

REPORT



Wide Disparities in the Income and Assets of People on Medicare by Race and Ethnicity

NOW AND IN THE FUTURE

September 2013



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PREPARED BY

Gretchen Jacobson

Jennifer Huang

Tricia Neuman

Program on Medicare Policy

The Henry J. Kaiser Family Foundation

and

Karen Smith

The Urban Institute

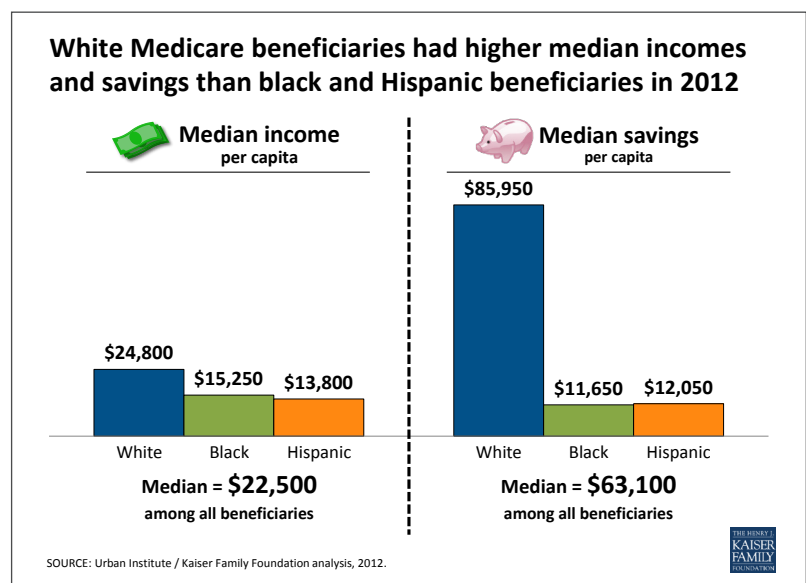
The authors gratefully acknowledge the assistance of Dr. Cara James in preparing this report. Dr. James is currently the Director of the Office of Minority Health in the Centers for Medicare and Medicaid Services (CMS). Prior to working at CMS, Dr. James was employed at the Henry J. Kaiser Family Foundation and contributed to the preparation of this report. The opinions expressed in this report are the authors' own and do not reflect the view of CMS, the Department of Health and Human Services, or the United States government.

EXECUTIVE SUMMARY

People on Medicare, including seniors and younger adults with disabilities, often live on fixed incomes supplemented by the savings they accumulated during their working years.^{1,2} A person's ability to build wealth depends on many factors, including their education, health status, marital status, number of work years, household income, periods of unemployment, years of homeownership, access to employer retirement benefits, inheritance, and other financial supports. These financial experiences for individuals during their working years differ by race/ethnicity, which in turn leads to differences across race/ethnicity in income and wealth in retirement.^{3,4}

Many people on Medicare live on limited incomes, and have relatively modest savings and home equity.⁵ In 2012, half of all Medicare beneficiaries had less than \$22,500 in income and half had less than \$63,100 in savings.⁶ Further, the outlook for the next generation of Medicare beneficiaries is not expected to be much brighter. The increase in Social Security's full retirement age from 65 to 67 means that Social Security will replace a smaller portion of the income of future seniors claiming benefits at the same age as current seniors. The historic shift from defined benefit pensions to defined contribution pensions means that fewer future Medicare beneficiaries will have guaranteed, defined benefit pension income from former employers, and more will rely on less secure sources of income, particularly if investments in employer-sponsored defined contribution plans (e.g., 401K plans) are tied to fluctuations in the economy and stock market.⁷ Between 1988 and 2012, the share of employers that offered retiree health benefits fell from 66 percent to 25 percent.⁸ If this trend continues, fewer future Medicare beneficiaries will have retiree health benefits and more will be responsible for paying Medicare premiums and out-of-pocket costs. Furthermore, rising budget deficits will increase pressure to reduce spending, increase taxes, or both. Numerous deficit reduction packages have included reductions in Medicare spending and Social Security benefits, and increases in out-of-pocket health care costs for Medicare beneficiaries, which could further erode the economic security of many vulnerable Americans.

This report includes important distributional information about the means of current and future Medicare beneficiaries. It updates and complements our prior work in this area by focusing on differences in the income and assets of people on Medicare by race/ethnicity, using data from the DYNASIM microsimulation model developed by researchers at the Urban Institute. A table summarizing the income and assets of Medicare beneficiaries in 2012 and 2030, by selected demographic characteristics, is included in **Table A1**. Data are rounded to the nearest \$50 and are presented on a per person basis, rather than per household; for married people on Medicare, income and assets are divided equally between spouses to calculate per capita income, savings, and home equity. More information about the methodology can be found in the **Appendix**. This analysis provides new information about disparities in incomes and assets among the Medicare population by race and ethnicity to inform ongoing discussions about potential changes to Medicare, Medicaid, Social Security and other policy proposals that could have important implications for the economic security of current and future Medicare beneficiaries.



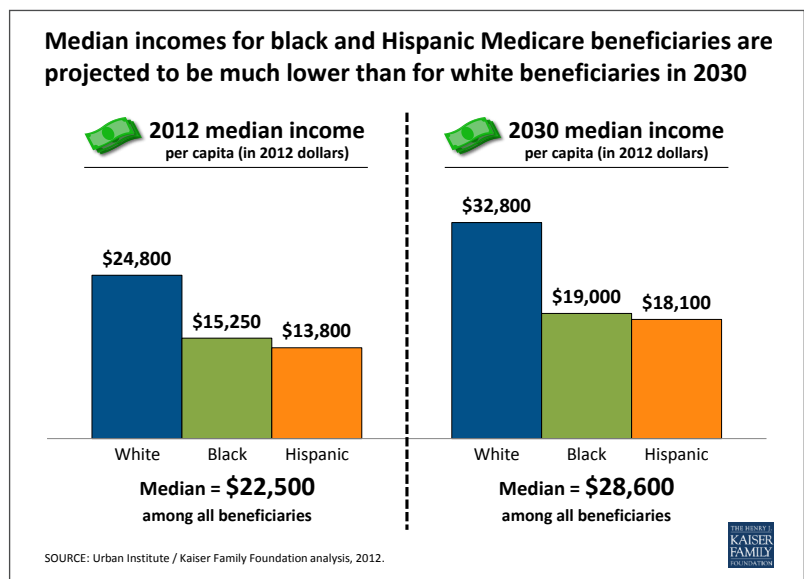
KEY FINDINGS

INCOME AND ASSETS AMONG MEDICARE BENEFICIARIES IN 2012, BY RACE/ETHNICITY

- » Half of all Medicare beneficiaries had annual incomes below \$22,500 in 2012; median income was considerably lower among black and Hispanic Medicare beneficiaries (\$15,250 and \$13,800, respectively) than among white beneficiaries (\$24,800).
 - While the top 10 percent of black and Hispanic beneficiaries had incomes above \$43,900 and \$44,550, respectively, the top 10 percent of white beneficiaries had incomes above \$70,000 in 2012.
 - Even among Medicare beneficiaries with a college degree, median income was substantially lower among black and Hispanic beneficiaries (\$29,200 and \$34,800, respectively) than among white beneficiaries (\$41,400).
- » Nearly all (92%) Medicare beneficiaries had some savings (such as retirement account holdings and other financial assets), but rates were higher among white beneficiaries (95%) than among black and Hispanic beneficiaries (80% and 81%, respectively) in 2012. In other words, about one in five black and Hispanic beneficiaries had no savings or were in debt.
 - Half of all beneficiaries had less than \$63,100 in savings in 2012; median savings for white beneficiaries (\$85,950) were more than seven times the median savings for black beneficiaries (\$11,650) and Hispanic beneficiaries (\$12,050).
 - Among beneficiaries with savings, half had less than \$77,500 in savings in 2012; median savings for white beneficiaries (\$95,900) were nearly five times the median savings for black beneficiaries (\$19,700) and nearly four times the median savings for Hispanic beneficiaries (\$25,150).
- » The majority (78%) of Medicare beneficiaries had some home equity, but the share was lower among black and Hispanic Medicare beneficiaries (61% and 60%, respectively) than among white beneficiaries (83%) in 2012.
 - Among beneficiaries with home equity, half had less than \$93,850 in home equity in 2012; the median home equity values were substantially lower among black and Hispanic beneficiaries (\$53,650 and \$67,700, respectively) than among white beneficiaries (\$100,200) in 2012.

PROJECTED GROWTH IN INCOME, SAVINGS, AND HOME EQUITY, BY RACE AND ETHNICITY, 2012-2030

- » In 2030, median incomes for black and Hispanic beneficiaries (\$19,000 and \$18,100, respectively) are projected to be substantially lower than for white Medicare beneficiaries (\$32,800), in inflation-adjusted 2012 dollars.

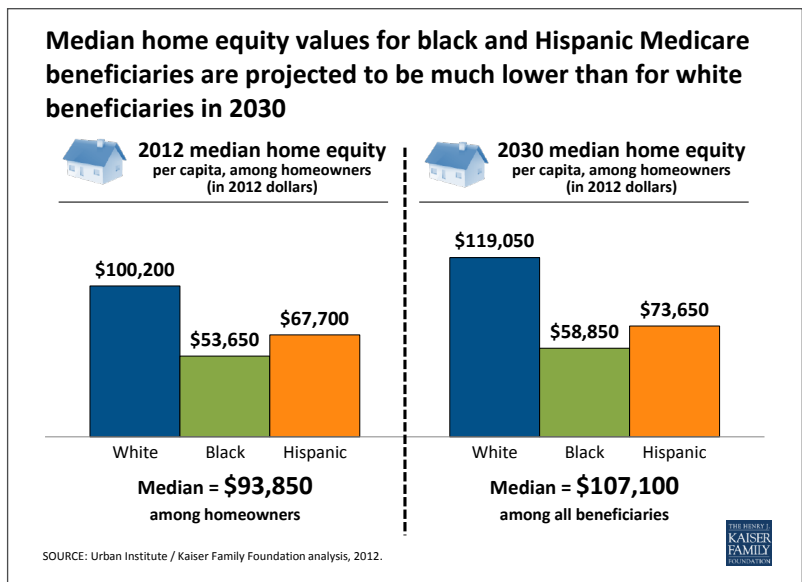
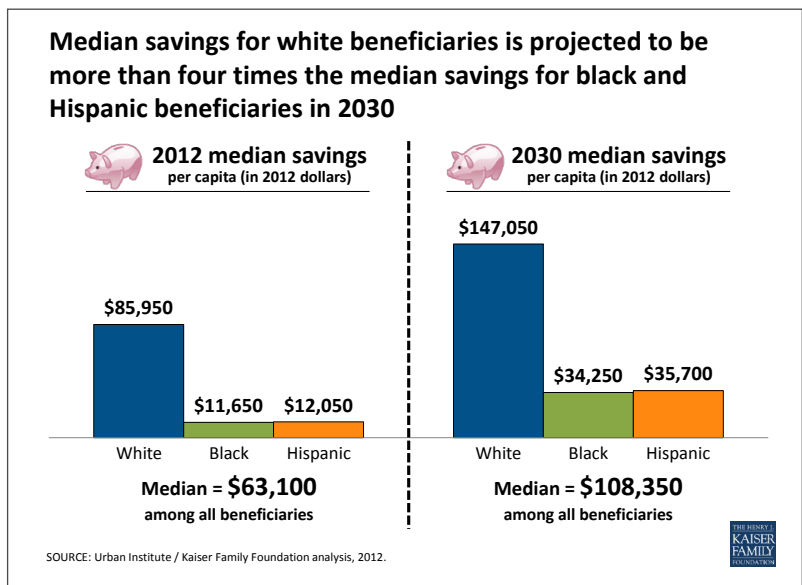


» Savings rates, and median savings, are projected to rise for white, black, and Hispanic beneficiaries so that by 2030, a higher share of each racial/ethnic group will have some savings.

- However, median savings for white beneficiaries (\$147,050) is projected to be more than four times higher than for black and Hispanic beneficiaries (\$34,250 and \$35,700, respectively) by 2030, in inflation-adjusted dollars. Median savings among those with savings is projected to be more than three times higher for white beneficiaries (\$156,650) than for black and Hispanic beneficiaries (\$44,500 and \$48,400, respectively) in 2030.

» In 2030, the share of white beneficiaries with any home equity (85%) is projected to continue to be higher than the share among black and Hispanic beneficiaries (67% and 65%, respectively).

- Median per capita home equity values, among beneficiaries with home equity, are projected to be substantially higher for white beneficiaries (\$119,050) than for black and Hispanic beneficiaries (\$58,850 and \$73,650, respectively) in 2030.



DISCUSSION

These findings present a sobering story. Building on prior research documenting modest income and assets for many Medicare beneficiaries, with wealth concentrated among a very small share of the Medicare population, this analysis reveals significant disparities in income, savings, and home equity among Medicare beneficiaries by race and ethnicity. Looking to the future, the Medicare population of 2030 is projected to have somewhat higher incomes and savings than the current generation, but at the median, the gains are predicted to be modest for the overall Medicare population, especially for black and Hispanic beneficiaries. A clear understanding of the economic realities of the Medicare population provides an important context for designing and assessing Medicare, Social Security, Medicaid and other policy proposals that could strengthen or weaken the economic security of older Americans.

SECTION 1: INCOME

This section describes the income of the Medicare population in 2012 across race/ethnicity. Income 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.

KEY FINDINGS:

- » Half of all Medicare beneficiaries had annual incomes at or below \$22,500 in 2012, with significant variation across race/ethnicity. Median income in 2012 was lower for black and Hispanic beneficiaries (\$15,250 and \$13,800, respectively) than for white beneficiaries (\$24,800).
- » The distribution of income for the Medicare population differed by race/ethnicity. While the top 10 percent of black and Hispanic beneficiaries had incomes above \$43,900 and \$44,550, respectively, the top 10 percent of white beneficiaries had incomes above \$70,000 in 2012.
- » Social Security accounted for the largest source of income for all beneficiaries in 2012. Among beneficiaries in the middle of the income distribution, Social Security accounted for a larger share of income among black (80%) and Hispanic (76%) beneficiaries than among white beneficiaries (57%). Conversely, investment income (interest, dividends, rental income, and IRA withdrawals) accounted for a larger share of income among white middle income beneficiaries (16%) than among black (4%) or Hispanic (4%) middle income beneficiaries, and defined benefit pensions accounted for twice the share of income among white (14%) than among black (7%) or Hispanic (7%) middle income beneficiaries.
- » Median income increased with years of education, but racial/ethnic differences in median income persisted at all education levels. Among college graduates, the median income of white beneficiaries was \$41,400 — nearly \$7,000 higher than the median income of Hispanic beneficiaries (\$34,800), and more than \$12,000 higher than the median income of black beneficiaries (\$29,200) in 2012.
- » Racial/ethnic disparities in income were evident in all age groups, and were most pronounced among beneficiaries between the ages of 65 and 74. Among beneficiaries between the ages of 65 and 74, median income among white beneficiaries (\$31,100) was about twice as high as median incomes among black or Hispanic beneficiaries (\$17,550 and \$14,900, respectively) in 2012. Income differences by race/ethnicity were smaller for beneficiaries under the age of 65 and beneficiaries ages 85 and older.
- » Median per capita income was higher among married beneficiaries (\$26,500) than divorced, widowed, or single beneficiaries (\$19,950, \$19,200, and \$13,850, respectively), with racial/ethnic differences in median income across all marital groups. Among married beneficiaries, per capita median income for white beneficiaries (\$28,550) was about \$10,000 higher than per capita median incomes for black and Hispanic beneficiaries (\$18,550 and \$15,950, respectively) in 2012.

EXHIBIT 1.1 In 2012, half of all Medicare beneficiaries had annual incomes at or below \$22,500. This includes income from all major sources, including Social Security income, pension income, earnings, Supplemental Security Income (SSI), and investment income. Median per capita income was lower for black and Hispanic beneficiaries (\$15,250 and \$13,800, respectively) than for white beneficiaries (\$24,800) in 2012.

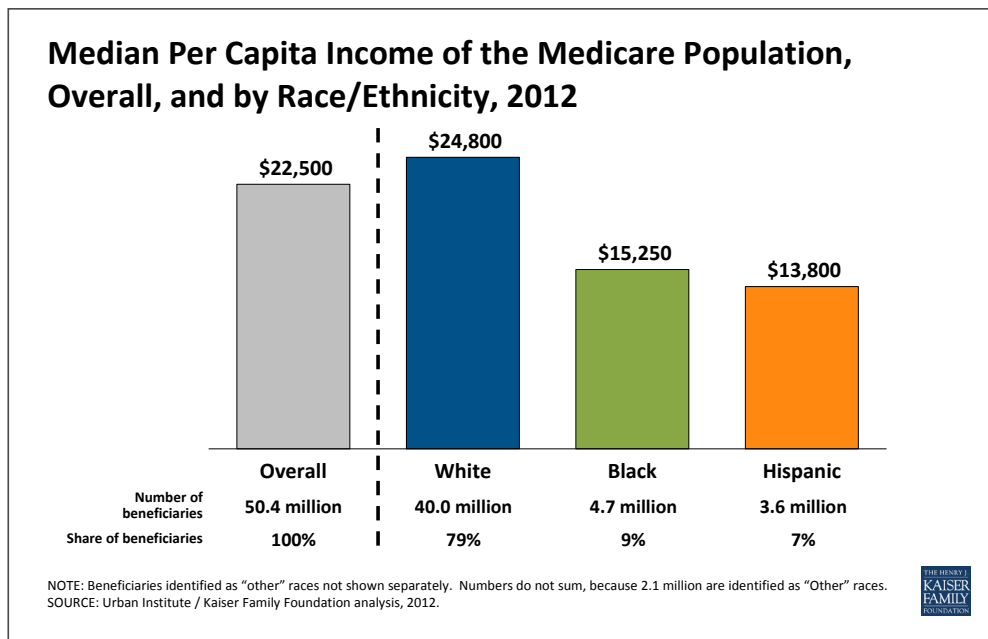


EXHIBIT 1.2 The distribution of income for the Medicare population differed by race/ethnicity. While the top 10 percent of black and Hispanic beneficiaries had incomes above \$43,900 and \$44,550, respectively, the top 10 percent of white beneficiaries had incomes above \$70,000 in 2012. Similarly, while the top 1 percent of black and Hispanic beneficiaries had more than \$99,900 and \$101,100 in income, respectively, the top 1 percent of white beneficiaries had more than \$161,900 in income (not shown).

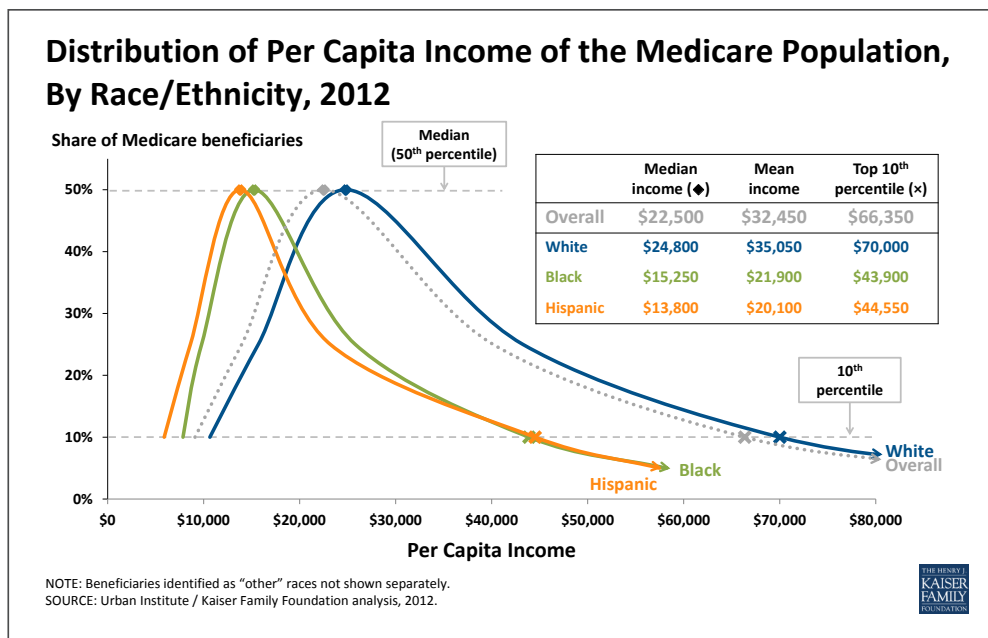


EXHIBIT 1.3 Social Security accounted for the largest source of income for all beneficiaries in 2012. Among beneficiaries in the middle of the income distribution, Social Security accounted for a larger share of income among black (80%) and Hispanic (76%) beneficiaries than among white beneficiaries (57%). Conversely, investment income (interest, dividends, rental income, and IRA withdrawals) accounted for a larger share of income among white middle income beneficiaries (16%) than among black (4%) or Hispanic (4%) middle income beneficiaries, and defined benefit pensions accounted for twice the share of income among white (14%) than among black (7%) or Hispanic (7%) middle income beneficiaries.

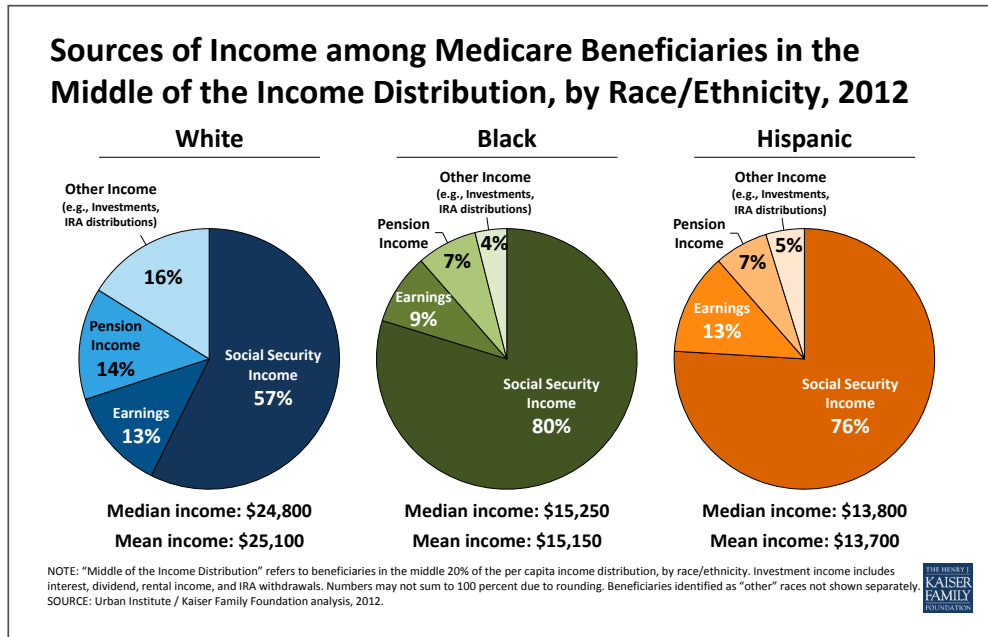


EXHIBIT 1.4 Median income among people on Medicare increased with years of education, but racial/ethnic differences in median income persisted at all education levels. Among college graduates, the median income of white beneficiaries was \$41,400 – nearly \$7,000 higher than the median income of Hispanic beneficiaries (\$34,800), and more than \$12,000 higher than the median income of black beneficiaries (\$29,200) in 2012.

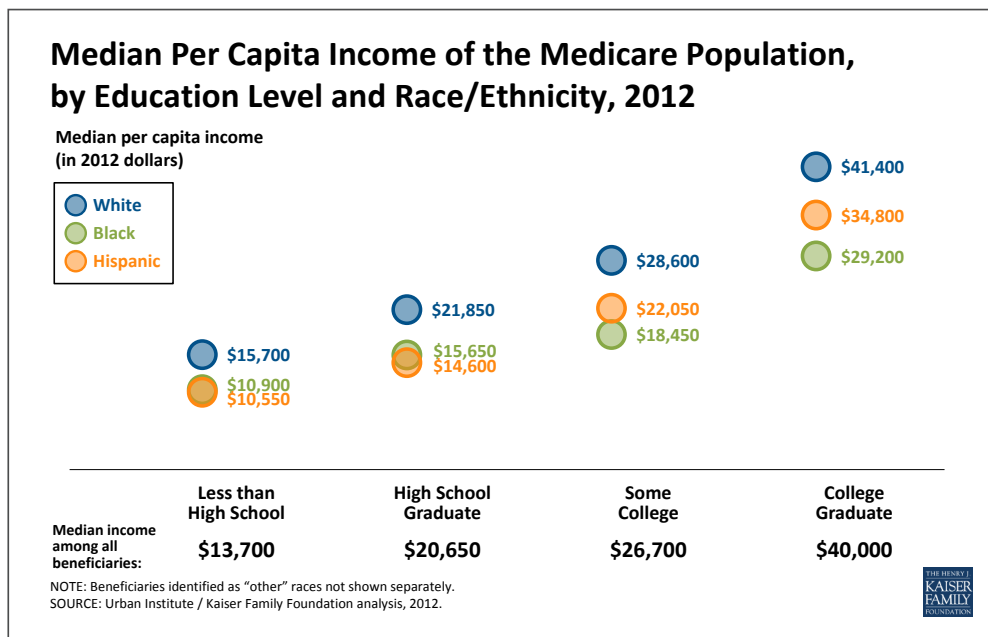


EXHIBIT 1.5 Racial/ethnic disparities in income were evident in all age groups, and were most pronounced among beneficiaries between the ages of 65 and 74. Among beneficiaries between the ages of 65 and 74, median income among white beneficiaries (\$31,100) was about twice as high as median incomes among black or Hispanic beneficiaries (\$17,550 and \$14,900, respectively) in 2012. Income differences by race/ethnicity were smaller for beneficiaries under the age of 65 and beneficiaries ages 85 and older.

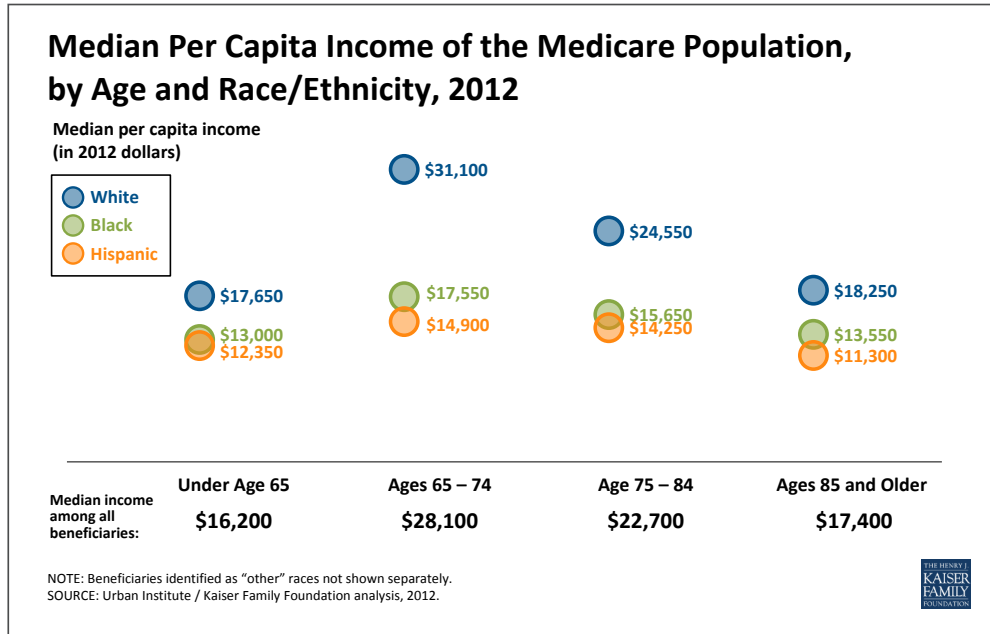
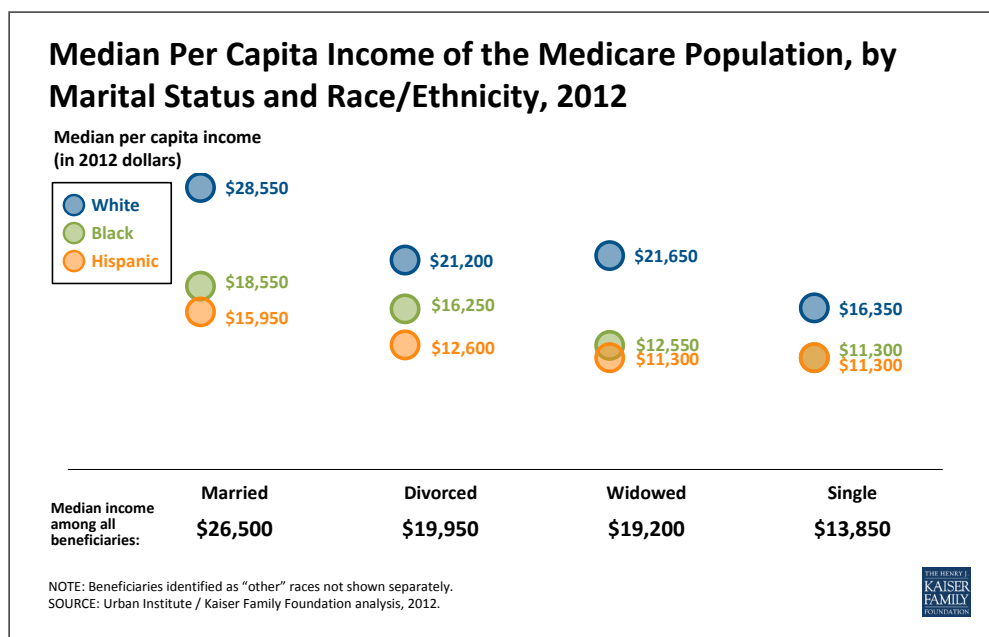


EXHIBIT 1.6 Median per capita income was higher among married beneficiaries (\$26,500) than divorced, widowed, or single beneficiaries (\$19,950, \$19,200, and \$13,850, respectively), with racial/ethnic differences in median income across all marital groups. Among married beneficiaries, per capita median income for white beneficiaries (\$28,550) was about \$10,000 higher than per capita median incomes for black and Hispanic beneficiaries (\$18,550 and \$15,950, respectively) in 2012.



SECTION 2: FINANCIAL ASSETS AND SAVINGS

This section describes the total savings of the Medicare population across race/ethnicity in 2012. Total savings include 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.

KEY FINDINGS:

- » Nearly all (92%) Medicare beneficiaries had some savings, but rates were higher among white beneficiaries (95%) than among black and Hispanic beneficiaries (80% and 81%, respectively). Similarly, one in 20 white beneficiaries did not have savings or were in debt compared to nearly one in five black beneficiaries and Hispanic beneficiaries.
- » Half of all Medicare beneficiaries had less than \$63,100 in savings in 2012. Median savings for white beneficiaries (\$85,950) were more than seven times the median savings for black beneficiaries (\$11,650) and Hispanic beneficiaries (\$12,050).
- » Among beneficiaries with savings, half had less than \$77,500 in savings in 2012; median savings for white beneficiaries (\$95,900) were nearly five times the median savings for black beneficiaries (\$19,700) and nearly four times the median savings for Hispanic beneficiaries (\$25,150) in 2012.
- » While the top 10 percent of all black and Hispanic beneficiaries had savings above \$137,200 and \$215,550, respectively, the top 10 percent of white beneficiaries had savings above \$723,200 in 2012.
- » The share of beneficiaries with any savings and the median savings among beneficiaries increased with income, with large racial/ethnic differences in savings across all income levels. Among beneficiaries who had incomes over 400 percent of the federal poverty level, median savings for white beneficiaries (\$239,050) was nearly five times the median savings for black beneficiaries (\$48,550) and more than three times the median savings for Hispanic beneficiaries (\$71,400).
- » Median savings were higher among beneficiaries with more years of education, but differences in savings by race/ethnicity were evident across all education groups with the greatest disparities among beneficiaries with the most years of education. Among college-educated beneficiaries, median savings for white beneficiaries (\$253,550) was nearly five times the median savings for black beneficiaries (\$52,250) and more than four times the median savings for Hispanic beneficiaries (\$57,000) in 2012.
- » Median savings were lowest among those age 85 and older (\$40,900) and those under age 65 (\$27,050), but median savings differed across race/ethnicity for all age groups. Among beneficiaries between the ages of 65 and 74, median savings among white beneficiaries (\$118,400) was about six times the median savings among black and Hispanic beneficiaries (\$19,700 and \$17,500, respectively) in 2012.
- » Median per capita savings were higher among married beneficiaries (\$84,550) than among divorced, widowed, or single beneficiaries (\$53,750, \$41,450, and \$19,300, respectively), with racial/ethnic differences in median savings across all marital groups. Among married beneficiaries, median per capita savings among white beneficiaries was \$107,350, between five and six times the median savings among black and Hispanic beneficiaries (\$18,800 and \$19,650, respectively) in 2012.

EXHIBIT 2.1 Nearly all (92%) Medicare beneficiaries had some savings, but rates were higher among white beneficiaries (95%) than among black and Hispanic beneficiaries (80% and 81%, respectively). Similarly, one in 20 white beneficiaries did not have savings or were in debt, compared to nearly one in five black and Hispanic beneficiaries.

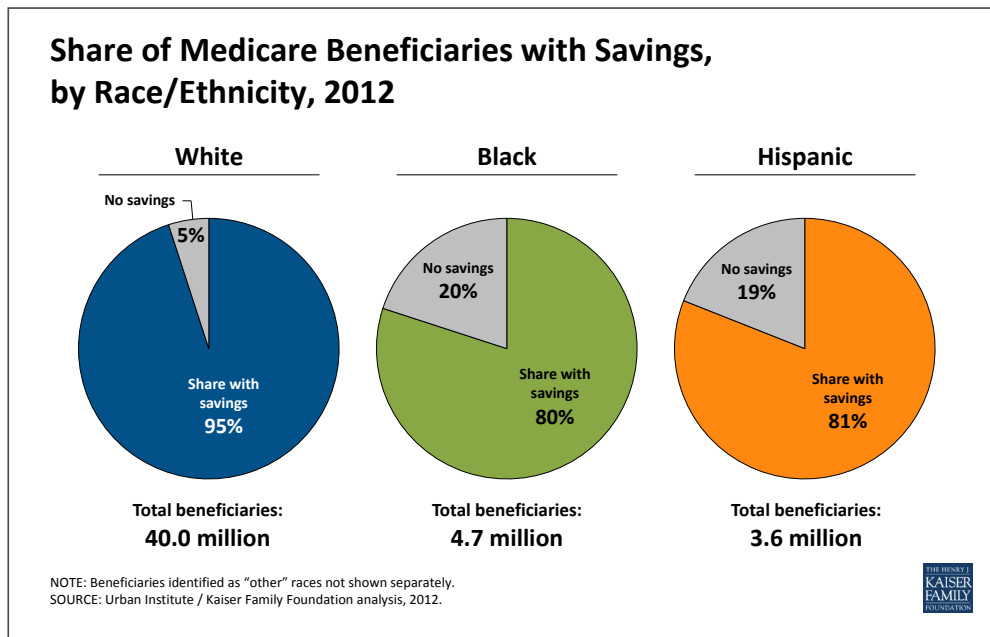


EXHIBIT 2.2 Half of all Medicare beneficiaries had less than \$63,100 in savings in 2012. Median savings for white beneficiaries (\$85,950) were more than seven times the median savings for black beneficiaries (\$11,650) and Hispanic beneficiaries (\$12,050) in 2012.

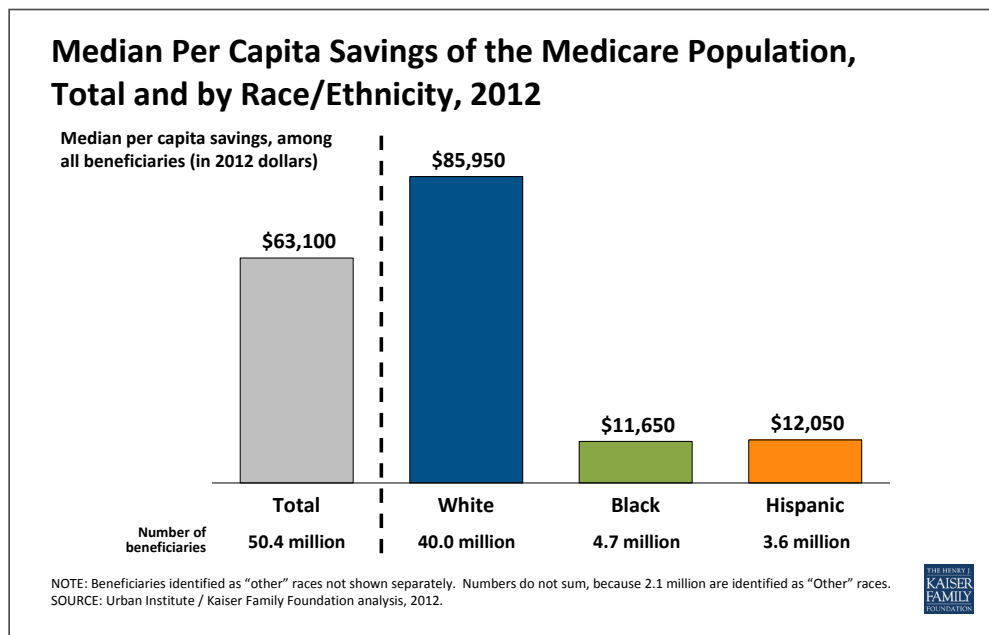


EXHIBIT 2.3 Among beneficiaries with savings, half had less than \$77,500 in savings in 2012; median savings for white beneficiaries (\$95,900) were nearly five times the median savings for black beneficiaries (\$19,700) and nearly four times the median savings for Hispanic beneficiaries (\$25,150) in 2012.

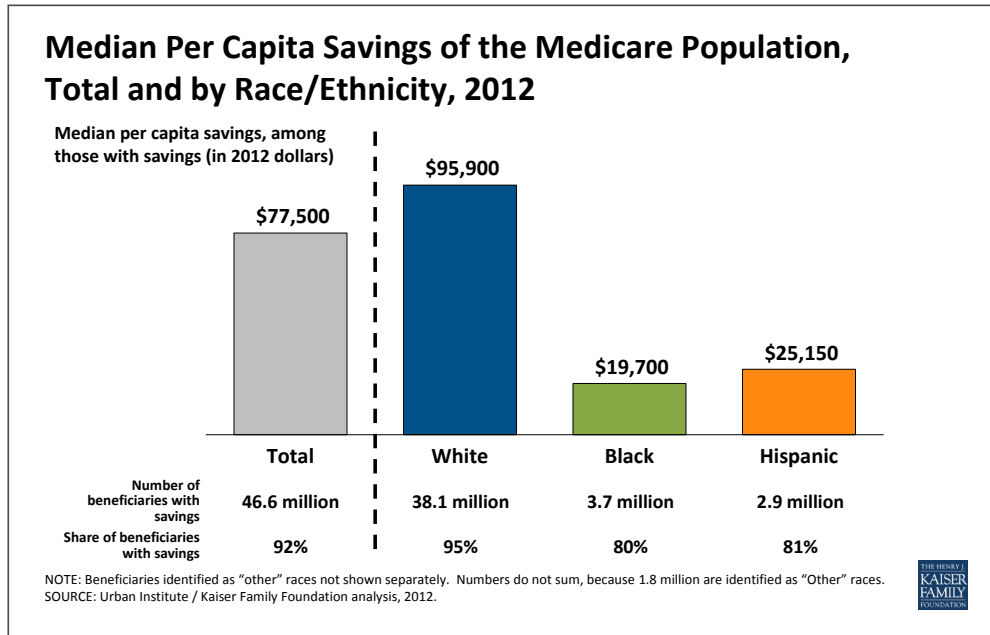


EXHIBIT 2.4 The top 10 percent of black and Hispanic beneficiaries had savings above \$137,200 and \$215,550, respectively, while the top 10 percent of white beneficiaries had savings above \$723,200 in 2012. Similarly, while the top 1 percent of black and Hispanic beneficiaries had more than \$699,450 and \$1,082,750 in savings, respectively, the top 1 percent of white beneficiaries had more than \$3,934,650 in savings in 2012 (not shown).

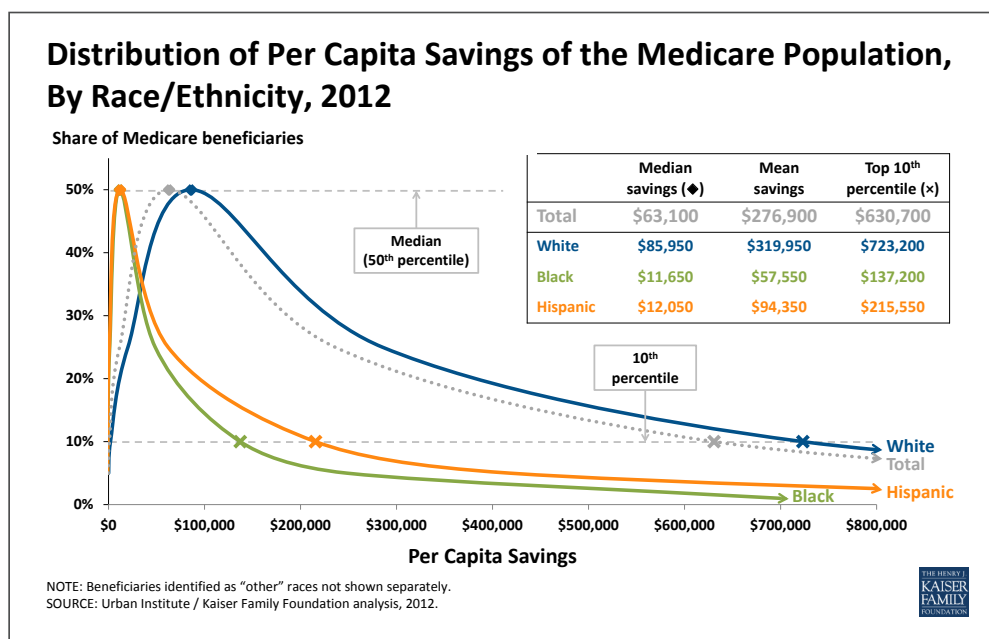


EXHIBIT 2.5 The share of beneficiaries with any savings and the median savings among beneficiaries increased with income, with large racial/ethnic differences in savings across all income levels. Among beneficiaries who had incomes over 400 percent of the federal poverty level, median savings for white beneficiaries (\$239,050) was nearly five times the median savings for black beneficiaries (\$48,550) and more than three times the median savings for Hispanic beneficiaries (\$71,400) in 2012.

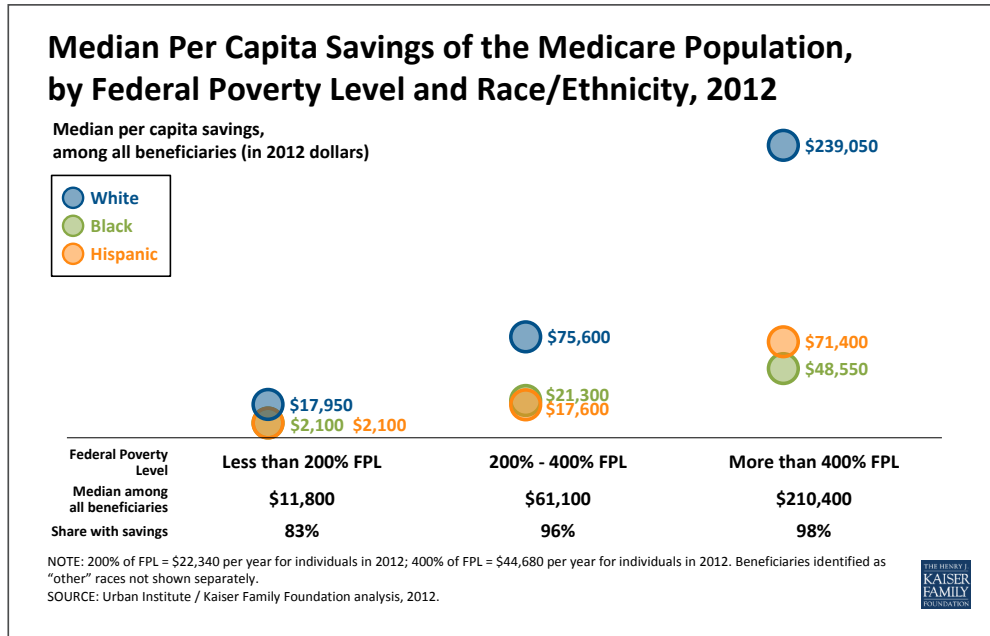


EXHIBIT 2.6 Median savings were higher among beneficiaries with more years of education, but differences in savings by race/ethnicity were evident across all education groups with the greatest disparities among beneficiaries with the most years of education. Among college-educated beneficiaries, median savings for white beneficiaries (\$253,550) was nearly five times the median savings for black beneficiaries (\$52,250) and more than four times the median savings for Hispanic beneficiaries (\$57,000) in 2012.

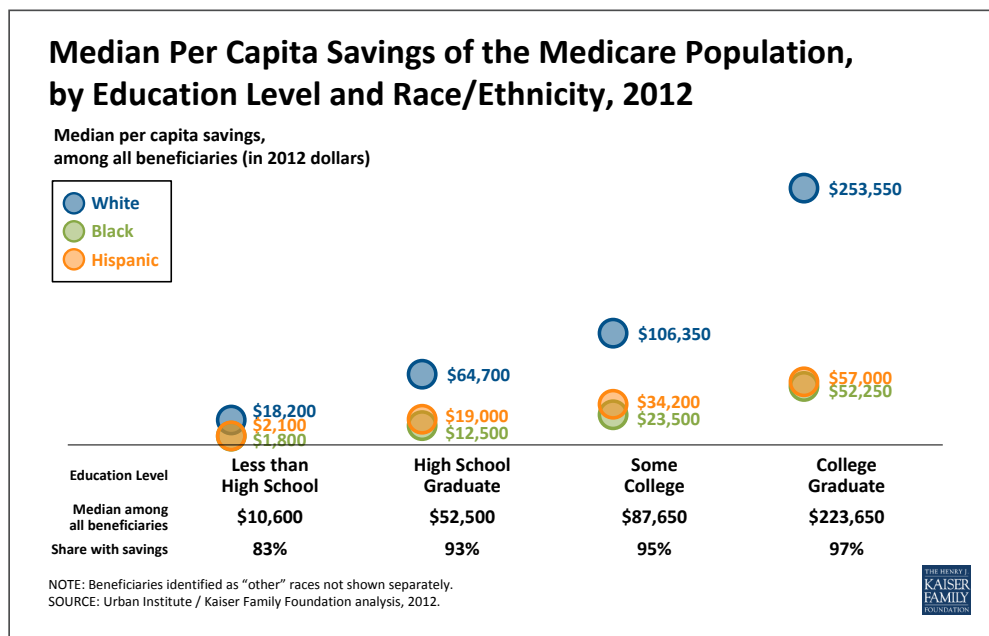


EXHIBIT 2.7 Median savings were lowest among those age 85 and older (\$40,900) and those under age 65 (\$27,050), but median savings differed across race/ethnicity for all age groups. Among beneficiaries between the ages of 65 and 74, median savings among white beneficiaries (\$118,400) was about six times the median savings among black and Hispanic beneficiaries (\$19,700 and \$17,500, respectively) in 2012.

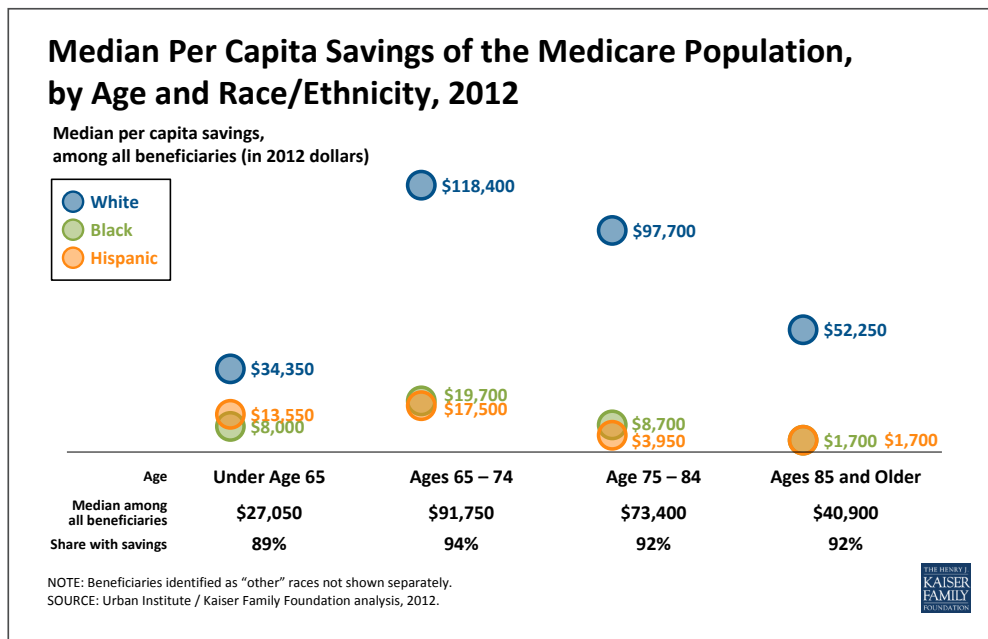
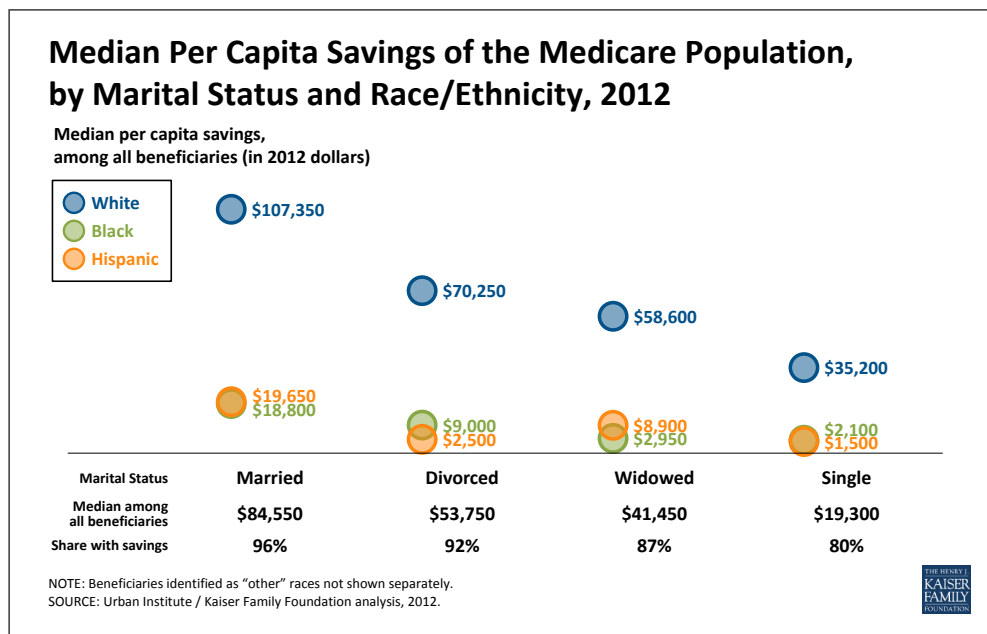


EXHIBIT 2.8 Median per capita savings were higher among married beneficiaries (\$84,550) than among divorced, widowed, or single beneficiaries (\$53,750, \$41,450, and \$19,300, respectively), with racial/ethnic differences in median savings across all marital groups. Among married beneficiaries, median per capita savings among white beneficiaries was \$107,350, between five and six times the median savings among black and Hispanic beneficiaries (\$18,800 and \$19,650, respectively) in 2012.



SECTION 3: HOME EQUITY

This section describes the home equity of the Medicare population across race/ethnicity in 2012, including the share of beneficiaries with home equity, and the home equity values among beneficiaries who have any home equity. As with income and savings, home equity values are divided equally between spouses to calculate per capita home equity. 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 2011.⁹

KEY FINDINGS:

- » In 2012, most Medicare beneficiaries (78%) had some home equity, with higher rates among white beneficiaries (83%) than among black or Hispanic beneficiaries (61% and 60%, respectively).
- » Among beneficiaries who had home equity, half of all beneficiaries had less than \$93,850 in home equity in 2012; median home equity values were significantly higher among white beneficiaries (\$100,200) than black or Hispanic beneficiaries (\$53,650 and \$67,700, respectively) in 2012.
- » Among homeowners, the distribution of home equity values differed by race/ethnicity; while the top 10 percent of black beneficiaries had home equity exceeding \$181,750, this was more than \$100,000 less than the home equity of the top 10 percent of Hispanic beneficiaries (\$285,400) and the top 10 percent of white beneficiaries (\$325,200) in 2012.
- » The share of beneficiaries with home equity and the median amount of home equity increased with income, with racial/ethnic differences in home equity across all income levels. Among beneficiaries with home equity who had incomes over 400 percent of the federal poverty level, median home equity for black beneficiaries (\$65,150) was almost \$40,000 less than the median home equity among Hispanic beneficiaries (\$103,850) and more than \$50,000 less than the median home equity among white beneficiaries (\$119,750) in 2012.
- » Median home equity was higher among beneficiaries with more years of education, but median home equity differed across race/ethnicity for all education groups. Among beneficiaries with college degrees who had home equity, median home equity among white beneficiaries (\$146,550) was almost \$60,000 higher than the median home equity among black beneficiaries (\$86,950) and more than \$30,000 higher than the median home equity among Hispanic beneficiaries (\$115,250) in 2012.
- » Median home equity values were lowest among those under the age of 65 (\$50,300), but home equity values differed across race/ethnicity for all age groups. Among beneficiaries between the ages of 65 and 74 who had home equity, median home equity among white beneficiaries (\$109,350) was more than \$45,000 higher than the median home equity among black beneficiaries and Hispanic beneficiaries (\$58,700 and \$63,950, respectively) in 2012.
- » Among beneficiaries with home equity, median home equity was highest among married beneficiaries, but on a per capita basis, median per capita home equity values were higher among divorced beneficiaries (\$130,800) than among married, widowed, or single beneficiaries (\$81,400, \$94,200, and \$92,150, respectively) in 2012; moreover, more than 40 percent of widowed beneficiaries and more than 60 percent of single beneficiaries had no home equity, and racial/ethnic differences in home equity values were evident across all marital groups. Among divorced beneficiaries, median per capita home equity among black beneficiaries (\$86,750) was about \$33,000 lower than the median per capita home equity among Hispanic beneficiaries (\$120,050) and almost \$50,000 lower than the median per capita home equity of white beneficiaries (\$135,700) in 2012.

EXHIBIT 3.1 In 2012, most Medicare beneficiaries (78%) had some home equity. However, a larger share of white beneficiaries (83%) had some home equity than black or Hispanic beneficiaries (61% and 60%, respectively).

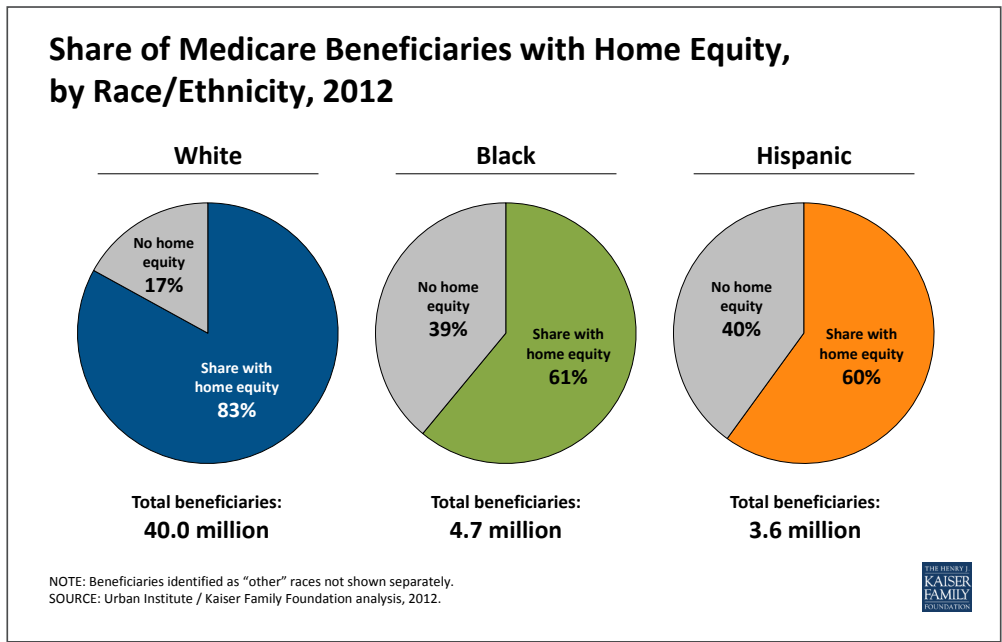


EXHIBIT 3.2 Among beneficiaries with home equity, half had home equity values below \$93,850, with large variations in home equity values by race/ethnicity in 2012. Among those with home equity, median home equity value among white beneficiaries was \$100,200 in 2012, compared to \$53,650 and \$67,700 among black and Hispanic beneficiaries, respectively in 2012.

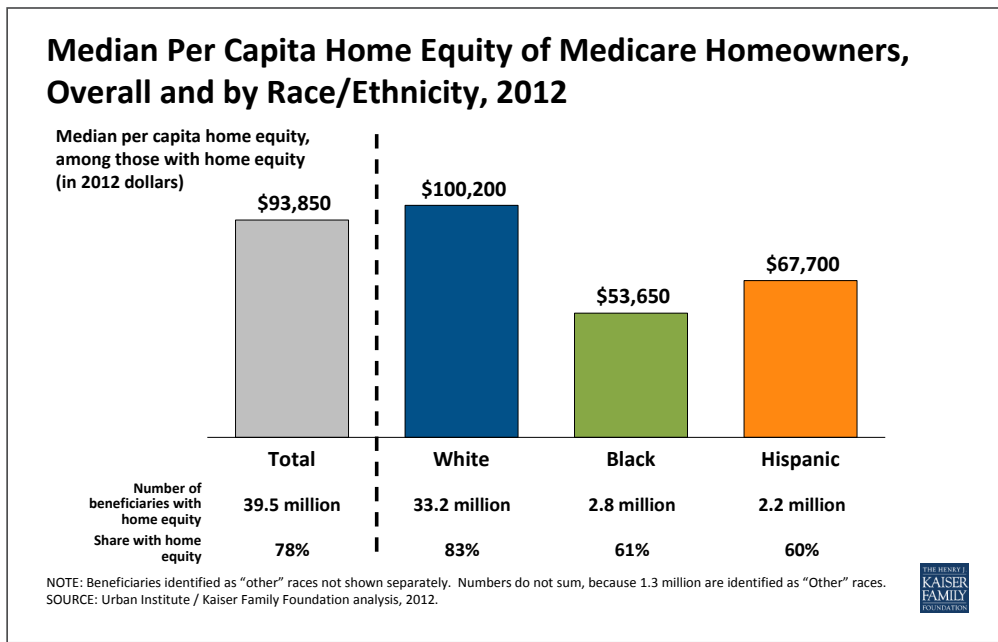


EXHIBIT 3.3 Among beneficiaries with home equity, the distribution of home equity values differed by race/ethnicity; while the top 10 percent of black beneficiaries had home equity exceeding \$181,750, this was more than \$100,000 less than the home equity of the top 10 percent of Hispanic beneficiaries (\$285,400) and the top 10 percent of white beneficiaries (\$325,200) in 2012.

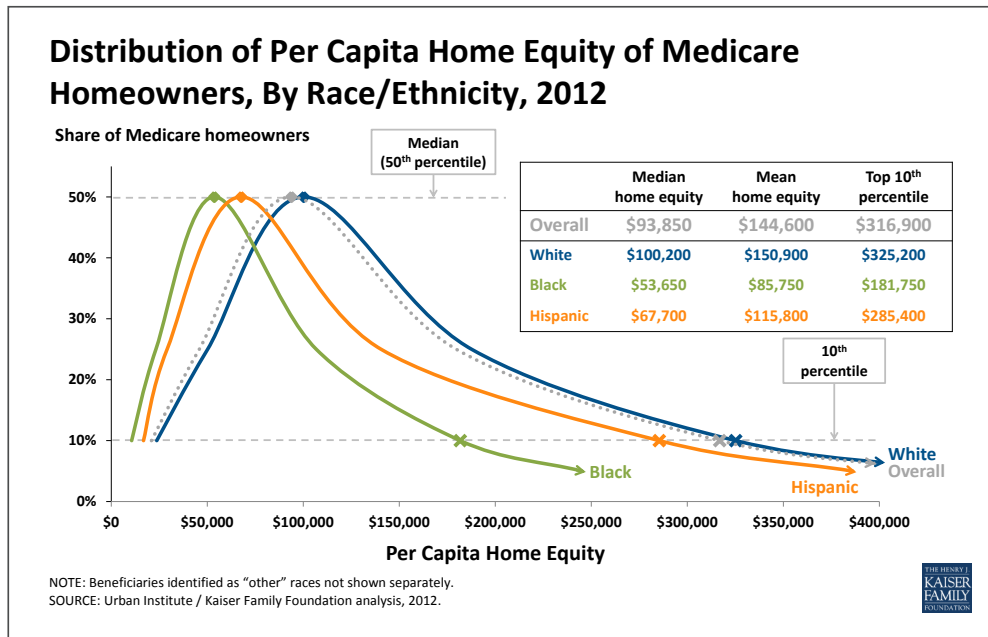


EXHIBIT 3.4 The share of beneficiaries with home equity and the median amount of home equity increased with income, with racial/ethnic differences in home equity across all income levels. Among beneficiaries with home equity who had incomes over 400 percent of the federal poverty level, median home equity for black beneficiaries (\$65,150) was almost \$40,000 less than the median home equity among Hispanic beneficiaries (\$103,850) and more than \$50,000 less than the median home equity among white beneficiaries (\$119,750) in 2012.

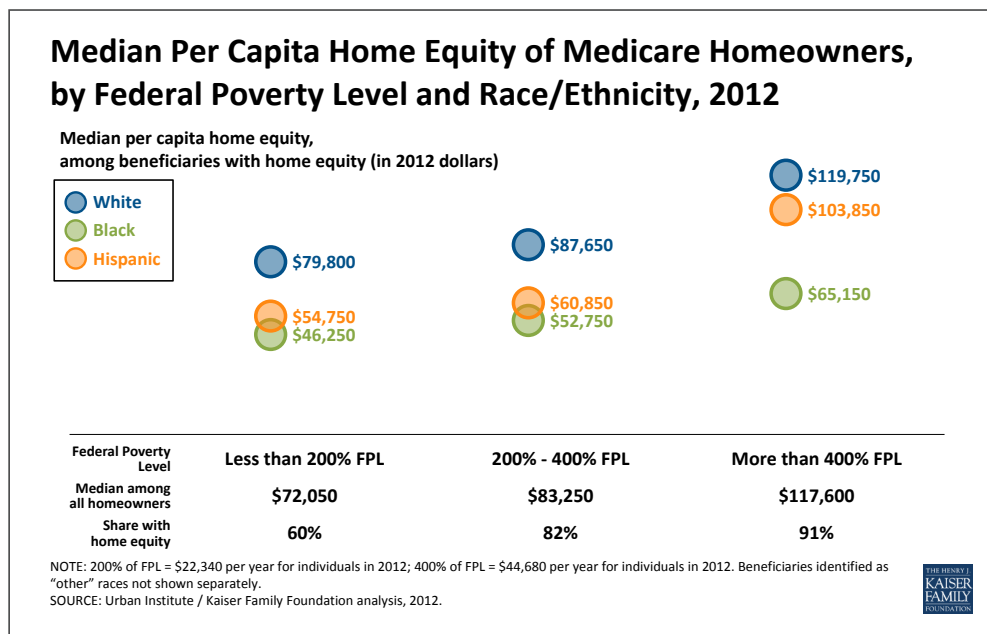


EXHIBIT 3.5 Median home equity was higher among beneficiaries with more years of education, but median home equity differed across race/ethnicity for all education groups. Among beneficiaries with college degrees who had home equity, median home equity among white beneficiaries (\$146,550) was almost \$60,000 higher than the median home equity among black beneficiaries (\$86,950) and more than \$30,000 higher than the median home equity among Hispanic beneficiaries (\$115,250) in 2012.

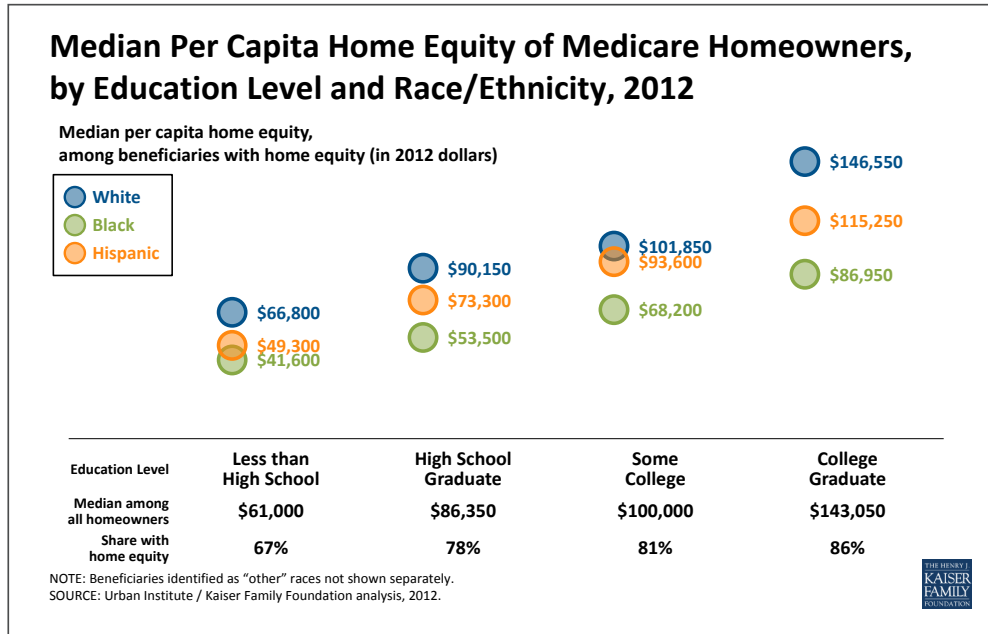


EXHIBIT 3.6 Median home equity values were lowest among those under the age of 65 (\$50,300), but home equity values differed across race/ethnicity for all age groups. Among beneficiaries between the ages of 65 and 74 who had home equity, median home equity among white beneficiaries (\$109,350) was more than \$45,000 higher than the median home equity among black beneficiaries and Hispanic beneficiaries (\$58,700 and \$63,950, respectively) in 2012.

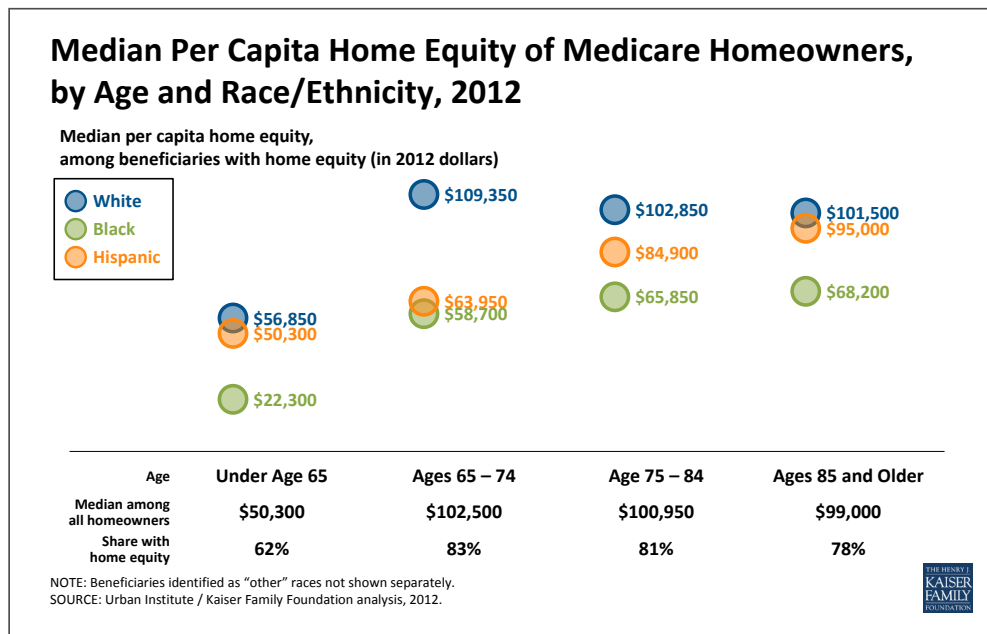
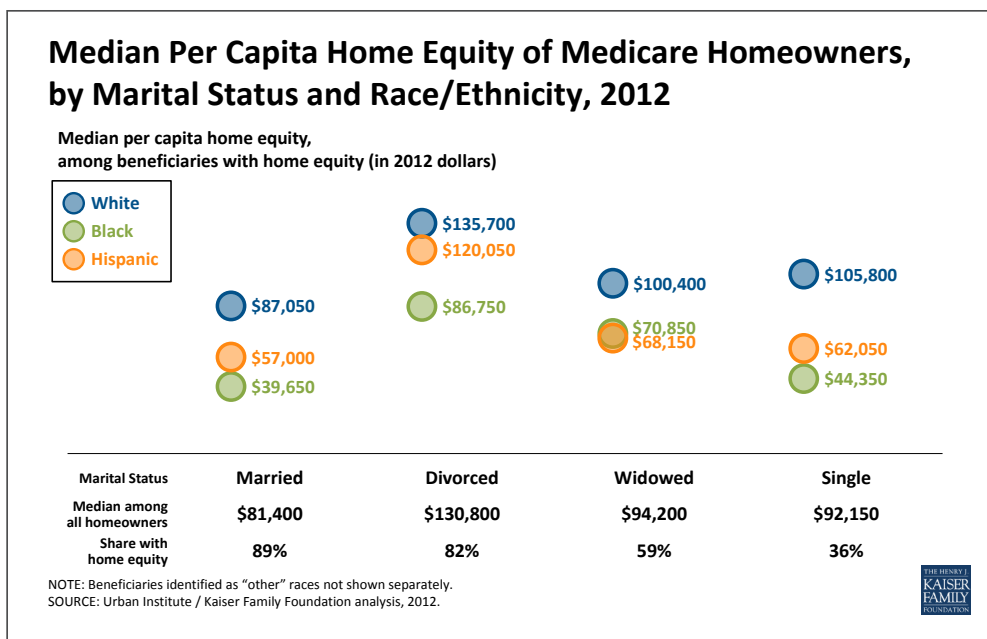


EXHIBIT 3.7 Among beneficiaries with home equity, median home equity was highest among married beneficiaries, but on a per capita basis, median per capita home equity values were higher among divorced beneficiaries (\$130,800) than among married, widowed, or single beneficiaries (\$81,400, \$94,200, and \$92,150, respectively) in 2012; moreover, more than 40 percent of widowed beneficiaries and more than 60 percent of single beneficiaries had no home equity, and racial/ethnic differences in home equity values were evident across all marital groups. Among divorced beneficiaries, median per capita home equity among black beneficiaries (\$86,750) was more than \$33,000 lower than the median per capita home equity among Hispanic beneficiaries (\$120,050) and almost \$50,000 lower than the median per capita home equity of white beneficiaries (\$135,700) in 2012.



SECTION 4: PROJECTED GROWTH IN INCOME, ASSETS, AND HOME EQUITY

This section presents projections of income, assets, and home equity for the Medicare population in 2030, and examines changes during the period between 2012 and 2030, to explore the extent to which future generations of Medicare beneficiaries will be more economically secure than the current generation. Data in this section are adjusted for inflation; all dollar amounts are in 2012 per capita dollars.

KEY FINDINGS

- » In 2030, the Medicare population is projected to have somewhat higher incomes than current beneficiaries; median per capita income is projected to rise from \$22,500 in 2012 to \$28,600 in 2030, with income increasing unevenly across race/ethnicity. In 2030, median income is projected to be substantially higher for white beneficiaries (\$32,800) than for black and Hispanic beneficiaries (\$19,000 and \$18,100, respectively).
- » By 2030, the racial/ethnic differences in shares of beneficiaries with savings are projected to narrow, with the share of black and Hispanic beneficiaries with savings projected to grow to 89 percent and 88 percent, respectively, but remaining slightly lower than the rate among white beneficiaries (97%).
- » The gap in savings across race/ethnicity is projected to widen by 2030; while median savings for white beneficiaries is projected to increase by about \$61,100, this is more than double the absolute dollar increase in median savings for black and Hispanic beneficiaries (\$22,600 and \$23,650, respectively) between 2012 and 2030. The increase in savings for future generations largely reflects the higher prevalence of retirement account pensions among these beneficiaries during their working years compared to current beneficiaries. These higher savings amounts (that result in higher IRA withdrawals) are largely offset by lower pension incomes compared to current beneficiaries.
- » The share of Medicare beneficiaries with home equity and the median home equity value among those with home equity is expected to increase between 2012 and 2030. However, among beneficiaries with home equity, the growth in median home equity is projected to be higher for white beneficiaries (\$18,850) than black and Hispanic beneficiaries (\$5,200 and \$5,950, respectively) between 2012 and 2030, leading to widening racial/ethnic disparities in home equity values among the next generation of Medicare beneficiaries.

EXHIBIT 4.1 In 2030, the Medicare population is projected to have somewhat higher incomes than current beneficiaries; median per capita income is projected to rise from \$22,500 in 2012 to \$28,600 in 2030, with income increasing unevenly across race/ethnicity. In 2030, median income is projected to be substantially higher for white beneficiaries (\$32,800) than for black and Hispanic beneficiaries (\$19,000 and \$18,100, respectively).

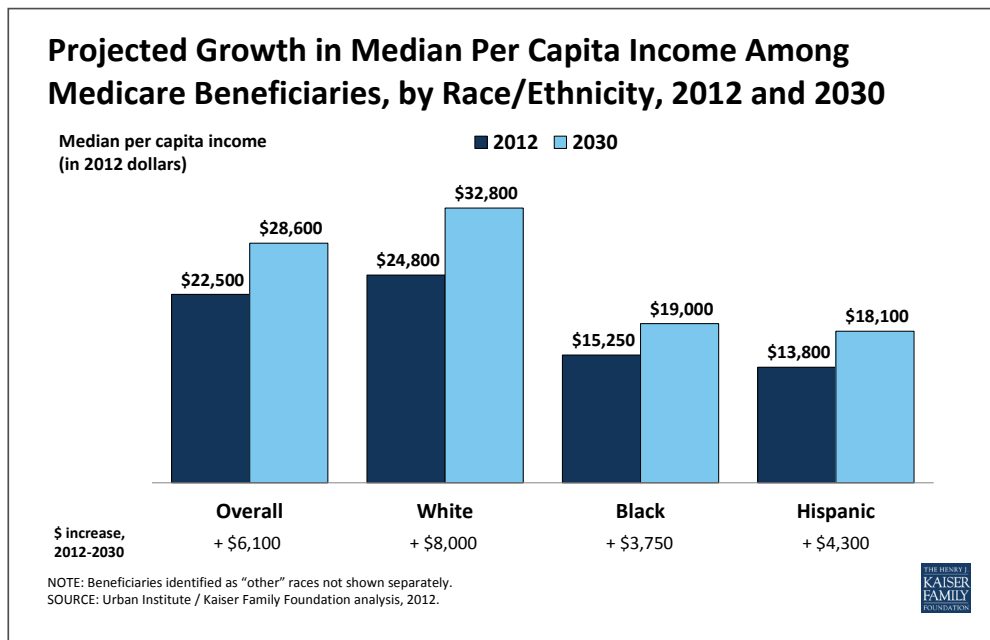


EXHIBIT 4.2 By 2030, the racial/ethnic differences in shares of beneficiaries with savings are projected to narrow, with the share of black and Hispanic beneficiaries with savings projected to grow to 89 percent and 88 percent, respectively, but remaining slightly lower than the rate among white beneficiaries (97%). The differences in the amount of savings across race/ethnicity is projected to widen by 2030; median savings for white beneficiaries is projected to increase by about \$61,100 – more than double the absolute dollar increase in median savings for black beneficiaries and Hispanic beneficiaries (\$22,600 and \$23,650, respectively) between 2012 and 2030.

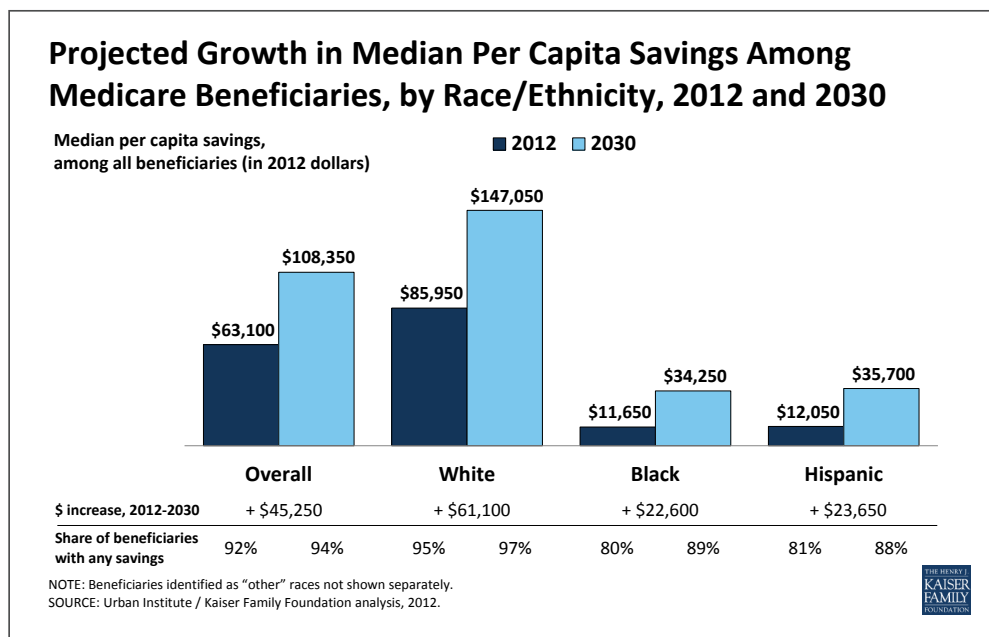
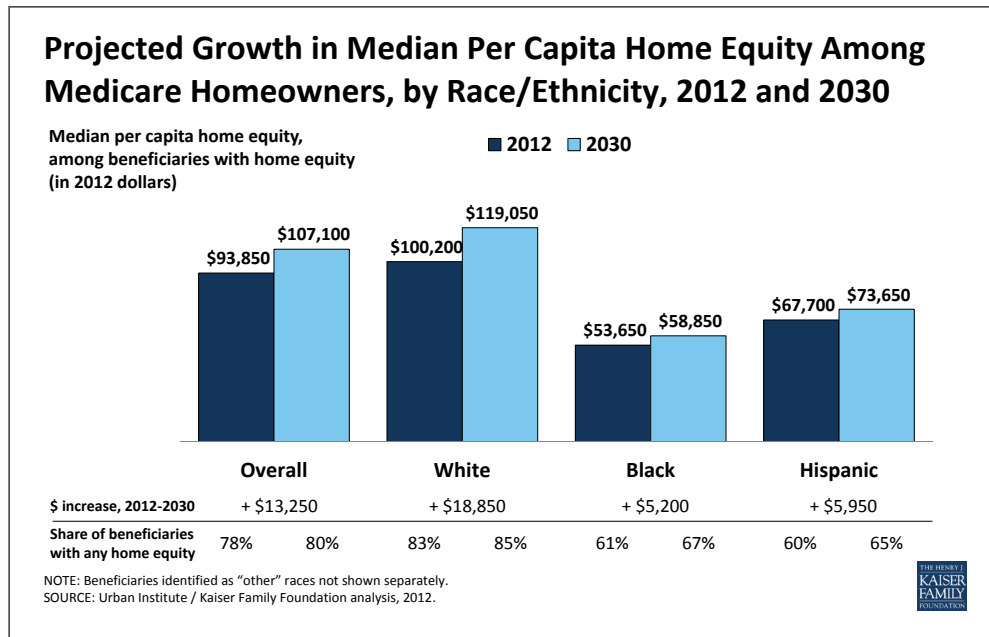


EXHIBIT 4.3

Overall, the share of Medicare beneficiaries who have any home equity is projected to increase slightly from 78 percent in 2012 to 80 percent in 2030, with higher rates among whites (85%) than among black (67%) or Hispanic (65%) beneficiaries that year. Among beneficiaries with home equity, the growth in median home equity values is projected to be more than three times higher for white beneficiaries (\$18,850) than black and Hispanic beneficiaries (\$5,200 and \$5,950, respectively) between 2012 and 2030, leading to widening racial/ethnic disparities in home equity values among the next generation of Medicare beneficiaries.



APPENDIX

Asset and income projections are based on the Urban Institute’s Dynamic Simulation of Income Model (DYNASIM3). DYNASIM3 is a dynamic microsimulation model that projects the population and analyzes the long-run distributional consequences of retirement and aging issues. The model starts with a representative sample of individuals and families and ages the data year by year, simulating demographic and economic events including all key components of retirement income. The model integrates many important trends and differences among groups in life course processes, including birth, death, schooling, leaving home, first marriage, remarriage, divorce, disability, work, retirement, and earnings. Projections of fertility, disability, mortality, net immigration, employment, average earnings, and price changes are aligned to be consistent with 2011 OASDI Trustees projections. Projections of assets are aligned to the Survey of Consumer Finance (SCF). For a fuller description of DYNASIM3, see Karen E. Smith. February 2012. “Projection Methods Used in the Dynamic Simulation of Income Model (DYNASIM3),” Program on Retirement Policy, The Urban Institute.

TABLE A1. PER CAPITA INCOME, SAVINGS, AND HOME EQUITY OF MEDICARE BENEFICIARIES BY SELECTED DEMOGRAPHIC CHARACTERISTICS, 2012 AND 2030 (IN 2012 DOLLARS)

2012													
	Share of total Medicare population	Income		Savings				Home Equity					
		Median	Mean	Median among all beneficiaries	Mean among all beneficiaries	% with savings	Median among beneficiaries with savings	Mean among beneficiaries with savings	Median among all beneficiaries	Mean among all beneficiaries	% with home equity	Median among homeowners	Mean among homeowners
Total	100%	\$ 22,500	\$ 32,450	\$ 63,100	\$ 276,900	92%	\$ 77,500	\$ 299,750	\$ 65,650	\$ 113,400	78%	\$ 93,850	\$ 144,600
Race/Ethnicity													
White	79%	\$ 24,800	\$ 35,050	\$ 85,950	\$ 319,950	95%	\$ 95,900	\$ 335,850	\$ 77,250	\$ 125,150	83%	\$ 100,200	\$ 150,900
Black	9%	\$ 15,250	\$ 21,900	\$ 11,650	\$ 57,550	80%	\$ 19,700	\$ 72,200	\$ 18,600	\$ 52,200	61%	\$ 53,650	\$ 85,750
Hispanic	7%	\$ 13,800	\$ 20,100	\$ 12,050	\$ 94,350	81%	\$ 25,150	\$ 117,300	\$ 22,050	\$ 69,400	60%	\$ 67,700	\$ 115,800
Age													
Under Age 65	17%	\$ 16,200	\$ 22,500	\$ 27,050	\$ 116,550	89%	\$ 35,000	\$ 131,600	\$ 19,100	\$ 57,200	62%	\$ 50,300	\$ 92,900
Seniors	83%	\$ 24,300	\$ 34,550	\$ 77,350	\$ 310,250	93%	\$ 91,150	\$ 333,050	\$ 77,550	\$ 125,100	82%	\$ 101,500	\$ 152,700
Age 65-74	46%	\$ 28,100	\$ 39,000	\$ 91,750	\$ 349,800	94%	\$ 104,200	\$ 371,750	\$ 79,800	\$ 138,600	83%	\$ 102,500	\$ 166,150
Age 75-84	26%	\$ 22,700	\$ 31,450	\$ 73,400	\$ 315,250	92%	\$ 90,300	\$ 342,450	\$ 76,450	\$ 112,000	81%	\$ 100,950	\$ 138,450
Age 85 and Older	11%	\$ 17,400	\$ 23,250	\$ 40,900	\$ 137,850	92%	\$ 51,050	\$ 150,200	\$ 73,650	\$ 100,050	78%	\$ 99,000	\$ 127,850
Gender													
Female	55%	\$ 20,900	\$ 30,500	\$ 57,150	\$ 254,150	92%	\$ 71,700	\$ 277,500	\$ 70,050	\$ 117,500	79%	\$ 99,550	\$ 149,050
Male	45%	\$ 24,600	\$ 34,800	\$ 71,300	\$ 304,400	93%	\$ 84,900	\$ 326,200	\$ 59,800	\$ 108,450	78%	\$ 88,300	\$ 139,200
Marital Status													
Married	54%	\$ 26,500	\$ 35,350	\$ 84,550	\$ 307,800	96%	\$ 93,550	\$ 320,850	\$ 68,650	\$ 110,250	89%	\$ 81,400	\$ 124,150
Divorced	23%	\$ 19,950	\$ 30,200	\$ 53,750	\$ 241,650	92%	\$ 65,950	\$ 262,350	\$ 103,000	\$ 151,500	82%	\$ 130,800	\$ 184,800
Widowed	14%	\$ 19,200	\$ 30,400	\$ 41,450	\$ 279,500	87%	\$ 59,600	\$ 322,100	\$ 29,050	\$ 95,450	59%	\$ 94,200	\$ 163,000
Single	9%	\$ 13,850	\$ 23,700	\$ 19,300	\$ 172,000	80%	\$ 37,600	\$ 215,250	\$ -	\$ 60,400	36%	\$ 92,150	\$ 166,450
Education													
Less than High School	19%	\$ 13,700	\$ 17,000	\$ 10,600	\$ 74,600	83%	\$ 18,200	\$ 90,450	\$ 29,850	\$ 62,300	67%	\$ 61,000	\$ 92,850
High School Graduate	38%	\$ 20,650	\$ 27,050	\$ 52,500	\$ 172,650	93%	\$ 61,400	\$ 185,850	\$ 59,350	\$ 95,500	78%	\$ 86,350	\$ 122,050
Some College	20%	\$ 26,700	\$ 35,750	\$ 87,650	\$ 301,600	95%	\$ 96,700	\$ 316,050	\$ 75,950	\$ 119,400	81%	\$ 100,000	\$ 146,650
College Graduate	22%	\$ 40,000	\$ 52,200	\$ 223,650	\$ 607,950	97%	\$ 234,150	\$ 626,200	\$ 115,800	\$ 182,800	86%	\$ 143,050	\$ 213,050
Federal Poverty Level													
<200% FPL	32%	\$ 11,750	\$ 11,850	\$ 11,800	\$ 60,650	83%	\$ 19,750	\$ 73,450	\$ 24,000	\$ 65,700	60%	\$ 72,050	\$ 109,700
200-400% FPL	30%	\$ 22,000	\$ 22,550	\$ 61,100	\$ 165,800	96%	\$ 66,100	\$ 173,600	\$ 63,000	\$ 104,600	82%	\$ 83,250	\$ 127,850
400% FPL or more	38%	\$ 47,600	\$ 57,550	\$ 210,400	\$ 545,600	98%	\$ 221,450	\$ 557,450	\$ 104,200	\$ 160,400	91%	\$ 117,600	\$ 175,600

SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2012.

2030													
	Share of total Medicare population	Income			Savings				Home Equity				
		Median	Mean	Mean among all beneficiaries	% with savings	Median among beneficiaries with savings	Mean among beneficiaries with savings	Median among all beneficiaries	Mean among all beneficiaries	% with home equity	Median among homeowners	Mean among homeowners	
Total	100%	\$ 28,600	\$ 40,900	\$ 108,350	\$ 378,400	95%	\$ 123,000	\$ 400,550	\$ 73,150	\$ 156,650	80%	\$ 107,100	\$ 196,500
Race/Ethnicity													
White	73%	\$ 32,800	\$ 45,300	\$ 147,050	\$ 452,950	97%	\$ 156,650	\$ 467,700	\$ 91,200	\$ 178,950	85%	\$ 119,050	\$ 211,700
Black	11%	\$ 19,000	\$ 26,900	\$ 34,250	\$ 116,650	89%	\$ 44,500	\$ 132,000	\$ 27,350	\$ 71,800	67%	\$ 58,850	\$ 107,900
Hispanic	11%	\$ 18,100	\$ 27,450	\$ 35,700	\$ 149,750	88%	\$ 48,400	\$ 170,850	\$ 34,000	\$ 91,200	65%	\$ 73,650	\$ 140,150
Age													
Under Age 65	12%	\$ 19,300	\$ 29,250	\$ 38,600	\$ 191,250	85%	\$ 57,600	\$ 224,550	\$ 18,450	\$ 68,350	58%	\$ 65,000	\$ 117,850
Seniors	88%	\$ 30,300	\$ 42,500	\$ 121,900	\$ 403,650	96%	\$ 133,400	\$ 421,700	\$ 82,150	\$ 168,550	83%	\$ 113,100	\$ 203,900
Age 65-74	47%	\$ 32,200	\$ 44,650	\$ 122,800	\$ 393,900	96%	\$ 132,150	\$ 408,650	\$ 70,350	\$ 147,700	82%	\$ 96,250	\$ 180,250
Age 75-84	31%	\$ 29,500	\$ 41,300	\$ 123,850	\$ 415,350	95%	\$ 136,800	\$ 435,550	\$ 98,850	\$ 196,350	84%	\$ 132,500	\$ 234,600
Age 85 and Older	10%	\$ 25,850	\$ 35,850	\$ 108,650	\$ 413,900	94%	\$ 126,850	\$ 441,900	\$ 111,050	\$ 182,200	83%	\$ 145,750	\$ 219,950
Gender													
Female	53%	\$ 27,550	\$ 40,750	\$ 102,250	\$ 365,500	94%	\$ 117,950	\$ 388,850	\$ 80,800	\$ 168,700	82%	\$ 114,000	\$ 206,750
Male	47%	\$ 29,850	\$ 41,100	\$ 114,650	\$ 393,100	95%	\$ 128,200	\$ 413,750	\$ 64,850	\$ 142,950	78%	\$ 99,700	\$ 184,200
Marital Status													
Married	54%	\$ 31,650	\$ 41,750	\$ 123,950	\$ 386,300	97%	\$ 132,550	\$ 400,200	\$ 73,550	\$ 139,150	89%	\$ 88,100	\$ 156,550
Divorced	19%	\$ 28,800	\$ 42,750	\$ 112,400	\$ 402,350	95%	\$ 123,350	\$ 421,700	\$ 143,350	\$ 253,700	87%	\$ 175,950	\$ 292,500
Widowed	15%	\$ 24,750	\$ 41,200	\$ 87,200	\$ 354,250	92%	\$ 107,250	\$ 387,000	\$ 52,600	\$ 150,700	65%	\$ 117,250	\$ 230,300
Single	12%	\$ 19,550	\$ 33,700	\$ 59,000	\$ 335,500	87%	\$ 87,800	\$ 384,100	\$ -	\$ 90,600	45%	\$ 111,700	\$ 201,450
Education													
Less than High School	12%	\$ 14,000	\$ 19,800	\$ 17,350	\$ 91,350	85%	\$ 28,150	\$ 108,350	\$ 26,450	\$ 65,700	65%	\$ 58,450	\$ 100,850
High School Graduate	35%	\$ 23,300	\$ 31,100	\$ 70,600	\$ 210,400	94%	\$ 80,400	\$ 224,500	\$ 58,650	\$ 118,850	77%	\$ 87,850	\$ 153,900
Some College	23%	\$ 31,500	\$ 42,050	\$ 121,400	\$ 329,350	97%	\$ 128,950	\$ 340,950	\$ 77,350	\$ 152,300	82%	\$ 104,900	\$ 184,950
College Graduate	30%	\$ 46,000	\$ 59,800	\$ 300,750	\$ 724,750	98%	\$ 316,450	\$ 741,700	\$ 128,750	\$ 240,000	86%	\$ 163,750	\$ 277,700
Federal Poverty Level													
<200% FPL	23%	\$ 11,950	\$ 12,150	\$ 17,650	\$ 64,950	84%	\$ 25,750	\$ 77,500	\$ 22,600	\$ 74,200	59%	\$ 71,400	\$ 126,500
200-400% FPL	28%	\$ 23,300	\$ 24,000	\$ 76,750	\$ 179,650	96%	\$ 81,350	\$ 186,500	\$ 66,700	\$ 138,700	81%	\$ 94,850	\$ 171,450
400% FPL or more	49%	\$ 51,650	\$ 64,450	\$ 283,400	\$ 643,350	98%	\$ 291,200	\$ 653,800	\$ 109,050	\$ 206,600	89%	\$ 128,900	\$ 231,650

SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2012.

TABLE A2. NUMBER OF MEDICARE BENEFICIARIES BY RACE/ETHNICITY AND OTHER SELECTED DEMOGRAPHIC CHARACTERISTICS, 2012 AND 2030 (IN THOUSANDS)

		2012					2030				
		Total	White	Black	Hispanic	Total	White	Black	Hispanic		
	Total	50,374	39,987	4,665	3,625	80,235	58,631	8,442	8,549		
	Under Age 65	8,665	6,140	1,294	900	9,522	5,885	1,728	1,399		
	Seniors	41,709	33,847	3,370	2,726	70,713	52,745	6,714	7,150		
Age	Age 65-74	23,103	18,413	1,949	1,712	38,060	27,590	3,972	4,316		
	Age 75-84	12,929	10,581	1,032	719	24,526	18,779	2,159	2,149		
	Age 85 and Older	5,677	4,853	390	294	8,127	6,376	583	685		
Gender	Female	27,555	21,824	2,710	1,994	42,710	30,779	4,872	4,649		
	Male	22,819	18,163	1,955	1,632	37,525	27,851	3,570	3,900		
	Married	27,270	22,069	1,981	1,952	43,479	32,376	3,691	4,720		
	Divorced	11,631	9,554	950	685	15,051	11,359	1,371	1,491		
Marital Status	Widowed	7,188	5,508	885	559	12,186	9,079	1,320	1,169		
	Single	4,285	2,857	850	430	9,518	5,817	2,060	1,169		
	Less than High School	9,741	6,333	1,395	1,550	9,705	4,669	1,296	2,988		
Education	High School Graduate	19,388	15,776	1,880	1,156	27,789	20,552	3,390	2,738		
	Some College	9,926	8,198	792	511	18,580	14,060	2,132	1,487		
	College Graduate	11,320	9,680	597	408	24,160	19,349	1,624	1,336		
Federal Poverty Level	<200% FPL	16,151	11,204	2,413	1,838	18,741	10,769	3,370	3,360		
	200-400% FPL	15,016	12,099	1,186	1,045	22,465	16,524	2,394	2,341		
	400% FPL or more	19,207	16,685	1,065	742	39,029	31,338	2,678	2,847		

NOTE: Numbers do not sum to total, because beneficiaries identified as "other" races not shown separately.
SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2012.

Endnotes

- ¹ Meschede, Tatjana, Thomas M. Shapiro, and Jennifer Wheary. *Living Longer on Less: The New Economic (In)Security of Seniors*. Institute on Assets and Social Policy and Dēmos, by a Thread Report no. 4. May 2009.
- ² Kaiser Family Foundation, “Key Issues in Understanding the Economic and Health Security of Current and Future Generations of Seniors,” March 2012.
- ³ Shapiro, Thomas, Tatjana Meschede, and Sam Osoro. *The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide*. Brandeis University Institute on Assets and Social Policy, Research and Policy Brief. February 2013.
- ⁴ McKernan, Signe-Mary, Caroline Ratcliffe, Eugene Steuerle, and Sis Zhang, “Less Than Equal: Racial Disparities in Wealth Accumulation,” April 2013.
- ⁵ Kaiser Family Foundation, “Projecting Income and Assets: What Might the Future Hold for the Next Generation of Medicare Beneficiaries?” June 2011.
- ⁶ Kaiser Family Foundation, “Medicare at a Glance: Fact Sheet,” November 2012.
- ⁷ Butrica, Barbara, Howard Iams, Karen E. Smith, and Eric Toder. The Disappearing Defined Benefit Pension and Its Potential Impact on the Retirement Incomes of Boomers. *Social Security Bulletin*, 69(3): 1-27. January 2009.
- ⁸ Kaiser Family Foundation, “2012 Employer Health Benefits Survey,” September 2012.
- ⁹ Trawinski, Lori, “Nightmare on Main Street: Older Americans and the Mortgage Market Crisis,” AARP Public Policy Institute, July 2012.

THE HENRY J. KAISER FAMILY FOUNDATION

Headquarters

2400 Sand Hill Road
Menlo Park, CA 94025
Phone 650-854-9400 Fax 650-854-4800

Washington Offices and Barbara Jordan Conference Center

1330 G Street, NW
Washington, DC 20005
Phone 202-347-5270 Fax 202-347-5274

www.kff.org

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