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# Income and Assets of Medicare Beneficiaries, 2016-2035

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## Introduction

Many Medicare beneficiaries, including seniors and younger adults with disabilities, live on fixed incomes supplemented by the savings they accumulated during their working years. Their income and accumulation of savings is tied to many life experiences, including their education, health status, marital status, number of work years, household income, periods of unemployment, investments, years of homeownership, access to employer retirement benefits, inheritance, other financial supports, and various economic factors. As a result, the income and assets of Medicare beneficiaries vary greatly.<sup>1</sup>

This data brief updates previous work that describes the income and assets of Medicare beneficiaries now and in the future.<sup>2</sup> It incorporates updated projections about the current and future U.S. economy, and the effects of the economic downturn and recovery on current and future beneficiaries' income, savings, and home equity. This brief provides context for understanding the extent to which the current and future generations of beneficiaries can afford to absorb higher health care costs.

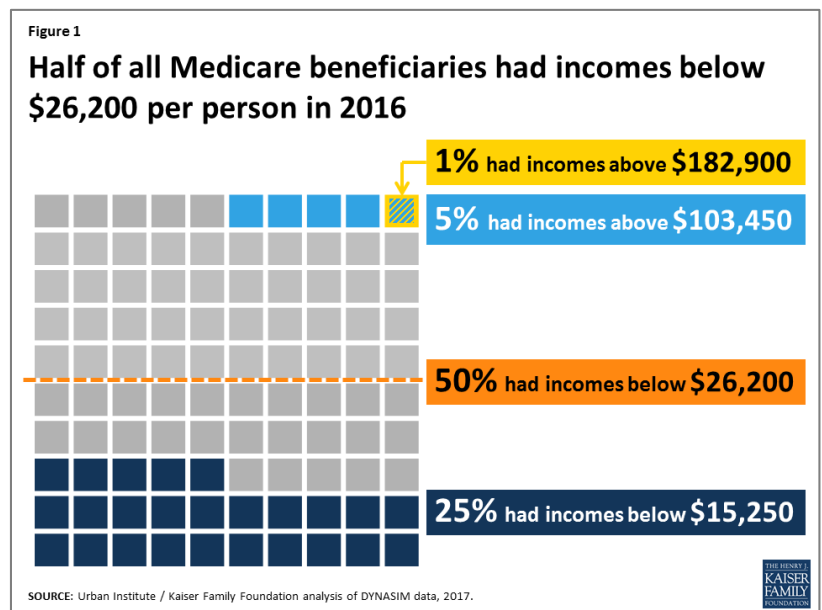
## Income of Medicare Beneficiaries

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

Projected growth in income is adjusted for inflation and all dollar amounts are in 2016 per capita dollars.

### In 2016

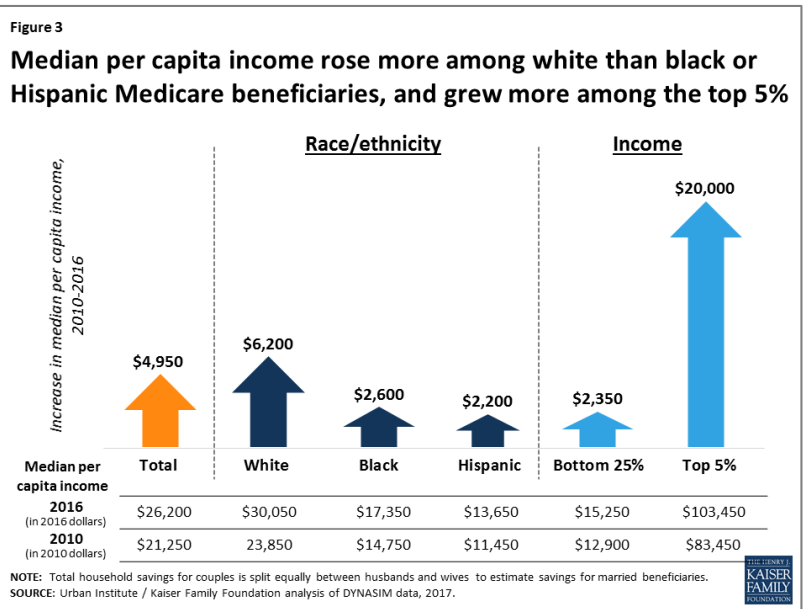
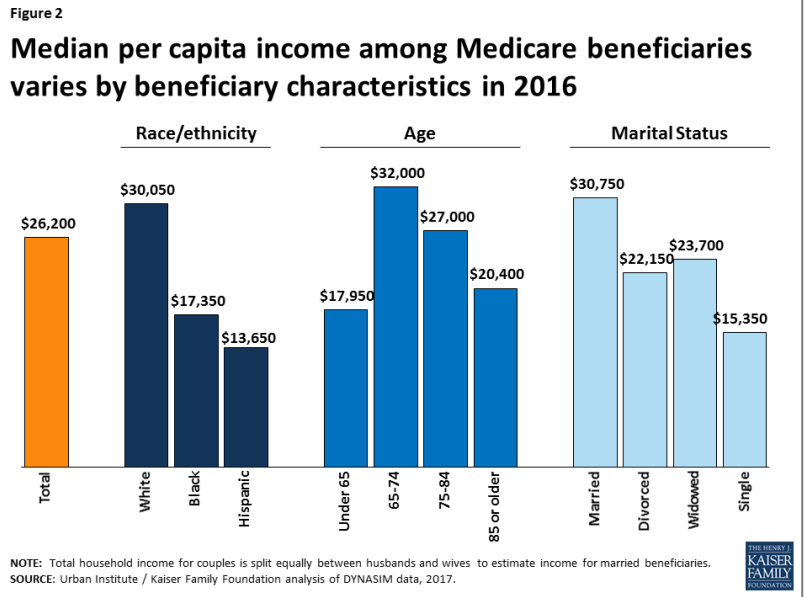
Half of all Medicare beneficiaries had incomes below \$26,200 in 2016, but incomes varied substantially among beneficiaries (**Figure 1**). One-quarter of beneficiaries had incomes below \$15,250, while at the other end of the distribution, five percent had incomes exceeding \$103,450, including one percent who had incomes exceeding \$182,900.



Incomes among beneficiaries varied across demographic characteristics (**Figure 2**). Median per capita income was substantially higher for white beneficiaries (\$30,050) than for black beneficiaries (\$17,350) or Hispanic beneficiaries (\$13,650). Across all ages, median per capita income was lower for beneficiaries under the age of 65 with permanent disabilities (\$17,950) than among seniors. Among seniors, median income declines with age. More than half of all beneficiaries ages 85 and older lived on an income of less than \$20,400 in 2016. Married individuals had higher median per capita incomes (\$30,750 per person) than divorced, widowed or single beneficiaries (\$22,150, \$23,700, and \$15,350, respectively). As might be expected, median income varied by years of education and was more than three-times higher among beneficiaries with college degrees (\$44,700) than among those with less than a high school education (\$14,300) in 2016 (**Table 1**).

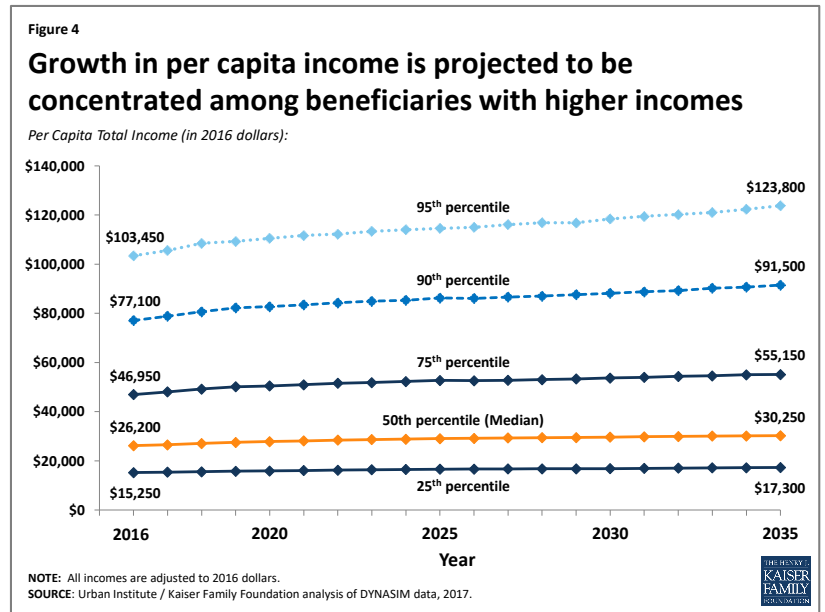
Between 2010 and 2016, the median income of Medicare beneficiaries increased by nearly \$5,000, rising from \$21,250 in 2010 to \$26,200 in 2016 (without adjusting for inflation). However, median incomes increased more for white beneficiaries

(\$6,200) than black (\$2,600) or Hispanic (\$2,200) beneficiaries. Additionally, incomes grew more among the top five percent (\$20,000) than among the bottom quartile (\$2,350; **Figure 3**).



## In 2035

Per capita income among the Medicare population will be moderately higher in 2035 than it is today, after adjusting for inflation; however, much of the growth is projected to be in the upper incomes (Figure 4). Incomes are projected to be 20 percent higher for beneficiaries in the top five percent of the income distribution in 2035 compared to the current generation, an increase of about \$20,350 between 2016 and 2035, after adjusting for inflation. In contrast, per capita income for beneficiaries in the bottom quartile of the income distribution are projected to be about 13 percent higher in 2035 (an increase of just over \$2,000, after adjusting for inflation) and among beneficiaries in the middle of the income distribution, incomes are projected to be just 15 percent (\$4,050) higher in 2035 than in 2016, after adjusting for inflation. In 2035, twenty-five percent of beneficiaries are projected to have incomes below \$17,300 and about half will have incomes below \$30,250. Ten percent of beneficiaries are projected to have incomes above \$91,500 and five percent are projected to have incomes above \$123,800 in 2035, after adjusting for inflation.

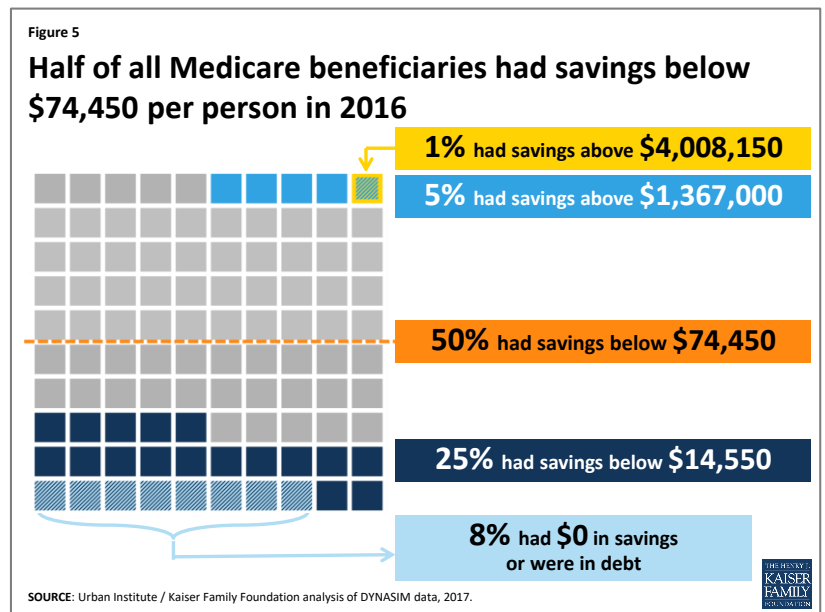


## Savings of Medicare Beneficiaries

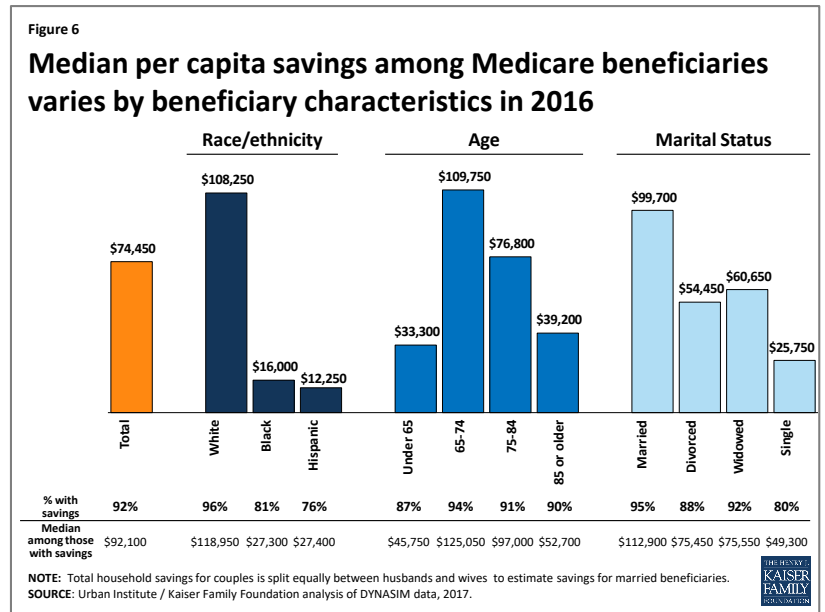
In this analysis, the total savings of the Medicare population includes retirement account holdings (such as IRAs or 401Ks) and other financial assets, including savings accounts, bonds and stocks. Savings are presented on a per person basis; for married people, savings are divided equally between spouses to calculate per capita savings. Projected growth in savings is adjusted for inflation and all dollar amounts are in 2016 dollars.

## In 2016

In 2016, nearly all beneficiaries (92%) had some savings, but eight percent had no savings or were in debt (i.e., negative savings), with median debt of \$950. Half of all beneficiaries had savings below \$74,450, with substantial variation in savings across beneficiaries (Figure 5). One-quarter of beneficiaries had savings below \$14,550, including beneficiaries who had no savings or were in debt. At the other end of the distribution, five percent had more than \$1.3 million in savings, including one percent who had more than \$4 million in savings in 2016.



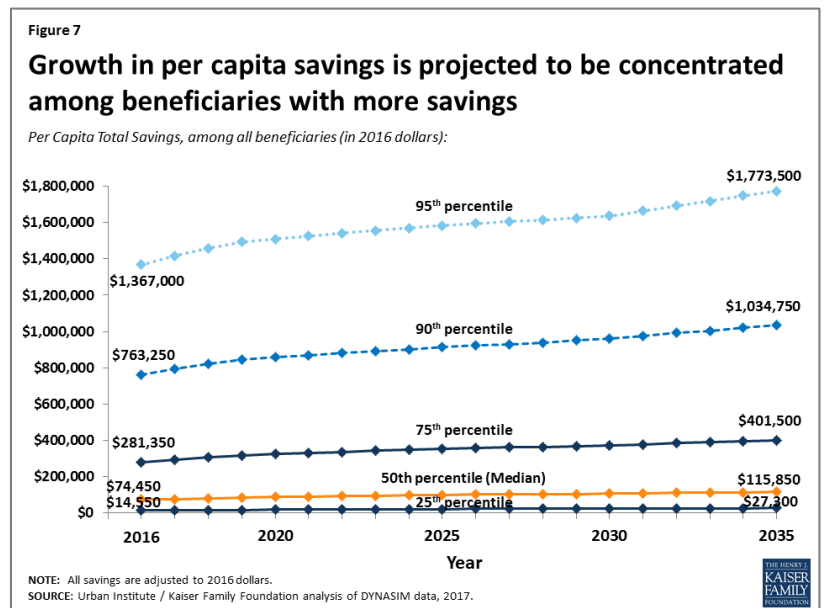
Like income, savings among beneficiaries varied greatly across demographic characteristics (**Figure 6**). While nearly all beneficiaries (92%) had some savings, rates of savings were lower among some groups, particularly black beneficiaries (81%), Hispanic beneficiaries (76%), beneficiaries under the age of 65 with disabilities (87%), and beneficiaries who were divorced or single (88% and 80%, respectively). Median per capita savings among white beneficiaries (\$108,250) was nearly seven times higher than median per capita savings among black beneficiaries (\$16,000) and nearly nine times higher than median per capita savings among Hispanic beneficiaries (\$12,250). Median per capita savings among beneficiaries under the age of 65 and disabled (\$33,300) was lower than for seniors of any age group; among seniors, those ages 85 and older had relatively low savings, with more than half having less than \$39,200 in savings in 2016. Median savings also differed by marital status and was higher among married beneficiaries (\$99,700) than among divorced, widowed, or single beneficiaries (\$54,450, \$60,650, and \$25,750, respectively). Median per capita savings was higher among beneficiaries with more years of education; the median savings of college-educated beneficiaries (\$258,650) was more than 22-times higher than the median savings among beneficiaries with less than a high-school education (\$11,450; **Table 1**).



Between 2010 and 2016, the median savings of Medicare beneficiaries increased by about \$25,050 (without adjusting for inflation). Similar to income, the top five percent of beneficiaries saw larger gains in savings (about \$328,200) than beneficiaries in the bottom quartile (\$5,950) between 2010 and 2016.

## In 2035

Median savings among the Medicare population in 2035 is projected to be somewhat higher than among the current generation of beneficiaries, after adjusting for inflation, with much of the growth in savings expected to be realized among a relatively small share of beneficiaries (**Figure 7**). Among beneficiaries in the top five percent of the savings distribution, savings are projected to be 30% greater (approximately \$406,500) for the next generation of beneficiaries, compared to the current generation of beneficiaries, after adjusting for inflation.



In contrast, among beneficiaries in the middle of the savings distribution, savings are projected to be over \$41,000 higher in 2035 than in 2016, after adjusting for inflation. This difference indicates a widening gap in savings between beneficiaries in the top five percent and middle of the distribution. In 2035, 25 percent of beneficiaries are projected to have savings below \$27,300, including 6 percent who are projected to have no savings or be in debt, and about half of beneficiaries are projected to have savings below \$115,850 in 2035. At the other end of the spectrum, 10 percent of beneficiaries are projected to have savings above \$1 million and 5 percent are projected to have savings above \$1.7 million in 2035, after adjusting for inflation.

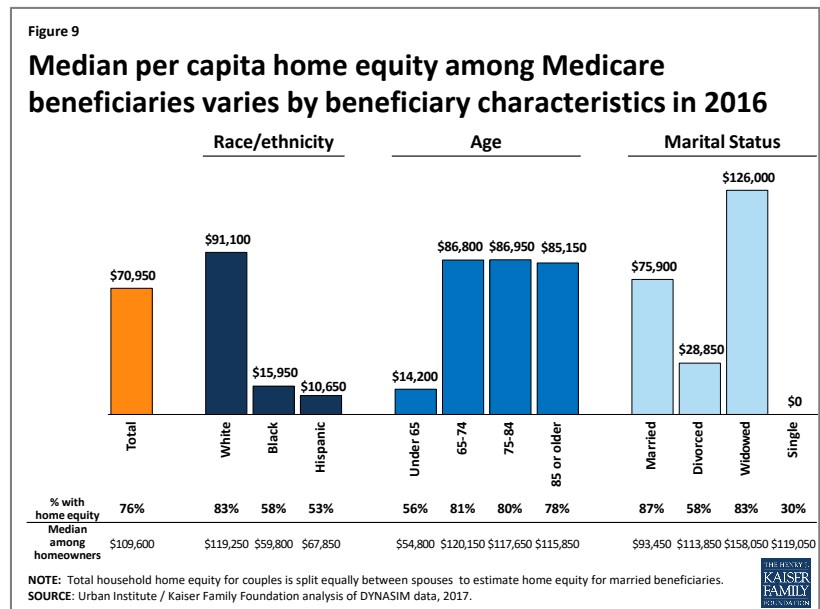
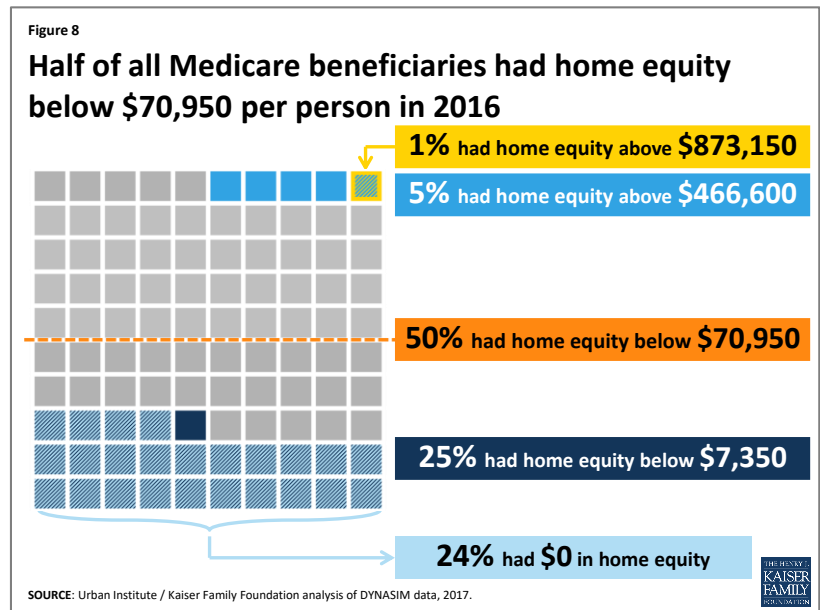
## Home Equity of Medicare Beneficiaries

As with income and savings, home equity values are divided equally between spouses to calculate per capita home equity. Projected growth in home equity values is adjusted for inflation and all dollar amounts are in 2016 per capita dollars. The home equity values shown account for any decrease in home equity values that occurred as a result of the mortgage crisis; it has been estimated that more than 1.5 million Americans over age 50 lost their homes between 2007 and 2011.<sup>3</sup>

### In 2016

Most Medicare beneficiaries (76%) had some home equity in 2016, with substantial variation in the value of their home equity. Half of all beneficiaries had less than \$70,950, and one-quarter had less than \$7,350 in home equity, including 24 percent who had no home equity at all in 2016 (Figure 8). At the other end of the distribution, five percent had more than \$466,000 in home equity, including one percent who had more than \$873,000 in home equity in 2016.

The share of beneficiaries with home equity and the value of home equity differed across demographic characteristics in 2016 (Figure 9). Rates of home equity were lower among single beneficiaries (30%) and divorced beneficiaries (58%) than among married or widowed beneficiaries (87% and 83%, respectively). Home equity rates were also lower among Hispanic and black beneficiaries (53% and 58%, respectively) than whites (83%), and lower among beneficiaries under the age of 65 with disabilities (56%) in 2016.

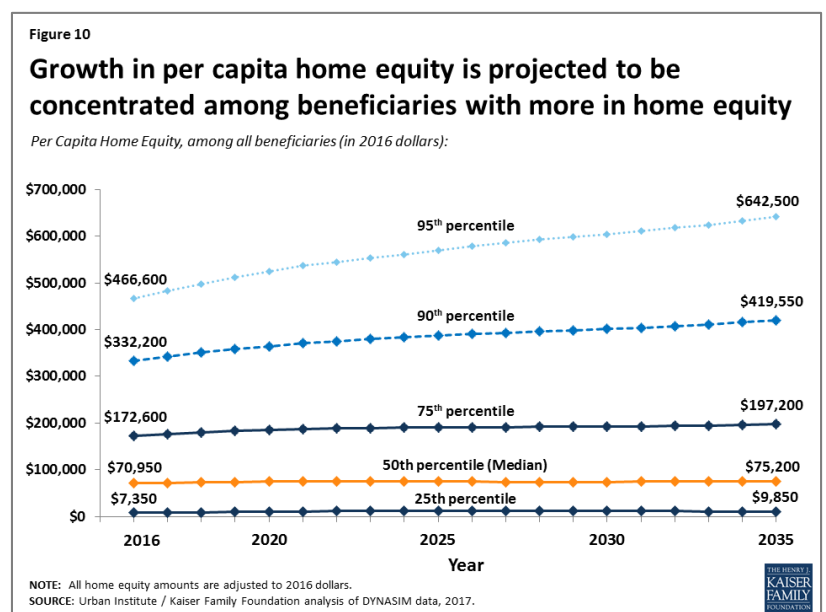


Among beneficiaries with home equity, median per capita home equity was \$109,600 in 2016, with higher home equity values among white beneficiaries (\$119,250) than among black (\$59,800) or Hispanic (\$67,850) beneficiaries. Median home equity among beneficiaries under age 65 with home equity (\$54,800) was less than half the median home equity among seniors with home equity (\$118,850). Among seniors with home equity, the value was slightly higher among 65-74 year olds (\$120,150) than older groups, including beneficiaries ages 85 and older (\$115,850), in 2016. Among beneficiaries with home equity, median home equity values were higher among widowed beneficiaries (\$158,050) than among married, divorced, or single beneficiaries (\$93,450, \$113,850, and \$119,050) in 2016. Among those with home equity, median home equity was also higher among beneficiaries with more years of education, and the median home equity of college-educated beneficiaries (\$164,800) was more than double the median home equity of beneficiaries with less than a high-school education (\$66,650) in 2016 (**Table 1**).

## In 2035

Home equity values among Medicare beneficiaries in 2035, adjusted for inflation, are projected to be moderately higher than they were in 2016, with much of the growth in home equity values among people in the top decile; however, the share of beneficiaries with home equity (76%) is projected to remain flat (**Figure 10**). Median home equity is projected to grow by approximately \$4,250, or six percent, from \$70,950 in 2016 to \$75,200 in 2035, after adjusting for inflation. In contrast, among beneficiaries in the top five percent of the home equity distribution, home equity is projected to be 38 percent higher among the next generation of

beneficiaries than among the current generation, growing by \$175,900, from \$466,600 in 2016 to \$642,500 in 2035, after adjusting for inflation. As a result, the distribution of home equity values is projected to widen over time.



## Conclusion

While a small share of the Medicare population lives on relatively high incomes, most are of modest means, with half of people on Medicare living on less than \$26,200 and one quarter living on less than \$15,250 in 2016. The typical beneficiary has some savings and home equity, but the range of asset values among beneficiaries is wide and varies greatly across demographic characteristics.

Looking to the future, the income, assets and home equity values of Medicare beneficiaries overall are projected to be somewhat greater in 2035 than in 2016 after adjusting for inflation; yet, similar to what has been seen over the past six years, much of the growth is projected to be realized among those with relatively high incomes and assets. As policymakers consider options for decreasing federal Medicare spending and

addressing the federal debt and deficit, these findings raise questions about the extent to which the next generation of Medicare beneficiaries will be able to bear a larger share of costs.

## Methodology

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 2014 OASDI Trustees intermediate cost 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.

Gretchen Jacobson, Shannon Griffin, and Tricia Neuman are with the Kaiser Family Foundation, and Karen Smith is with the Urban Institute.

# Appendix

Table 1. Per Capita Income, Savings, and Home Equity of Medicare Beneficiaries by Selected Demographic Characteristics, 2016 and 2035 (in 2016 dollars)

		2016								2035							
		Share of total Medicare population	Income	Savings			Home Equity			Share of total Medicare population	Income	Savings			Home Equity		
			Median	Median among all beneficiaries	% with savings	Median among beneficiaries with savings	Median among all beneficiaries	% with home equity	Median among homeowners		Median	Median among all beneficiaries	% with savings	Median among beneficiaries with savings	Median among all beneficiaries	% with home equity	Median among homeowners
<b>Total</b>		100%	\$26,200	\$74,450	92%	\$92,100	\$70,950	76%	\$109,600	100%	\$30,250	\$115,850	94%	\$136,300	\$75,200	76%	\$119,150
<b>Race/Ethnicity</b>	White	75%	\$30,050	\$108,250	96%	\$118,950	\$91,100	83%	\$119,250	67%	\$35,750	\$172,750	97%	\$184,400	\$102,250	83%	\$135,350
	Black	10%	\$17,350	\$16,000	81%	\$27,300	\$15,950	58%	\$59,800	12%	\$21,350	\$42,900	88%	\$58,000	\$22,100	60%	\$67,650
	Hispanic	10%	\$13,650	\$12,250	76%	\$27,400	\$10,650	53%	\$67,850	15%	\$17,850	\$33,350	84%	\$51,400	\$28,150	60%	\$81,000
<b>Age</b>	Under Age 65	17%	\$17,950	\$33,300	87%	\$45,750	\$14,200	56%	\$54,800	10%	\$20,750	\$45,950	85%	\$65,450	\$0	50%	\$73,550
	Seniors	83%	\$28,350	\$89,000	93%	\$106,700	\$86,700	80%	\$118,850	90%	\$31,700	\$129,100	94%	\$147,000	\$84,150	79%	\$123,550
	Age 65-74	49%	\$32,000	\$109,750	94%	\$125,050	\$86,800	81%	\$120,150	44%	\$33,650	\$140,350	95%	\$157,900	\$74,050	77%	\$112,050
	Age 75-84	24%	\$27,000	\$76,800	91%	\$97,000	\$86,950	80%	\$117,650	33%	\$30,750	\$127,650	95%	\$144,100	\$88,050	81%	\$125,200
	Age 85 and Older	10%	\$20,400	\$39,200	90%	\$52,700	\$85,150	78%	\$115,850	13%	\$29,050	\$98,050	93%	\$116,750	\$119,700	81%	\$167,050
<b>Gender</b>	Female	55%	\$24,400	\$67,600	91%	\$85,050	\$75,800	77%	\$114,750	54%	\$29,300	\$109,850	93%	\$130,400	\$82,300	77%	\$127,050
	Male	45%	\$28,450	\$83,400	93%	\$101,650	\$65,600	76%	\$103,150	46%	\$31,400	\$123,650	94%	\$143,100	\$67,600	75%	\$110,650
<b>Marital Status</b>	Married	55%	\$30,750	\$99,700	95%	\$112,900	\$75,900	87%	\$93,450	54%	\$33,450	\$135,500	95%	\$150,050	\$78,250	87%	\$95,600
	Divorced	14%	\$22,150	\$54,450	88%	\$75,450	\$28,850	58%	\$113,850	13%	\$26,650	\$100,900	92%	\$121,450	\$46,800	61%	\$137,300
	Widowed	21%	\$23,700	\$60,650	92%	\$75,550	\$126,000	83%	\$158,050	20%	\$31,250	\$114,000	94%	\$131,550	\$155,550	86%	\$193,550
	Single	10%	\$15,350	\$25,750	80%	\$49,300	\$0	30%	\$119,050	14%	\$20,650	\$68,250	87%	\$100,950	\$0	33%	\$170,950
<b>Education</b>	Less than High School	17%	\$14,300	\$11,450	79%	\$21,600	\$22,700	61%	\$66,650	13%	\$14,250	\$18,500	81%	\$31,400	\$19,050	57%	\$66,400
	High School Graduate	37%	\$22,850	\$54,150	92%	\$64,850	\$61,250	75%	\$95,500	33%	\$24,450	\$72,700	93%	\$84,850	\$56,300	73%	\$96,350
	Some College	20%	\$31,150	\$102,650	95%	\$112,550	\$81,600	81%	\$111,600	22%	\$33,050	\$132,850	97%	\$142,450	\$81,300	80%	\$115,050
	College Graduate	26%	\$44,700	\$258,650	97%	\$275,350	\$130,900	85%	\$164,800	31%	\$48,700	\$331,750	98%	\$347,150	\$137,550	85%	\$174,850
<b>Federal Poverty Level</b>	<200% FPL	31%	\$12,600	\$13,700	81%	\$23,250	\$9,550	53%	\$77,250	25%	\$12,850	\$18,850	82%	\$29,150	\$0	48%	\$76,400
	200-399% FPL	28%	\$24,800	\$66,350	95%	\$73,450	\$67,450	80%	\$94,950	27%	\$25,500	\$82,600	96%	\$88,200	\$65,900	78%	\$98,000
	400% FPL or more	41%	\$53,350	\$247,300	98%	\$257,000	\$122,600	92%	\$135,900	47%	\$57,250	\$339,650	98%	\$350,800	\$127,150	90%	\$147,750

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data, 2017.



Table 2. Number of Medicare Beneficiaries by Race/Ethnicity and Other Selected Demographic Characteristics, 2016 and 2035 (in thousands)

		2016				2035			
		Total	White	Black	Hispanic	Total	White	Black	Hispanic
<b>Total</b>		<b>54,000</b>	<b>41,050</b>	<b>5,450</b>	<b>5,050</b>	<b>81,500</b>	<b>56,850</b>	<b>9,150</b>	<b>10,500</b>
<b>Age</b>	Under Age 65	9,650	6,500	1,600	1,150	8,700	5,100	1,550	1,500
	Seniors	44,350	34,600	3,850	3,950	72,800	51,700	7,650	9,000
	Age 65-74	25,400	19,550	2,350	2,350	39,200	26,750	4,550	5,500
	Age 75-84	13,300	10,500	1,100	1,150	25,150	18,600	2,450	2,650
	Age 85 and Older	5,650	4,550	450	450	8,400	6,350	650	800
<b>Gender</b>	Female	29,600	22,500	3,150	2,700	43,800	30,300	5,350	5,500
	Male	24,400	18,550	2,350	2,350	37,750	26,550	3,850	5,000
<b>Marital Status</b>	Married	29,600	23,100	2,250	2,700	44,950	31,900	4,000	6,050
	Divorced	7,500	5,400	1,000	750	10,900	7,700	1,300	1,200
	Widowed	11,800	9,300	1,050	1,000	15,550	11,400	1,500	1,750
	Single	5,200	3,250	1,100	650	10,150	5,850	2,350	1,450
<b>Education</b>	Less than High School	9,900	5,600	1,450	2,400	10,850	4,450	1,450	4,250
	High School Graduate	20,100	15,700	2,250	1,500	27,750	19,550	3,650	3,250
	Some College	10,600	8,550	1,000	600	18,500	13,600	2,250	1,650
	College Graduate	13,400	11,250	750	550	24,450	19,200	1,800	1,350
<b>Federal Poverty Level</b>	<200% FPL	17,850	11,250	2,900	2,800	21,300	11,300	3,800	4,800
	200-400% FPL	15,500	12,050	1,400	1,350	22,450	15,850	2,550	2,750
	400% FPL or more	20,650	17,750	1,200	900	37,750	29,700	2,800	3,000

NOTE: Numbers do not sum to total, because beneficiaries identified as "other" races not shown separately.

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data, 2017.

# Endnotes

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<sup>1</sup> Kaiser Family Foundation, “Wide Disparities in the Income and Assets of People on Medicare by Race and Ethnicity: Now and in the Future,” September 2013.

<sup>2</sup> Kaiser Family Foundation, “Income and Assets of Medicare Beneficiaries,” September 2015, <http://kff.org/medicare/issue-brief/income-and-assets-of-medicare-beneficiaries-2014-2030/>.

<sup>3</sup> Trawinski, Lori, “Nightmare on Main Street: Older Americans and the Mortgage Market Crisis,” AARP Public Policy Institute, July 2012.