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Potential Financial Impacts of the COVID-19 Pandemic on Older Single-Person Households

Learnings from the Great Recession of 2008

AUTHORS:

Marc A. Cohen, PhD and
Jane L. Tavares, PhD
LeadingAge LTSS Center
@ UMass Boston

Susan Silberman, PhD and
Lauren Popham, PhD
National Council on Aging

In a series of recent data briefs, we highlighted the impacts of the 2008 United States (U.S.) market collapse on the financial status of older adults age 60 and over and, more specifically, minority older adults. We did this in order to highlight the economic costs of the pandemic that could await older Americans during the extended shut-down of the economy. We know from these previous studies, as well as those of others, that older adults in general suffer declines in net wealth during large and unanticipated economic downturns and that, unlike younger adults, they have less time to make up such losses to bolster their retirement savings. Further, we observed that minority older adults suffer significantly greater losses compared to their white counterparts. This was demonstrated in our prior two analyses of the Great Recession that began with the collapse of financial markets in 2008.

Despite the fact that almost everyone is expected to experience some degree of financial loss, as is the case with many social and economic indicators in the U.S., some groups are hit harder than others. Older adults who are living in single-person households are likely to experience significant declines in their financial well-being, which may already be limited to a one-person source of income/asset accumulation that puts them at greater financial risk.

Purpose

In this data brief, we explore the impacts of the 2008 market collapse on the financial status of **older adults age 60 and older living in single-person households** (as compared to those living in two-person or married/partnered households). Our purpose is to use the most recent recession experience to better understand what is at stake and the likely magnitude of financial loss that may impact older adults in single-person households as a result of the pandemic-induced market collapse. We analyze the nationally representative, longitudinal data in the Health and Retirement Study (HRS) from 2006 to 2010 to assess the immediate pre- and post-recession impacts on those 60 and older in single-person households (N=2,306) versus two-person households (N=6,760). We also examine how the economic downturn affected older single-person households by focusing on changes in poverty rates over the period between 2006 and 2010.

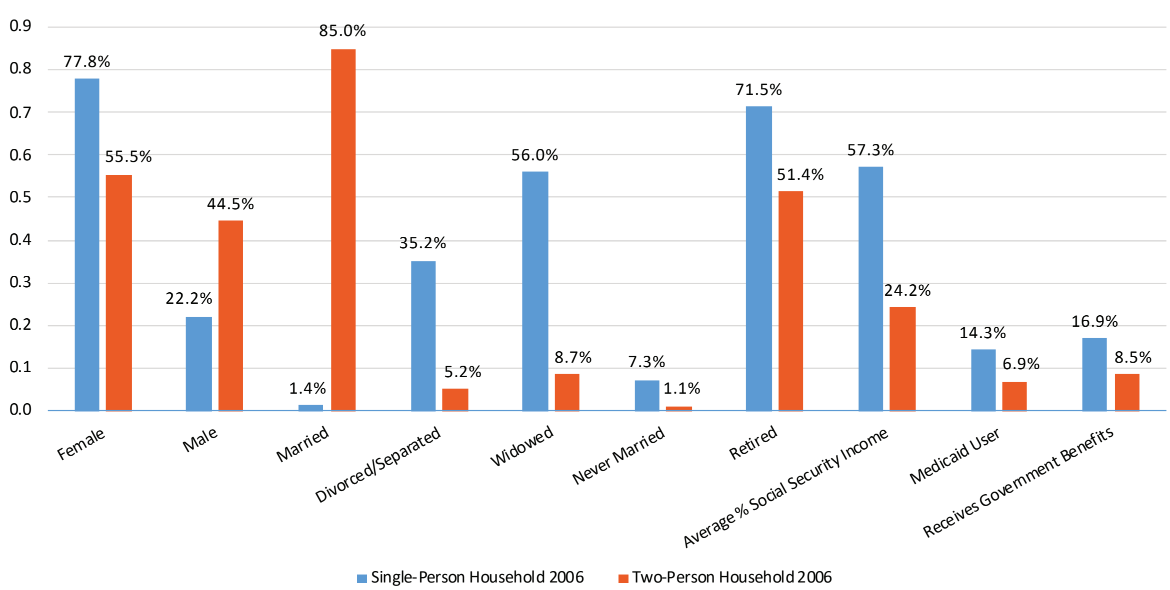
Method

We analyze changes in the following measures of wealth[1]: (1) Total household income is the total sum of respondent and spousal earnings, pensions and annuities, Social Security Income (SSI) and Social Security Disability (SSDI), Social Security Retirement, unemployment and workers' compensation, other government transfers, household capital income and other income for the last calendar year; (2) Total value of primary residence is the current market value their primary residence would be according to the respondents; (3) Net value of their primary residence is the value of primary residence without mortgages and home loans; (4) Total value of financial assets is the total sum of retirement plans (IRA, Keogh accounts), stocks mutual funds, investment trusts, checking, savings, money market accounts, government savings bonds, T-bills, bonds, bond funds and other savings in a household (this does not take into account debts); (5) Net value of total wealth is the total sum of housing and financial assets less debts. The housing and financial assets are their primary residence, stocks, mutual funds, investment trusts, checking, savings, money market accounts, government savings bonds, T-bills, bonds, bond funds, other savings and retirement plans such as IRA and Keogh accounts. The debt components include their mortgage, home loans, credit card debts, and any other debts.

Findings

FIGURE 1 presents some key demographic differences between older single-person households and older two-person households that help contextualize the economic declines during recession. Older single-person households are made up of significantly higher percentages of women, widows/divorcees, and

Figure 1: Demographics of those Age 60+ by Household Type (2006)



Note: Demographics in Figure 1 are for individuals who reported being the head of household.

[1] Pantoja, P., Bugliari, D., Campbell, N., Chan, C., Hayden, O., Hayes, J.,Clair, P., S. (2018). RAND HRS Detailed Imputations File 2014 (V2) Documentation. Retrieved from https://www.rand.org/content/dam/rand/www/external/labor/aging/dataprod/randhrsimp1992_2014v2.pdf.

retirees; all subpopulations that have consistently been documented as having fewer financial resources Further, over half (57%) of household income in older single-person households came from Social Security compared to only 24% in older two-person households, this indicating a greater likelihood for single-person householders to be living on a fixed income. Older single-person householders were also twice as likely to be Medicaid beneficiaries and government benefit recipients than their counterparts. These observations highlight that older adults in single-person households were already at a substantially greater financial disadvantage prior to the recession (2006).

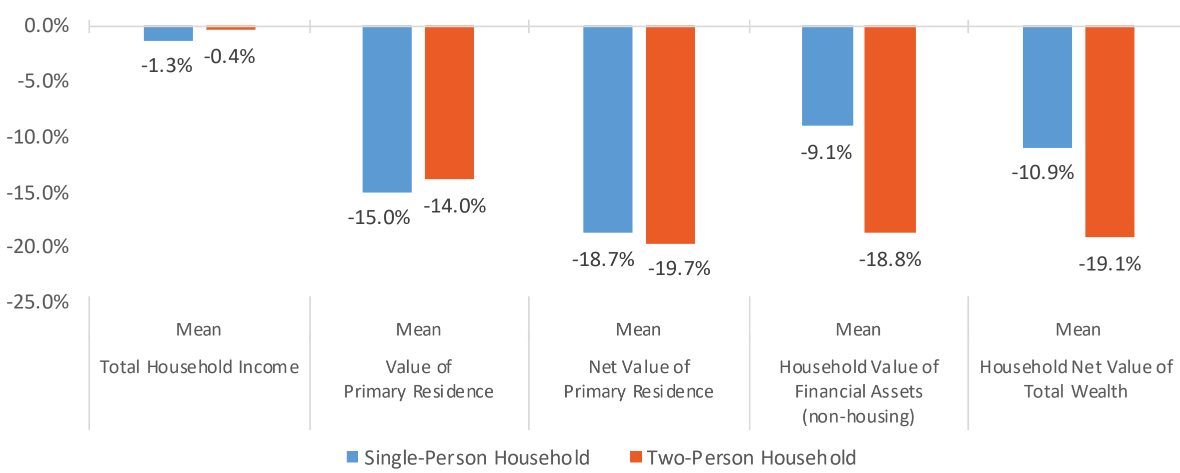
The economic disparities for older single-person households were also observed when looking at the rate of those living below the Federal Poverty Level. As shown in **FIGURE 2**, older single-person households had more than triple the rate of poverty (13%) than older two-person households (4%) prior to the recession. We see that the increase in rate of poverty post-recession is greater for older two-person households — a 3 percentage point or 85% increase in the underlying poverty rate — compared to older single-person households (1 percentage point or 8% increase in the underlying poverty rate). Even so, single-person households still have over twice the rate of poverty of two-person households even in the context of a very major increase in the poverty rate for two-person households during the recession. Of particular note when examining these poverty rates is that even though older adults in single-person households rely more heavily on government benefit programs and Social Security income, this has not curbed the higher rate of poverty among these individuals.

Figure 2: Percentage of those Age 60+ Below Federal Poverty Level by Household Type (2006 & 2010)

In **FIGURE 3**, we present the percentage change in various financial characteristics from pre- to post- recession for older adults in single-person households versus two-person households. In terms of household income, value of primary residence, and net value of primary residence, single-person and two-person households experienced nearly the same rate of decline during the economic downturn. This is staggering when one considers that older single-person households were already at a much greater financial disadvantage than older two-person households prior to the recession. Although total financial assets and the net value of total wealth for older two-person households fell at nearly twice the rate of older single-person households, it is again important to place this finding within the demographic context presented in Figure 1: older two-person households are more reliant on employment earnings as a source income, often have two sources of income/assets that can be impacted, and are less dependent on government benefits.

Put simply, while older two-person households experienced a greater recession impact on their total financial assets and net wealth, they also started from a better financial position prior to the recession; this made them better able to absorb the negative financial impacts as a whole. Even with the greater loses during the economic downturn, older two-person households still had half the rate of poverty that older single-person household did. Further, we observed in Figure 3 that even starting at a substantially lower financial status prior to the recession, older single-person households still experienced significant declines across all financial measures. This is true even in the presence of greater reliance on stable sources of income such as Social Security and government benefits, neither of which adequately protects all households against the financial impact of market collapse.

Figure 3: Percentage Change in Mean Financial Characteristics for those Age 60+ by Household Type (2006 to 2010)



Conclusions

The findings from this analysis highlight how the 2008 recession affected an already financially vulnerable population of age 60 and older single-person households. As expected, we found that older single-person households were on average in a far more precarious financial situation than older two-person households prior to recession, but even with fewer financial resources to lose, they still faced significant declines with the economic downturn. Although older two-person households saw higher rates of decline in their total financial assets and net total wealth during the recession than older single-person households, they were in a better financial position to absorb these loses.

These findings also underscore the importance of government benefits in acting as a social safety net for vulnerable groups such as older single-person households. It is clear that government benefits have not been enough to lift many older single-person households out of poverty or prevent them from experiencing significant financial declines during a recession, but one must consider the markedly direr outlook for this group had these benefits not existed. There is every reason to expect that many of these same negative financial impacts will be forthcoming during the current unanticipated downturn. Thus, it will be key to identify and direct greater government resources towards groups that are already at a higher level of financial vulnerability such as older adults living in single-person households.

These negative economic effects only tell part of the story as the COVID-19 pandemic is expected to have devastating health impacts on older adults. Not only are older single-person households at greater financial risk during an economic downturn, but they are likely to face significantly worse consequences related to social isolation than those who live in two-person households with greater social support resources. Perhaps most striking from our demographic analysis is that older single-person households are not made up of those who were never married. Rather, these single-person households predominantly consist of those who were widowed (the majority of which are women). With COVID-19 related deaths predicted to highly impact those in the 60 and older age group with higher fatalities among older men, it can be assumed that there will be an increase in widowhood (especially for older women) and, thereby, a growing number of financially vulnerable older single-person households.

This analysis stresses the importance of identifying those groups who may be particularly hard hit by the COVID-19 pandemic. And by hard hit, we mean in terms of both the financial and health aspects of the threat. For that reason, it is critically important to maintain a strong social safety net and ensure that people who need to access benefits are able to do so, and to undertake policies that focus on narrowing financial disparities even within the older adult demographic that will face higher COVID-19 related impacts.

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