between husbands and wives to estimate income for married beneficiaries.
SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

beneficiary) than divorced, widowed or single beneficiaries ($20,500, $21,800, and $14,450, respectively) in 2014. As might be expected, median income varied by years of education, and was three times higher among beneficiaries with college degrees ($41,500) than among beneficiaries with less than a high school education ($13,850) in 2014 (**Table 1**).

IN 2030

Per capita income among the Medicare population will be moderately higher in 2030 than it is today, after adjusting for inflation; however, much of the growth is projected to be in the upper incomes (**Figure 3**). Incomes are projected to be 22 percent higher for beneficiaries in the top five percent of the income distribution in 2030 compared to the current generation, an increase of about $20,650 between 2014 and 2030, after adjusting for inflation. In contrast, per capita income for beneficiaries in the bottom quartile of the income distribution are projected to be 13 percent higher in 2030 (an increase of less than

Figure 3

Growth in per capita income is projected to be concentrated among beneficiaries with higher incomes

Per Capita Total Income (in 2014 dollars)
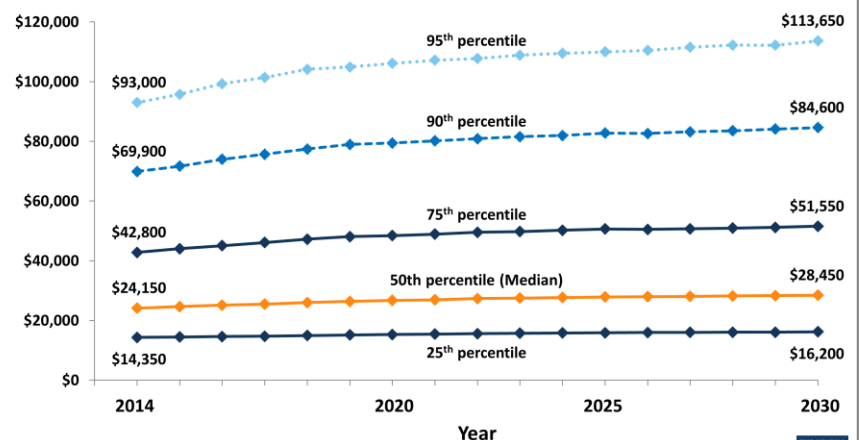
NOTE: All incomes are adjusted to 2014 dollars.
SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

$2,000, after adjusting for inflation) and among beneficiaries in the middle of the income distribution, incomes are projected to be just 18 percent ($4,300) higher in 2030 than in 2014, after adjusting for inflation. In 2030, twenty-five percent of beneficiaries are projected to have incomes below $16,200 and about half will
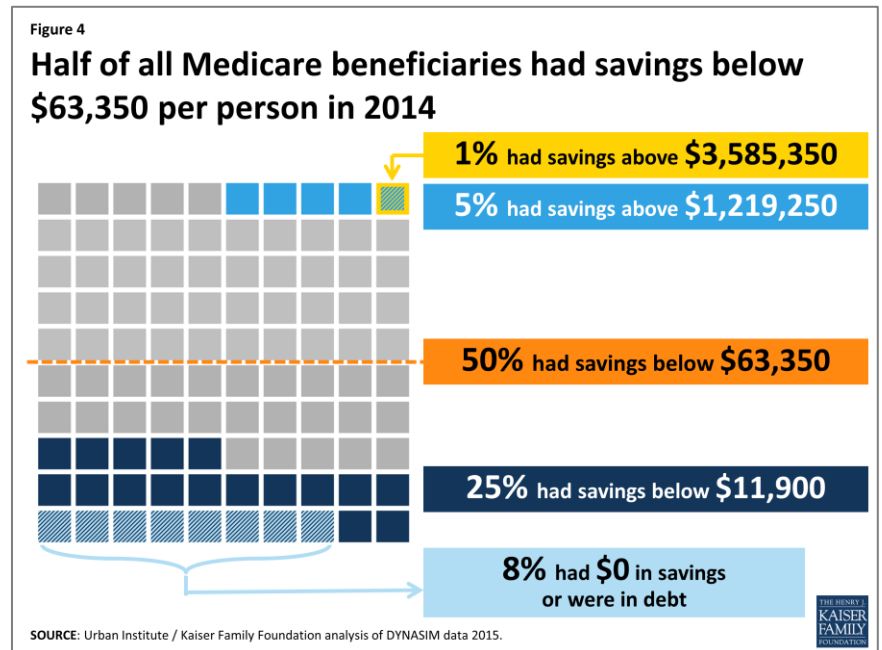
have incomes below $28,450. Ten percent of beneficiaries are projected to have incomes above $84,600 and five percent are projected to have incomes above $113,650 in 2030, after adjusting for inflation.
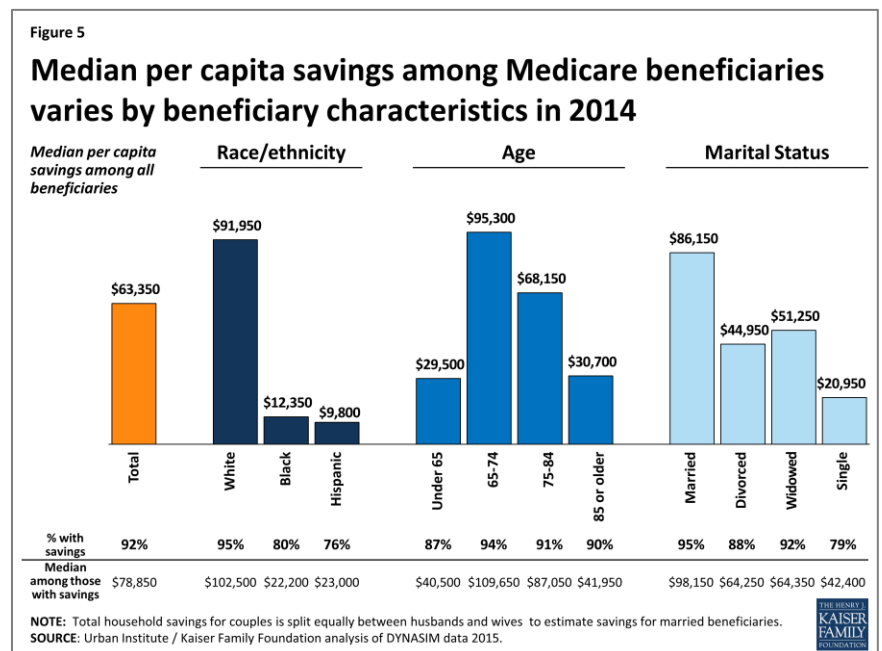
SAVINGS OF MEDICARE BENEFICIARIES

In this analysis, the total savings of the Medicare population includes retirement account holdings (such as IRAs or 401Ks) and other financial assets, including savings accounts, bonds and stocks. Savings are presented on a per person basis; for married people, savings are divided equally between spouses to calculate per capita savings. Projected growth in savings is adjusted for inflation and all dollar amounts are in 2014 dollars.

IN 2014

In 2014, nearly all beneficiaries (92%) had some savings, but eight percent had no savings or were in debt (i.e., negative savings), with median debt of $850. Half of all beneficiaries had savings below $63,350, with substantial variation in savings across beneficiaries (**Figure 4**). One-quarter of beneficiaries had savings below $11,900, including beneficiaries who had no savings or were in debt. At the other end of the distribution, five percent had more than $1.2 million in savings, including one percent who had more than $3.5 million in savings in 2014.

Figure 4

Half of all Medicare beneficiaries had savings below $63,350 per person in 2014

1% had savings above **$3,585,350**

5% had savings above **$1,219,250**

50% had savings below **$63,350**

25% had savings below **$11,900**

8% had **$0** in savings or were in debt

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

Like income, savings among beneficiaries varied greatly across demographic characteristics (**Figure 5**). While nearly all beneficiaries (92%) had some savings, rates of savings were lower among some groups, particularly black beneficiaries (80%), Hispanic beneficiaries (76%), beneficiaries under the age of 65 with disabilities (87%), and beneficiaries who were divorced or single (88% and 79%, respectively). Median per capita savings among white beneficiaries ($91,950) was more than seven times higher than median per capita savings among black beneficiaries ($12,350) or Hispanic beneficiaries ($9,800). Median per capita savings among beneficiaries under the age of 65 and disabled ($29,500) was lower than for seniors of

Figure 5

Median per capita savings among Medicare beneficiaries varies by beneficiary characteristics in 2014

Median per capita savings among all beneficiaries	Race/ethnicity			Age				Marital Status			
	White	Black	Hispanic	Under 65	65-74	75-84	85 or older	Married	Divorced	Widowed	Single
$63,350	$91,950	$12,350	$9,800	$29,500	$95,300	$68,150	$30,700	$86,150	$44,950	$51,250	$20,950

	Total	White	Black	Hispanic	Under 65	65-74	75-84	85 or older	Married	Divorced	Widowed	Single
% with savings	92%	95%	80%	76%	87%	94%	91%	90%	95%	88%	92%	79%
Median among those with savings	$78,850	$102,500	$22,200	$23,000	$40,500	$109,650	$87,050	$41,950	$98,150	$64,250	$64,350	$42,400

NOTE: Total household savings for couples is split equally between husbands and wives to estimate savings for married beneficiaries.
SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

any age group; among seniors, those ages 85 and older had relatively low savings, with more than half having less than $30,700 in savings in 2014. Median savings also differed by marital status and was higher among married beneficiaries ($86,150) than among divorced, widowed, or single beneficiaries ($44,950, $51,250, and $20,950, respectively).

Median per capita savings was higher among beneficiaries with more years of education; the median savings of college-educated beneficiaries ($226,200) was nearly 22-times higher than the median savings among beneficiaries with less than a high-school education ($10,300; **Table 1**).

In 2030

Median savings among the Medicare population in 2030 is projected to be somewhat higher than among the current generation of beneficiaries, after adjusting for inflation, with much of the growth in savings expected to be realized among a relatively small share of beneficiaries (**Figure 6**). Among beneficiaries in the top five percent of the savings distribution, savings are projected to be 29% greater (approximately $351,000) for the next generation of beneficiaries, compared to the current generation of beneficiaries, after adjusting for inflation. In contrast, among beneficiaries in the middle of the

Figure 6

Growth in per capita savings is projected to be concentrated among beneficiaries with more savings

Per Capita Total Savings, among all beneficiaries (in 2014 dollars)

savings distribution, savings are projected to be nearly $39,500 higher in 2030 than in 2014, after adjusting for inflation. This difference points to a widening gap in savings between beneficiaries in the top five percent and middle of the distribution. In 2030, twenty-five percent of beneficiaries are projected to have savings below $23,900, including 8 percent of beneficiaries who are projected to have no savings or be in debt, and about half are projected to have savings below $102,800 in 2030. At the other end of the spectrum, ten percent of beneficiaries are projected to have savings above $921,750 and five percent are projected to have savings above $1.5 million in 2030, after adjusting for inflation.
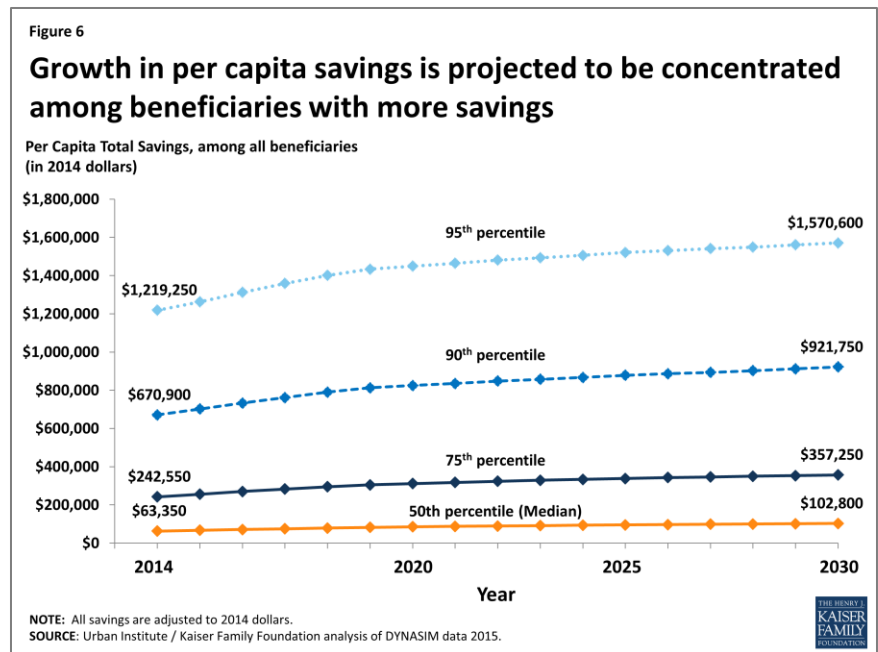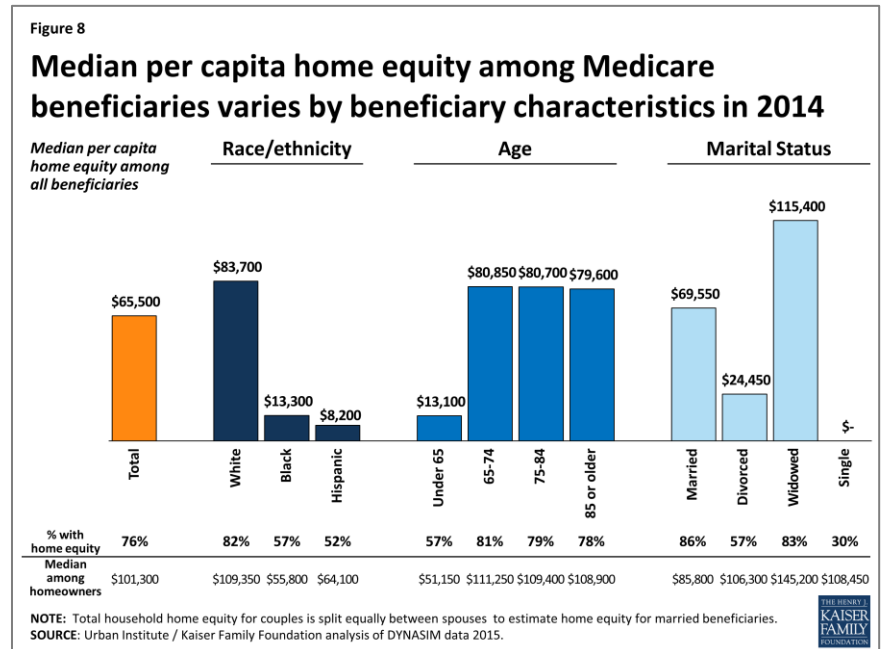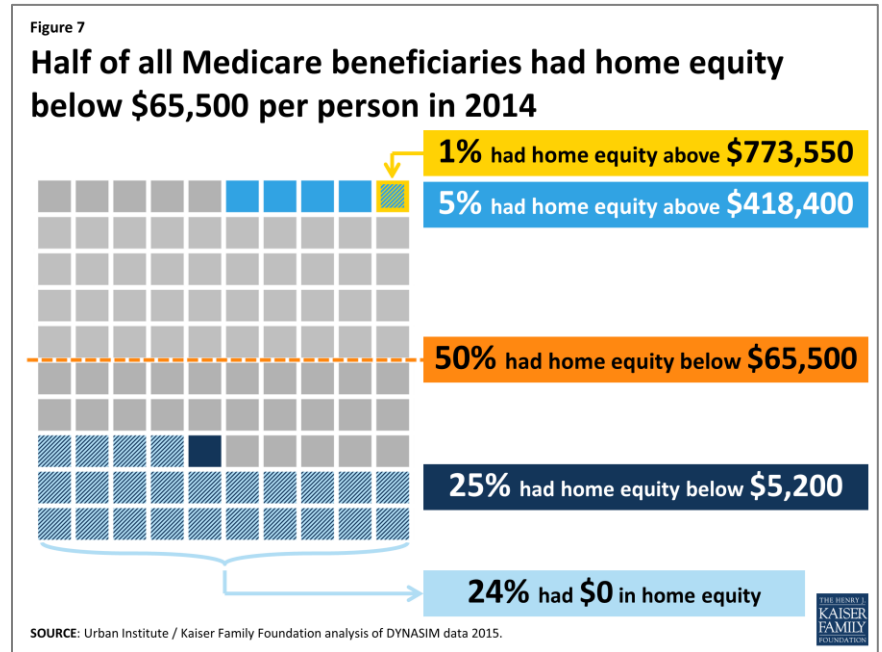
HOME EQUITY OF MEDICARE BENEFICIARIES

As with income and savings, home equity values are divided equally between spouses to calculate per capita home equity. Projected growth in home equity values is adjusted for inflation and all dollar amounts are in 2014 per capita dollars. The home equity values shown account for any decrease in home equity values that occurred as a result of the mortgage crisis; it has been estimated that more than 1.5 million Americans over age 50 lost their homes between 2007 and 2011.[3]

IN 2014

Most Medicare beneficiaries (76%) had some home equity in 2014, with substantial variation in the value of their home equity. Half of all beneficiaries had less than $65,500, and one-quarter had less than $5,200 in home equity, including 24 percent who had no home equity at all in 2014 (**Figure 7**). At the other end of the distribution, five percent had more than $418,400 in home equity, including one percent who had more than $773,550 in home equity in 2014.

The share of beneficiaries with home equity, and the value of home equity, differed across demographic characteristics in 2014 (**Figure 8**). Rates of home equity were lower among single beneficiaries (30%) and divorced beneficiaries (57%) than among married or widowed beneficiaries (86% and 83%, respectively). Home equity rates were also lower among Hispanic and black beneficiaries (52% and 57%, respectively) than whites (82%), and lower among beneficiaries under the age of 65 with disabilities (57%) in 2014.

Among beneficiaries with home equity, median per capita home equity was $101,300 in 2014, with higher home equity values among white beneficiaries ($109,350) than among black beneficiaries ($55,800) or Hispanic beneficiaries ($64,100).

Figure 7

Half of all Medicare beneficiaries had home equity below $65,500 per person in 2014

1% had home equity above $773,550
5% had home equity above $418,400
50% had home equity below $65,500
25% had home equity below $5,200
24% had $0 in home equity

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

Figure 8

Median per capita home equity among Medicare beneficiaries varies by beneficiary characteristics in 2014

Median per capita home equity among all beneficiaries	Race/ethnicity			Age				Marital Status			
	White	Black	Hispanic	Under 65	65-74	75-84	85 or older	Married	Divorced	Widowed	Single
Total $65,500	$83,700	$13,300	$8,200	$13,100	$80,850	$80,700	$79,600	$69,550	$24,450	$115,400	$-
% with home equity	82%	57%	52%	57%	81%	79%	78%	86%	57%	83%	30%
Median among homeowners $101,300	$109,350	$55,800	$64,100	$51,150	$111,250	$109,400	$108,900	$85,800	$106,300	$145,200	$108,450

NOTE: Total household home equity for couples is split equally between spouses to estimate home equity for married beneficiaries.
SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

Median home equity among beneficiaries under age 65 with home equity ($51,150) was less than half the median home equity among seniors with home equity ($110,300). Among seniors with home equity, the value is slightly higher among 65-74 year olds ($111,250) than older groups, including beneficiaries ages 85 and older ($108,900) in 2014. Among beneficiaries with home equity, median home equity values were higher among widowed beneficiaries ($145,200) than among married, divorced, or single beneficiaries ($85,800, $106,300, and $108,450) in 2014. Among those with home equity, median home equity was also higher among beneficiaries with more years of education, and the median home equity of college-educated beneficiaries ($151,650) was more than double the median home equity of beneficiaries with less than a high-school education ($64,300) in 2014 (**Table 1**).

IN 2030

Home equity values among Medicare beneficiaries in 2030, adjusted for inflation, are projected to be moderately higher than they are in 2014, with much of the growth in home equity values among people in the top decile; however, the share of beneficiaries with home equity (76%) is projected to remain flat (**Figure 9**). Median home equity is projected to grow by approximately $5,400, or eight percent, from $65,500 in 2014 to $79,000 in 2030, after adjusting for inflation. In contrast, among beneficiaries in the top five percent of the home equity distribution, median home equity is projected to be 38 percent

Figure 9

Growth in per capita home equity is projected to be concentrated among beneficiaries with more in home equity

Per Capita Home Equity, among all beneficiaries (in 2014 dollars)

NOTE: All home equity amounts are adjusted to 2014 dollars.
SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2015.

higher among the next generation of beneficiaries than among the current generation, growing by $162,400, from $418,400 in 2014 to $580,400 in 2030, after adjusting for inflation. As a result, the distribution of home equity values is projected to widen over time.
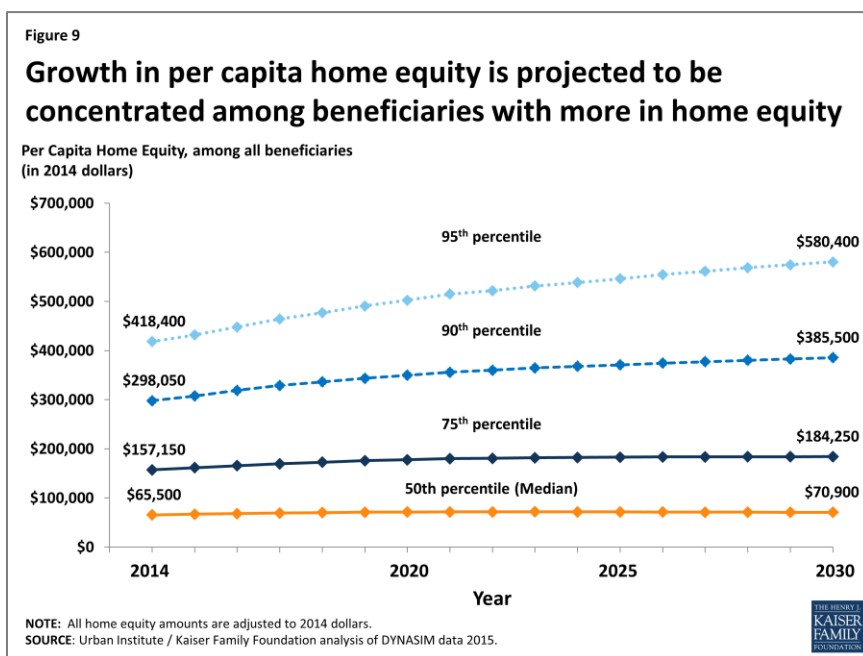
CONCLUSION

While a small share of the Medicare population lives on relatively high incomes, most are of modest means, with half of people on Medicare living on less than $24,150 in 2014. The typical beneficiary has some savings and home equity, but the range of asset values among beneficiaries is wide and varies greatly across demographic characteristics. Looking to the future, the income, assets and home equity values of Medicare beneficiaries overall are projected to be somewhat greater in 2030 than in 2014 after adjusting for inflation; yet, much of the growth is projected to be realized among those with relatively high incomes and assets. As policymakers consider options for decreasing federal Medicare spending and addressing the federal debt and deficit, these findings raise questions about the extent to which the next generation of Medicare beneficiaries will be able to bear a larger share of costs.

Table 1. Per Capita Income, Savings, and Home Equity of Medicare Beneficiaries by Selected Demographic Characteristics, 2014 and 2030 (in 2014 dollars)

		2014								2030							
		Share of total Medicare population	Income	Savings			Home Equity			Share of total Medicare population	Income	Savings			Home Equity		
			Median	Median among all beneficiaries	% with savings	Median among beneficiaries with savings	Median among all beneficiaries	% with home equity	Median among homeowners		Median	Median among all beneficiaries	% with savings	Median among beneficiaries with savings	Median among all beneficiaries	% with home equity	Median among homeowners
Total		100%	$24,150	$63,350	92%	$78,850	$65,500	76%	$101,300	100%	$28,450	$102,800	92%	$120,900	$70,900	76%	$110,550
Race/ Ethnicity	White	76%	$27,450	$91,950	95%	$102,500	$83,700	82%	$109,350	70%	$33,400	$151,600	95%	$162,250	$95,150	82%	$124,850
	Black	10%	$16,150	$12,350	80%	$22,200	$13,300	57%	$55,800	11%	$19,500	$33,950	80%	$46,900	$19,600	57%	$59,650
	Hispanic	9%	$12,800	$9,800	76%	$23,000	$8,200	52%	$64,100	13%	$15,800	$25,050	76%	$41,100	$22,250	52%	$70,100
Age	Under Age 65	18%	$17,050	$29,500	87%	$40,500	$13,100	57%	$51,150	11%	$19,100	$42,900	87%	$60,950	$10,550	57%	$67,550
	Seniors	82%	$26,150	$75,750	92%	$92,350	$80,600	80%	$110,300	89%	$29,900	$114,250	92%	$130,550	$79,450	80%	$114,800
	Age 65-74	47%	$29,700	$95,300	94%	$109,650	$80,850	81%	$111,250	48%	$30,900	$119,100	94%	$133,650	$66,450	81%	$97,800
	Age 75-84	25%	$24,800	$68,150	91%	$87,050	$80,700	79%	$109,400	31%	$30,100	$120,400	91%	$137,800	$96,000	79%	$133,300
	Age 85 and Older	10%	$18,850	$30,700	90%	$41,950	$79,600	78%	$108,900	10%	$26,000	$75,950	90%	$94,250	$107,650	78%	$146,250
Gender	Female	55%	$22,500	$57,400	91%	$73,000	$70,150	76%	$106,250	54%	$27,500	$97,500	91%	$115,500	$77,700	76%	$117,950
	Male	45%	$26,350	$70,900	92%	$87,000	$60,350	76%	$94,950	46%	$29,550	$109,500	92%	$127,100	$63,550	76%	$102,350
Marital Status	Married	55%	$28,300	$86,150	95%	$98,150	$69,550	86%	$85,800	55%	$31,650	$123,550	95%	$136,950	$73,950	86%	$90,050
	Divorced	14%	$20,500	$44,950	88%	$64,250	$24,450	57%	$106,300	13%	$24,800	$85,700	88%	$103,850	$42,300	57%	$124,700
	Widowed	22%	$21,800	$51,250	92%	$64,350	$115,400	83%	$145,200	19%	$28,700	$97,800	92%	$114,000	$145,900	83%	$181,500
	Single	10%	$14,450	$20,950	79%	$42,400	$0	30%	$108,450	12%	$18,450	$54,700	79%	$81,450	$0	30%	$145,750
Education	Less than High School	18%	$13,850	$10,300	80%	$19,400	$22,950	61%	$64,300	13%	$13,400	$15,450	80%	$27,300	$18,000	61%	$60,950
	High School Graduate	37%	$21,650	$48,200	92%	$58,100	$58,350	75%	$90,000	34%	$23,300	$65,950	92%	$76,650	$54,450	75%	$90,200
	Some College	20%	$28,850	$89,150	95%	$98,750	$75,450	81%	$103,300	23%	$31,600	$120,900	95%	$129,500	$76,750	81%	$107,150
	College Graduate	25%	$41,500	$226,200	97%	$242,950	$119,800	84%	$151,650	30%	$46,650	$310,500	97%	$325,700	$131,850	84%	$165,700
Federal Poverty Level	<200% FPL	33%	$12,150	$12,200	81%	$20,900	$9,500	53%	$74,150	26%	$12,100	$17,150	81%	$26,550	$0	53%	$72,550
	200-400% FPL	29%	$23,850	$59,300	95%	$66,550	$64,000	81%	$88,500	28%	$24,250	$75,200	95%	$80,750	$62,250	81%	$91,800
	400% FPL or more	38%	$50,200	$222,900	98%	$230,500	$114,000	93%	$126,150	46%	$54,050	$303,800	98%	$312,550	$120,100	93%	$137,000

SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2015.

Table 2. Number of Medicare Beneficiaries by Race/Ethnicity and Other Selected Demographic Characteristics, 2014 and 2030 (in thousands)								
		2014				2030			
		Total	White	Black	Hispanic	Total	White	Black	Hispanic
Total		54,000	41,050	5,450	5,050	81,500	56,850	9,150	10,500
Age	Under Age 65	9,650	6,500	1,600	1,150	8,700	5,100	1,550	1,500
	Seniors	44,350	34,600	3,850	3,950	72,800	51,700	7,650	9,000
	Age 65-74	25,400	19,550	2,350	2,350	39,200	26,750	4,550	5,500
	Age 75-84	13,300	10,500	1,100	1,150	25,150	18,600	2,450	2,650
	Age 85 and Older	5,650	4,550	450	450	8,400	6,350	650	800
Gender	Female	29,600	22,500	3,150	2,700	43,800	30,300	5,350	5,500
	Male	24,400	18,550	2,350	2,350	37,750	26,550	3,850	5,000
Marital Status	Married	29,600	23,100	2,250	2,700	44,950	31,900	4,000	6,050
	Divorced	7,500	5,400	1,000	750	10,900	7,700	1,300	1,200
	Widowed	11,800	9,300	1,050	1,000	15,550	11,400	1,500	1,750
	Single	5,200	3,250	1,100	650	10,150	5,850	2,350	1,450
Education	Less than High School	9,900	5,600	1,450	2,400	10,850	4,450	1,450	4,250
	High School Graduate	20,100	15,700	2,250	1,500	27,750	19,550	3,650	3,250
	Some College	10,600	8,550	1,000	600	18,500	13,600	2,250	1,650
	College Graduate	13,400	11,250	750	550	24,450	19,200	1,800	1,350
Federal Poverty Level	<200% FPL	17,850	11,250	2,900	2,800	21,300	11,300	3,800	4,800
	200-400% FPL	15,500	12,050	1,400	1,350	22,450	15,850	2,550	2,750
	400% FPL or more	20,650	17,750	1,200	900	37,750	29,700	2,800	3,000

NOTE: Numbers do not sum to total, because beneficiaries identified as "other" races not shown separately.
SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2015.

Endnotes

[1] Kaiser Family Foundation, "Wide Disparities in the Income and Assets of People on Medicare by Race and Ethnicity: Now and in the Future," September 2013.

[2] Kaiser Family Foundation, "Projecting Income and Assets: What Might the Future Hold for the Next Generation of Medicare Beneficiaries?" June 2011.

[3] Trawinski, Lori, "Nightmare on Main Street: Older Americans and the Mortgage Market Crisis," AARP Public Policy Institute, July 2012.