

A closer look at spending patterns of older Americans

By Ann C. Foster

The aging of the United States population will influence the economy for many years to come. The Census Bureau projects that in 2050, the population aged 65 and older will be 83.7 million, almost double its estimate of 43.1 million in 2012.¹

This article examines the spending patterns of households with a reference person² age 55 and older. Age 55 was chosen because the article focuses on spending changes that occur as household members age and transition to retirement as well as during retirement. Understanding expenditure patterns in later life is crucial to evaluating financial security in retirement. This analysis uses integrated data from the 2014 [Consumer Expenditure Survey](#) (CE), which separates the 55-and-older age range into three groups: ages 55–64, 65–74, and 75 and older.



Data show that:

- Housing is the greatest expense in dollar amount and as a share of total expenditures for households with a reference person 55 and older.
- Clothing and transportation spending, and contributions for pensions and Social Security decline with the age of the reference person.
- Healthcare spending increases with the age of the reference person.

Demographic characteristics

In 2014, older households (those with a reference person 55 years and older) made up 41.5 percent of the CE sample, compared with 37.5 percent in 2009 and 34.6 percent in 2004, reflecting the aging of the U.S. population.³ For the group as a whole, annual pretax income was \$58,528. Pretax income was \$75,241 for households with a reference person 55–64 years old, declining to \$35,467 for households with a reference person 75 and older. For all households with a reference person 55 years and older, average household size was 1.9 members with a high of 2.2 for the 55–64 group and a low of 1.6 for households in the 75-and-older group. Seventy-nine percent of older households were homeowners, ranging from 77 percent for the 55–64 age group to 81 percent for the 65–74 group. Most (88 percent) of older households owned at least one vehicle, with ownership declining from about 90 percent for the 55–64 and 65–74 age groups to 81 percent for the 75-and-older group. (See table 1.)

Table 1. Consumer unit characteristics, by age of reference person, Consumer Expenditure Survey, 2014

| Item | All | Age 55 and older | Age 55–64 | Age 65–74 | Age 75 and older |
|--|----------|------------------|-----------|-----------|------------------|
| Number of consumer units (in thousands) | 127,006 | 52,673 | 23,466 | 16,648 | 12,559 |
| Percent of consumer units | 100.0 | 41.5 | 18.5 | 13.1 | 9.9 |
| Consumer unit characteristics: | | | | | |
| Pretax income | \$66,877 | \$58,528 | \$75,241 | \$52,366 | \$35,467 |
| Age of reference person | 50.3 | 67.6 | 59.3 | 68.8 | 81.4 |
| Average number in consumer unit: | | | | | |
| Persons | 2.5 | 1.9 | 2.2 | 1.9 | 1.6 |
| Children under 18 | .6 | .1 | .2 | .1 | (1) |
| Adults 65 and older | .4 | .8 | .1 | 1.4 | 1.4 |
| Earners | 1.3 | .9 | 1.3 | .7 | .3 |
| Vehicles | 1.9 | 1.9 | 2.1 | 1.9 | 1.4 |
| Percent distribution: | | | | | |
| Sex of reference person: | | | | | |
| Male | 48 | 46 | 48 | 50 | 40 |
| Female | 52 | 54 | 52 | 50 | 60 |
| Race of reference person: | | | | | |
| Black or African American | 13 | 11 | 13 | 10 | 8 |
| White, Asian, and all other races | 87 | 89 | 87 | 90 | 92 |
| Hispanic or Latino origin of reference person: | | | | | |
| Hispanic or Latino | 13 | 7 | 8 | 7 | 6 |
| Not Hispanic or Latino | 87 | 93 | 92 | 93 | 94 |
| Education of reference person: | | | | | |
| Elementary (1-8) | 3 | 4 | 3 | 3 | 8 |
| High school (9-12) | 33 | 38 | 36 | 37 | 46 |
| College | 63 | 57 | 61 | 60 | 46 |
| Never attended and other | (1) | (1) | (1) | (1) | (1) |
| Housing tenure: | | | | | |
| Homeowner | 63 | 79 | 77 | 81 | 80 |
| With mortgage | 37 | 32 | 43 | 30 | 14 |
| Without mortgage | 26 | 47 | 34 | 50 | 66 |
| Renter | 37 | 21 | 23 | 19 | 20 |
| At least one vehicle owned or leased | 87 | 88 | 90 | 90 | 81 |

¹Value is too small to display.

Source: U.S. Bureau of Labor Statistics.

Annual expenditures

Total annual expenditures averaged \$49,279 among older households. Expenditures declined from \$56,267 for the 55–64 age group to \$36,673 for the 75-and-older group. (See table 2.)

Older households spent \$6,066 on food, ranging from a high of \$6,800 for the 55–64 age group to a low of \$4,349 for the 75-and-older group. The \$6,303 spent by the 65–74 age group was not statistically different from the \$6,800 spent by the 55–64 age group. The \$4,349 spent by the 75-and-older group was statistically different from the amounts spent by the other age groups.

Table 2. Average expenditures, by age of reference person, Consumer Expenditure Survey, 2014

| Item | All | Age 55 and older | Age 55–64 | Age 65–74 | Age 75 and older |
|------------------------------|----------|------------------|-----------|-----------|------------------|
| Total Annual Expenditures | \$53,495 | \$49,279 | \$56,267 | \$48,885 | \$36,673 |
| Food | | | | | |
| Mean | 6,759 | 6,066 | 6,800 | 6,303 | 4,349 |
| Share (percent of total) | 12.6 | 12.3 | 12.1 | 12.9 | 11.9 |
| Housing | | | | | |
| Mean | 17,798 | 16,219 | 18,006 | 15,838 | 13,375 |
| Share (percent of total) | 33.3 | 32.9 | 32.0 | 32.4 | 36.5 |
| Clothing | | | | | |
| Mean | 1,786 | 1,412 | 1,789 | 1,417 | 683 |
| Share (percent of total) | 3.3 | 2.9 | 3.2 | 2.9 | 1.9 |
| Transportation | | | | | |
| Mean | 9,073 | 8,002 | 9,321 | 8,338 | 5,091 |
| Share (percent of total) | 17.0 | 16.2 | 16.6 | 17.1 | 13.9 |
| Health care | | | | | |
| Mean | 4,290 | 5,452 | 4,958 | 5,956 | 5,708 |
| Share (percent of total) | 8.0 | 11.1 | 8.8 | 12.2 | 15.6 |
| Entertainment | | | | | |
| Mean | 2,728 | 2,604 | 2,852 | 2,988 | 1,626 |
| Share (percent of total) | 5.1 | 5.3 | 5.1 | 6.1 | 4.4 |
| Pensions and Social Security | | | | | |
| Mean | 5,399 | 4,002 | 6,578 | 2,788 | 800 |
| Share (percent of total) | 10.1 | 8.1 | 11.7 | 5.7 | 2.2 |
| Other ⁽¹⁾ | | | | | |
| Mean | 3,587 | 5,662 | 4,195 | 3,003 | 2,027 |
| Share (percent of total) | 10.6 | 10.6 | 12.6 | 11.5 | 14.1 |

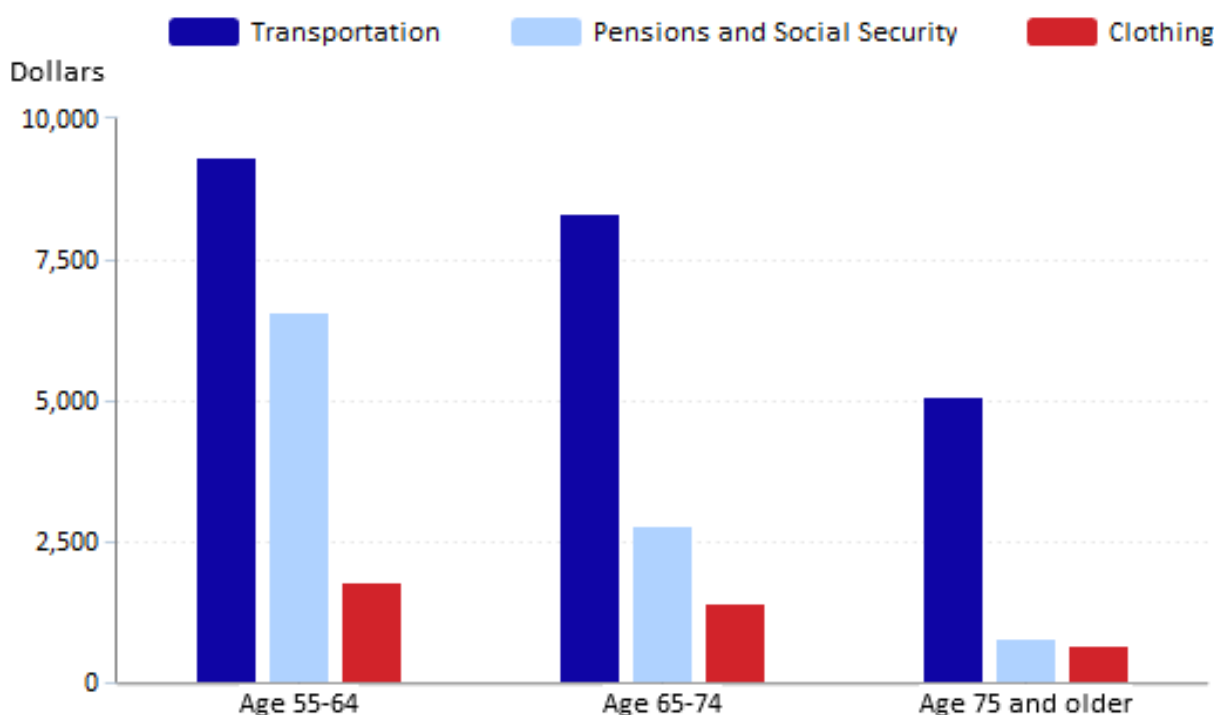
¹Includes cash contributions, alcohol, tobacco, personal care products and services, reading, education, life and personal insurance, and miscellaneous expenses.

Source: U.S. Bureau of Labor Statistics.

Housing was the greatest expense in dollar terms (\$16,219) and as a share of annual expenditures (32.9 percent) for older households. Spending was greatest (\$18,006) for the 55–64 age group, decreasing to \$15,838 for the 65–74 group before declining to \$13,375 for the 75-and-older group. The statistically significant decline in dollar expenditure reflects the decline in mortgage debt among households. Among older homeowner households, 59.5 percent were mortgage free. The proportion of homeowners without mortgage debt was 44.2 percent for the 55–64 age group, 61.7 percent for the 65–74 group, and 82.5 percent for the 75-and-older group.

Clothing is often considered a work-related expense that should decrease when household members retire. Households with a reference person 55–64 years old averaged 1.3 earners, and those with a reference person 65–74 and 75 and older averaged 0.7 earners and 0.3 earners, respectively. This could be one reason why clothing expenses went from a high of \$1,789 for the 55–64 age group to a low of \$683 for the 75-and-older group. The \$1,417 spent by the 65–74 age group was not statistically different from the \$1,789 spent by the 55–64 age group. The \$683 spent by the 75-and-older group was statistically different from the amounts spent by the other age groups. (See table 2 and chart 1). Previous research using CE data has found that even after controlling for the effects of income, family size, and other factors, spending on clothing declines with age. Also, retirees spent less on clothing, even with age and other factors taken into account.⁴

Chart 1. Clothing, transportation, and pensions and Social Security spending, by age of reference person, 2014



Source: U.S. Bureau of Labor Statistics.

Because transportation, like clothing, is considered a work-related expense, spending should be expected to decrease with the age of the reference person and the accompanying decline in the number of earners per household.⁵ Older households spent \$8,002 on transportation, ranging from a high of \$9,321 for the 55–64 age group to a low of \$5,091 for the 75-and-older group. The \$8,338 spent by the 65–74 group was not statistically different from the \$9,321 spent by the 55–64 group. The \$5,091 spent by the 75-and-older group was statistically different from the amounts spent by the other age groups. (See table 2 and chart 1).

The share of the household budget devoted to healthcare increased with the age of the reference person, from 8.8 percent for the 55–64 age group to 15.6 percent for the 75-and-older group. The dollar amount spent on healthcare was \$4,958 for the 55–64 group, \$5,956 for the 65–74 group, and \$5,708 for the 75-and-older group. The \$5,708 spent by the 75-and-older group was not statistically different from the amount spent by the 65–74 group. However, the amounts spent by both

the 65–74 group and the 75-and-older group were statistically different from the amount spent by the 55–64 group. The 75-and-older group had a household size of 1.6 persons, compared with 1.9 for the 65–74 age group. With household size taken into account, per-person healthcare spending would be \$3,135 for the 65–74 age group and \$3,568 for the 75-and-older group. Previous research using data from the Health and Retirement Survey also found a positive association between healthcare expenditures and age in older households.⁶

Entertainment spending averaged \$2,604 for the group as a whole. The difference between the \$2,852 spent by the 55–64 age group and the \$2,988 spent by the 65–74 age group was not statistically different. The \$1,626 spent by the 75-and-older group was statistically different from the amounts spent by the other age groups.⁷ Existing studies using CE data found that, other factors being equal, entertainment spending declines with age.⁸

Contributions for pensions and Social Security declined in both dollar amount and as a share of the household budget as the age of the reference person increased and the number of earners decreased. For the 55–64 age group, contributions averaged \$6,578 (11.7) percent of the household budget) with sharp declines for the 65–74 age group (\$2,788 and 5.7 percent) and 75-and-older group, (\$800 and 2.2 percent). Households with a reference person age 65–74 and 75 and older are more likely to have retired members who are collecting pension and Social Security benefits rather than making contributions. (See table 2 and chart 1).⁹

Conclusions

Housing was the greatest expense in average dollar amount and as a share of the household budget for older households. Housing expenses declined with the age of the reference person and accompanying increase in the proportion of households without mortgage debt. Whether this pattern will continue is unclear. One explanation is that data from the Survey of Consumer Finances show that the proportion of families with heads age 55 or older with housing debt increased steadily from 24 percent in 1992 to 42 percent in 2010. The increase was more pronounced for families with heads ages 65–74 and 75 and older.¹⁰

Healthcare spending increased with the age of the reference person, while spending on clothing and transportation and contributions for pensions and Social Security decreased with the age of the reference person. These latter three categories are considered work-related expenses that should decrease with the decline in number of earners among older households.

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NOTES

¹Jennifer M. Ortman, Victoria A. Velkoff, and Howard Hogan, “An Aging Nation: The Older Population in the United States,” *Current Population Reports*, P25-1140 (U.S. Census Bureau, May 2014), <http://www.census.gov/prod/2014pubs/p25-1140.pdf>.

²The reference person is the first household member mentioned by the CE respondent when asked to “Start with the name of the person, or one of the persons, who owns or rents the home.” It is with respect to this person that the relationship of the other consumer unit members is determined. For more information, see the CE Glossary of Terms, Characteristics Section, <http://www.bls.gov/cex/csxgloss.htm>.

³Ortman et al., “An Aging Nation: The Older Population in the United States,” <http://www.census.gov/prod/2014pubs/p25-1140.pdf>.

⁴Research using the 1972–1973 CE found that age of the household head (the husband in husband-wife families) was negatively associated with clothing expenditures, once the effects of income and other factors were taken into account. Households in which the head was retired spent less on clothing compared with households in which the head was in the craftsmen category, even after the effects of income and other factors were taken into account. For more information, see Rachel Dardis, Frederick Derrick, and Alane Lehfeld, “Clothing Demand in the United States: A Cross-Sectional Analysis,” *Home Economics Research Journal*, vol. 10, no. 2, December 1981, pp. 212–222.

⁵Previous research using CE data and American Time Use Survey (ATUS) data found that, after controlling for the effects of other factors, time spent traveling to and from work decreased while leisure travel increased as the age of the reference person increased. Transportation costs began to decline when individuals were in their early 50’s because decreased travel time associated with employment was much greater than the increased leisure travel time. For more information, see Mark Aguiar and Erik Hurst, “Deconstructing Life Cycle Expenditure,” February 2013, http://faculty.chicagobooth.edu/erik.hurst/research/deconstructing_revision_secondround_final.pdf.

⁶See Sudipto Banerjee, “How Does Household Expenditure Change with Age for Older Americans?,” *EBRI Notes*, vol.35, no. 9, September 2014, pp. 2–11, http://www.ebri.org/pdf/notespdf/EBRI_Notes_09_Sept-14_OldrAms-WBS.pdf.

⁷For a more detailed analysis of entertainment expenditures, see Ann C. Foster, “Movies, music, and sports: U.S. entertainment spending, 2008–2013,” *Beyond the Numbers: Prices and Spending*, vol. 4, no. 6 (U.S. Bureau of Labor Statistics, March 2015), <http://www.bls.gov/opub/btn/volume-4/movies-music-sports-entertainment-spending.htm>.

⁸One explanation is that older households are less apt to participate in activities, such as cycling, jogging, and camping, which require physical effort, than younger households. Also, limited mobility among members of older households would likely reduce the amount spent attending sporting events and theater performances. For more information, see Rachel Dardis, Horacio Soberon-Ferrer, and Dilip Patro, “Analysis of Leisure Expenditures in the United States,” *Journal of Leisure Research*, vol. 26, no. 4, October 1994, pp. 309–321, and Sheila Mammen and Ann C. Foster, “Factors Affecting Household Expenditures for Entertainment Services,” *Consumer Interests Annual*, 1992, pp. 96–97, <http://www.consumerinterests.org/cia1992>.

⁹In 2013, Social Security, private and government retirement benefits accounted for 46.1 percent of pretax income of the 65–74 years group and 70.5 percent of pretax income of the 75 years and over group. In contrast, Social Security, private and government retirement benefits made up 10.3 percent of the pretax income of the 55–64 years group.

¹⁰For families with heads ages 65–74, housing debt increased from 18 percent in 1992 to 41 percent by 2010; for families with heads age 75 or older, housing debt increased from 10 percent to 24 percent. For families with heads ages 65–74, housing debt increased from 4.4 percent of income in 1992 to 8.6 percent in 2010; for families with heads age 75 or older, housing debt as a percentage of income increased from 2.4 percent in 1992 to 4.7 percent in 2010. For more information, see Craig Copeland, “Debt of the Elderly and Near Elderly, 1992–2010,” *EBRI Notes*, vol.34, no. 2, February 2013, pp. 1–15, http://www.ebri.org/pdf/notespdf/EBRI_Notes_02_Feb-13_DebtEld-Contribs.pdf.

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