

Differences in Sources and Size of Income: Findings of the 1963 Survey of the Aged

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THE AGED as a group receive income from many sources. But the relative importance of the sources of money income varies greatly between the group with the highest income and the middle-income and low-income groups. Nonbeneficiaries in the low-income groups are dependent on public assistance and veterans' benefits for most of their income.

Earnings from employment are the largest source of income for the aged in the high-income group. Among the middle- and low-income groups, for whom work can scarcely be considered as a major source of income, old-age, survivors, and disability insurance (OASDI) benefits account for the largest share of total income.

These findings result from an analysis of income data from the 1963 Survey of the Aged,¹ based on a classification of aged units² into three income groups of equal size—low, middle, and high. For married couples, all units whose in-

come was less than \$2,202 were considered to be in the low third, those with \$2,202–\$3,832 in the middle third, and those with more than \$3,832 in the high third. For nonmarried men the dividing line between the low and middle thirds was \$1,023, and the line between the middle and high third was \$1,848. For nonmarried women the lower dividing line was \$785, and the upper line was \$1,372.

The purpose of this classification was to identify those whose income was relatively low, moderate, or high in comparison with those of other aged units with the same marital status. An annual income of \$1,400, for example, might be considered a low income. Nevertheless, among aged nonmarried women \$1,400 was a relatively high income; fewer than a third had that much.

These income groups are not, of course, identical with those classified under socio-economic concepts as lower, middle, and upper class. Although most of those in the low-income groups would probably be considered to be in the lower socio-economic class, many of those in the middle-income group and some of those in the high-income groups would also be classified as belonging to the lower class. On the other hand, a few of those in the low-income group and some in the

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¹ Earlier reports on the 1963 Survey of the Aged appeared in the March, June, July, August, November, and December 1964 issues of the *Social Security Bulletin*.

² Aged units were defined as a married couple with at least one member aged 62 or over or a nonmarried person aged 62 or over. All aged units in this income group analysis had at least one member aged 65 or over.

TABLE 1.—Shares of money income from specified source: Percentage distribution of aggregate income, by source, for units aged 65 and over, by income group, 1962

Income source	Married couples			Nonmarried men			Nonmarried women		
	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third
Number reporting (in thousands).....	1,569	1,573	1,578	735	708	730	1,866	1,810	1,860
Total mean income.....	\$1,521	\$2,924	\$7,621	\$660	\$1,376	\$3,618	\$417	\$1,033	\$2,745
Total percent.....	100	100	100	100	100	100	100	100	100
Earnings.....	9	21	52	2	7	41	4	6	26
Retirement benefits.....	66	61	25	59	63	34	55	57	30
OASDI benefits.....	62	47	14	57	55	21	53	52	23
Other public pensions.....	3	6	7	1	6	8	2	5	6
Private group pensions.....	1	7	4	(*)	2	5	1	1	2
Veterans' benefits.....	5	7	2	6	9	5	3	3	4
Interest, dividends, and rents.....	4	8	19	1	7	16	7	9	25
Public assistance.....	12	2	(*)	30	13	1	24	20	5
Other.....	3	2	3	2	2	3	5	5	10

* Less than 0.5 percent.

middle-income groups might be classified as belonging to the upper class because they live with wealthy relatives or have large asset holdings.

Nor do the specified income points measure equivalent levels of living for aged couples and individuals. On a budget-concept base, comparable poverty-level incomes for aged individuals might approximate 72-80 percent of those for aged couples.³ The generally lower incomes of single women are reflected in the fact that many of those in the highest third have incomes that are relatively low by any budget standard.

This article discusses the differences among the income groups in terms of their total income, their relative dependence on various sources of

income, and the reasons for these differences. Differences between OASDI beneficiaries and non-beneficiaries in these areas are also discussed.

TOTAL INCOME

The difference in the mean total income between the low- and the high-income thirds was quite marked for the marital groups—married couples, nonmarried men, and nonmarried women. In each of these groups, the high third had a mean income five or six times that of the low third. In other words, the low thirds received much less than their proportionate share of the aggregate income and the upper thirds received much more. In each group the low-income third

³ See Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, January 1965.

TABLE 2.—Source of money income: Percent of units aged 65 and over having income from specified source, by income group, 1962

Income source	Married couples			Nonmarried men			Nonmarried women		
	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third
Number reporting (in thousands).....	1,569	1,573	1,578	735	708	730	1,866	1,810	1,860
Percent having—									
Earnings.....	33	51	76	11	21	50	8	15	42
Retirement benefits.....	82	94	79	56	86	79	43	73	77
OASDI.....	80	88	72	55	81	69	41	68	72
Other public pensions.....	4	13	18	1	7	15	1	6	13
Private group pensions.....	4	24	20	1	7	21	1	1	7
Veterans' benefits.....	8	21	12	5	13	18	2	4	14
Interest, dividends, and rents.....	35	63	83	19	42	67	25	43	68
Private individual annuities.....	1	2	6	(*)	1	3	(*)	1	6
Unemployment insurance.....	(*)	2	6	(*)	1	1	(*)	1	2
Public assistance.....	21	4	(*)	33	20	2	19	27	11
Contributions by persons not in home.....	5	2	1	1	2	1	6	7	6
Payments under any public program.....	93	96	80	86	96	81	60	91	86

* Less than 0.5 percent.

TABLE 3.—Units aged 65 and over, by age and OASDI beneficiary status: Percentage distribution for each income group, 1962

Age and beneficiary status	Married couples			Nonmarried men			Nonmarried women		
	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third
Number reporting (in thousands).....	1,569	1,573	1,578	735	708	730	1,866	1,810	1,860
Total percent.....	100	100	100	100	100	100	100	100	100
Age:									
65-72.....	46	61	74	32	42	62	32	44	58
73 and over.....	54	39	26	68	58	38	68	56	42
OASDI beneficiaries:									
Full-year ¹	73	77	59	53	79	60	37	63	64
Part-year ²	3	6	10	1	2	9	2	3	6
Parent ³	4	6	4	1	(*)	1	1	2	2
Nonbeneficiaries.....	20	12	27	45	19	30	59	32	28

* Less than 0.5 percent.

¹ Benefits received before 1962.

² Benefits first received during 1962.

³ Beneficiaries with entitled children or who were themselves entitled as the parent of a deceased worker.

had about one-ninth of the aggregate income of all those in the group and the top third had about two-thirds of the aggregate. These distributions by income thirds were roughly similar to those of all families in the United States.⁴

SOURCES OF INCOME

The sources of income fell into two main groups: those that were more important for the high-income thirds and those more important for the low thirds. For all marital groups, earnings, public pensions other than OASDI benefits, private group pensions, and income from interest, dividends, and rents were much more important for the high-income group than for the low. Both the share of total income derived from these sources (table 1) and the percentage of the units having income from these sources (table 2) were usually several times larger in the high-income thirds than in the low.

For all the high-income groups, earnings were

⁴ The distribution of aggregate family income was derived from Bureau of the Census, *U.S. Census of Population, 1960: Sources and Structure of Family Income, Final Report*, PC (2)-4C, table 7.

the largest single source of income and accounted for more than half the income of the couples at this level (table 1). Among the nonmarried women, earnings were only a little larger than income from interest, dividends, and rent and slightly larger than OASDI benefits. If income from other types of retirement benefits are added to that from OASDI, then total retirement benefits become a larger source of income than earnings for the high third of nonmarried women.

The larger proportion of units with earnings was probably the chief reason that total income of the high-income thirds was as high as it was. Among couples, 76 percent of the high-income group, compared with 35 percent of the low-income group, had income from earnings. The difference in mean earnings between the low- and high-income groups accounted for 62 percent of the difference in total income for couples and for half the difference among nonmarried men. Among nonmarried women, however, the difference in earnings accounted for only 29 percent of the total difference. This situation reflects the fact that employment was a much more important source of income for couples than for the non-married.

Age is also a factor in the amount of the groups' total earnings. The high-income groups

TABLE 4.—Proportion of income from specified sources, by income group: Percent of units aged 65 and over having specified proportion of total income from specified source, 1962

Percent of total income from specified source	Married couples			Nonmarried men			Nonmarried women		
	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third
Number reporting (in thousands).....	1,569	1,573	1,578	735	708	730	1,866	1,810	1,860
Having income from—									
Earnings:									
0-49 percent.....	93	86	47	98	96	68	96	96	77
50-94 percent.....	5	12	40	1	3	20	2	2	18
95-100 percent.....	2	2	13	2	1	12	2	2	5
Public pensions (including OASDI):									
0-49 percent.....	32	35	86	46	36	66	59	39	71
50-94 percent.....	41	59	13	19	39	30	12	33	26
95-100 percent.....	27	6	2	36	25	5	30	28	3
OASDI:									
0-49 percent.....	35	45	96	47	42	77	60	45	78
50-94 percent.....	40	53	4	18	38	23	11	31	21
95-100 percent.....	25	1	(*)	35	20	(*)	29	24	(*)
Private group pensions:									
0-49 percent.....	100	99	97	100	99	98	99	100	100
50-94 percent.....	(*)	(*)	3	(*)	1	2	(*)	(*)	(*)
95-100 percent.....	(*)	(*)	(*)	(*)	(*)	1	1	(*)	(*)
Veterans' benefits:									
0-49 percent.....	94	98	100	95	89	97	98	97	96
50-94 percent.....	5	1	(*)	(*)	11	3	(*)	2	3
95-100 percent.....	1	(*)	(*)	4	1	1	2	1	1
Public assistance:									
0-49 percent.....	88	98	100	75	87	99	84	78	91
50-94 percent.....	5	1	(*)	2	5	(*)	1	8	4
95-100 percent.....	6	(*)	(*)	23	8	1	15	14	5

* Less than 0.5 percent.

have greater aggregate earnings largely because they are younger and able to work more (table 3). The aggregate earnings of the couples are higher, too, because they are younger than the nonmarried persons.

Although earnings were the largest single source of income for all the high-income groups, few units were entirely dependent on earnings. Even among the high-income couples and nonmarried men, less than a seventh derived 95 percent or more of their income from earnings (table 4).

The larger amounts of pensions and income from interest, dividends, and rent among the high-income thirds usually result from their higher lifetime earnings. The difference between the low- and high-income thirds in the mean income from interest, dividends, and rent was the second most important reason for the difference in total income. For nonmarried women the difference among the income groups with respect to this source was almost as great as the difference in earnings.

In contrast, for the low-income thirds, OASDI benefits and public assistance were much more important in terms of the share of total income derived from these sources (table 1). From 25 percent to 35 percent of the low-income groups were almost entirely dependent on OASDI for their income (table 4).

There was almost no income from public assist-

ance among the high income couples and nonmarried men. This finding was to be expected because public assistance is given only to persons with relatively low incomes. On the other hand, in view of the low total income of the low-income thirds, it is rather surprising that only a fifth of the low-income couples and nonmarried women received any public assistance (table 2). Part of the answer may be that many persons in this income group live with relatives and derive support from them that is not counted as income but makes them ineligible for public assistance payments.

Benefits under OASDI made up a larger share of total income among the low- and middle-income thirds than among the high thirds because persons in the former groups had very little other income, not because they received more in benefits. In fact, average OASDI benefits were substantially less in dollar amounts among the low-income thirds than among the high thirds. The reason is that the amount of the OASDI benefit is related to the earnings record, and persons in the low-income third generally have a record of low earnings.

BENEFICIARIES AND NONBENEFICIARIES

In the Survey, OASDI beneficiaries were classified as (1) full-year, those who received benefits

TABLE 5.—Shares of money income from specified source and OASDI beneficiary status:¹ Percentage distribution of aggregate income, by source, for units aged 65 and over, by income group, 1962

Income source	Married couples						Nonmarried men						Nonmarried women					
	OASDI beneficiaries			Nonbeneficiaries			OASDI beneficiaries			Nonbeneficiaries			OASDI beneficiaries			Nonbeneficiaries		
	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third
Number reporting (in thousands)	1,145	1,214	930	318	184	430	390	559	435	330	134	222	694	1,132	1,188	1,103	578	511
Total mean income	\$1,584	\$2,883	\$6,886	\$1,253	\$3,063	\$9,106	\$733	\$1,369	\$2,989	\$570	\$1,394	\$4,728	\$599	\$1,045	\$2,639	\$291	\$999	\$2,935
Total percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Earnings	8	17	35	14	38	79	1	5	21	3	12	62	1	5	21	6	8	33
Retirement benefits	78	64	34	12	37	9	93	73	51	3	24	15	93	76	40	7	15	8
OASDI benefits	75	54	22	6	12	36	(*)	68	37	3	24	13	93	74	33	4	14	8
Other public pensions	1	4	6	12	1	9	(*)	2	5	3	(*)	13	(*)	1	4	5	1	8
Private group pensions	2	7	6	(*)	1	(*)	(*)	3	9	(*)	(*)	2	(*)	(*)	3	7	1	(*)
Veterans' benefits	3	7	2	15	10	1	(*)	9	5	15	10	5	(*)	3	4	7	4	6
Interest, dividends, and rents	4	9	24	6	8	11	(*)	7	19	5	7	14	3	7	24	14	13	29
Public assistance	6	1	(*)	41	3	(*)	5	6	(*)	69	42	2	2	7	3	56	50	12
Other	1	1	5	12	4	1	(*)	1	3	5	5	2	(*)	2	10	11	10	13

* Less than 0.5 percent.

¹ Excludes part-year and parent beneficiaries.

before 1962, (2) part-year, those who first received benefits during 1962, and (3) parent, those with entitled children or with entitlement as the parent of a deceased worker. Data for all three types of beneficiaries are included in table 3; data for the part-year and parent beneficiaries are omitted from tables 5, 6, and 7 and from the comparison of beneficiaries and nonbeneficiaries that follows because their unusual characteristics would confuse the analysis.

One of the more striking differences between OASDI beneficiaries and nonbeneficiaries is that among the latter there was a greater range in total mean income between the low- and high-income groups (table 5). In other words, among nonbeneficiaries the rich are richer and the poor are poorer than among beneficiaries. This finding is consistent with the greater heterogeneity among nonbeneficiaries found in other areas.⁵ Most of the nonbeneficiaries either lack the protection of OASDI and thus tend to have low incomes upon retirement, or they are covered by OASDI but are not drawing benefits because they still have substantial earnings and thus tend to have relatively high incomes.

Sources of income among beneficiaries and

⁵ See Erdman Palmore, "Work Experience and Earnings of the Aged in 1962," *Social Security Bulletin*, June 1964, pages 12-13.

nonbeneficiaries generally followed the same pattern according to income thirds as did those of the total groups. Earnings, public pensions other than OASDI, private group pensions, and income from interest, dividends, and rent were more important for the high-income thirds than for the low among beneficiaries and nonbeneficiaries alike (tables 5 and 6). For the nonbeneficiaries, however, there were two exceptions to these patterns. Public pensions other than OASDI benefits were more important to the middle thirds than to either the low or the high thirds among nonbeneficiaries (table 5). In addition, the nonbeneficiaries had almost no income from private group pensions. Apparently the same factors that prevented the nonbeneficiaries from receiving OASDI benefits also prevented them from receiving private group pension payments.

Most of the income received by beneficiaries in the low third came from OASDI benefits (75 percent for couples and 93 percent for the nonmarried). Among these low-income beneficiaries 62 percent of the nonmarried men and 72 percent of the nonmarried women were almost entirely dependent on OASDI benefits (table 7).

In contrast, most of the income received by nonbeneficiaries in the low third came from public assistance and veterans' benefits (56 percent for couples and 84 percent for nonmarried men).

TABLE 6.—Source of money income and OASDI beneficiary status:¹ Percent of units aged 65 and over having income from specified source, by income group, 1962

Income source	Married couples						Nonmarried men						Nonmarried women					
	OASDI beneficiaries			Nonbeneficiaries			OASDI beneficiaries			Nonbeneficiaries			OASDI beneficiaries			Nonbeneficiaries		
	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third
Number reporting (in thousands)	1,145	1,214	930	318	184	430	390	559	435	330	134	222	694	1,132	1,188	1,103	578	511
Percent having—																		
Earnings	32	49	67	31	53	89	12	18	39	10	28	60	7	17	44	7	12	33
Retirement benefits	100	100	99	11	52	24	100	100	99	3	23	32	100	100	100	4	17	12
OASDI	100	100	99				100	100	99				100	100	100			
Other public pensions	2	8	17	11	49	23	1	4	11	2	23	27	(*)	3	11	2	15	17
Private group pensions	5	28	27	(*)	4	2	1	9	28	1	(*)	7	1	1	10	1	2	1
Veterans' benefits	5	21	15	18	26	8	1	13	19	10	14	16	(*)	4	13	3	5	14
Interest, dividends, and rents	37	65	88	28	58	79	25	43	70	12	34	63	29	48	72	23	32	58
Private individual annuities	(*)	2	8	1	1	5	(*)	1	4	(*)	(*)	2	1	1	6	(*)	1	6
Unemployment insurance	(*)	1	5	(*)	3	3	(*)	1	1	(*)	(*)	1	1	2	(*)	(*)	(*)	(*)
Public assistance	14	3	(*)	43	4	(*)	15	14	1	56	43	4	6	15	7	28	54	21
Contributions by persons not in home	5	2	(*)	6	2	2	2	2	2	1	(*)	(*)	3	6	5	8	9	8
Payments under any public programs	100	100	99	68	65	30	100	100	99	69	81	40	100	100	100	33	73	49

* Less than 0.5 percent.

¹ Excludes part-year and parent beneficiaries.

TABLE 7.—Proportion of income from specified sources, by income group and OASDI beneficiary status: Percent of units aged 65 and over having specified proportion of total income from specified source, 1962

Percent of total income from specified source	Married couples			Nonmarried men			Nonmarried women		
	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third	Low-income third	Middle-income third	High-income third
OASDI beneficiaries									
Number reporting (in thousands).....	1,145	1,214	930	390	559	435	694	1,132	1,188
Having income from—									
Earnings:									
0-49 percent.....	96	89	62	98	97	83	100	98	80
50-94 percent.....	4	11	38	1	3	16	(*)	2	20
95-100 percent.....	(*)	(*)	(*)	1	(*)	1	(*)	(*)	(*)
Public pensions (including OASDI):									
0-49 percent.....	16	31	84	4	27	57	(*)	17	64
50-94 percent.....	50	66	13	34	46	40	27	46	32
95-100 percent.....	34	4	2	62	27	4	72	37	4
OASDI:									
0-49 percent.....	17	37	95	4	29	65	(*)	19	70
50-94 percent.....	50	63	5	34	47	35	27	46	29
95-100 percent.....	33	1	(*)	62	24	(*)	72	35	(*)
Private group pensions:									
0-49 percent.....	100	99	95	100	99	97	100	100	99
50-94 percent.....	(*)	1	5	(*)	1	3	(*)	(*)	1
95-100 percent.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Veterans' benefits:									
0-49 percent.....	97	98	99	99	89	99	100	97	99
50-94 percent.....	3	2	(*)	1	11	1	(*)	3	1
95-100 percent.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Public assistance:									
0-49 percent.....	96	99	100	99	94	100	100	92	94
50-94 percent.....	4	2	(*)	1	6	(*)	(*)	8	6
95-100 percent.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Nonbeneficiaries									
Number reporting (in thousands).....	318	184	430	330	134	222	1,103	578	511
Having income from—									
Earnings:									
0-49 percent.....	87	64	16	97	91	45	95	93	74
50-94 percent.....	5	15	40	1	4	18	2	2	9
95-100 percent.....	8	21	44	2	4	37	3	5	17
Public pensions (including OASDI):									
0-49 percent.....	91	58	88	98	76	78	98	86	83
50-94 percent.....	3	26	11	1	8	14	1	5	9
95-100 percent.....	6	15	1	2	15	8	2	9	3
Private group pensions:									
0-49 percent.....	100	100	100	100	100	98	99	99	100
50-94 percent.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	1	(*)
95-100 percent.....	(*)	(*)	(*)	(*)	(*)	2	1	(*)	(*)
Veterans' benefits:									
0-49 percent.....	83	96	100	90	85	92	97	95	92
50-94 percent.....	10	(*)	(*)	(*)	12	5	(*)	2	5
95-100 percent.....	7	3	(*)	10	3	3	3	3	4
Public assistance:									
0-49 percent.....	60	97	100	44	57	96	73	47	81
50-94 percent.....	10	(*)	(*)	4	3	(*)	2	7	2
95-100 percent.....	30	3	(*)	52	40	4	25	45	17

* Less than 0.5 percent.

Earnings and income from interest, dividends, and rent were relatively unimportant in the aggregate to any of the low-income thirds.

For the nonbeneficiaries in the high-income group, the chief sources of income were earnings and interest, dividends, and rent (89 percent for

couples, 76 percent for nonmarried men, and 62 percent for nonmarried women). The beneficiaries in the high-income thirds were much less dependent on these sources because from one-fifth to almost two-fifths of their income came from OASDI benefits.