Changing Demographics of the Retired Population

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The retired portion of the population will grow dramatically as the baby boomers slip into retirement over the next two decades. The Social Security Administration's Office of the Chief Actuary projects that the number of Social Security Old-Age and Survivors Insurance beneficiaries per 100 workers will increase from 25 beneficiaries in 2000 to 26 in 2010, 32 in 2020, and 39 in 2030 (Social Security Administration 2005, p. 55). While most attention has been focused on the projected increase in the *number* of retirees, the demographic *composition* of the population at ages 62 and over—the age at which people first become eligible to receive Social Security retirement benefits—will also be changing significantly. These demographic changes, presented in figure 1, have implications for the well-being of future retirees.

Newly eligible retirees are increasingly better educated, but that will level off after 2012. Among those who reached age 62 in 1993–97, 27 percent were high school dropouts, 56 percent were high school graduates, and 17 percent were college graduates. In contrast, for the early baby boomer birth cohorts, who will be 62 in 2008–2012, 30 percent are college graduates and only 12 percent high school dropouts. These percentages will remain roughly constant for future birth cohorts through those that turn 62 in 2028–2032. Non-Hispanic whites are declining as a share of the 62 and over population and will continue to decline
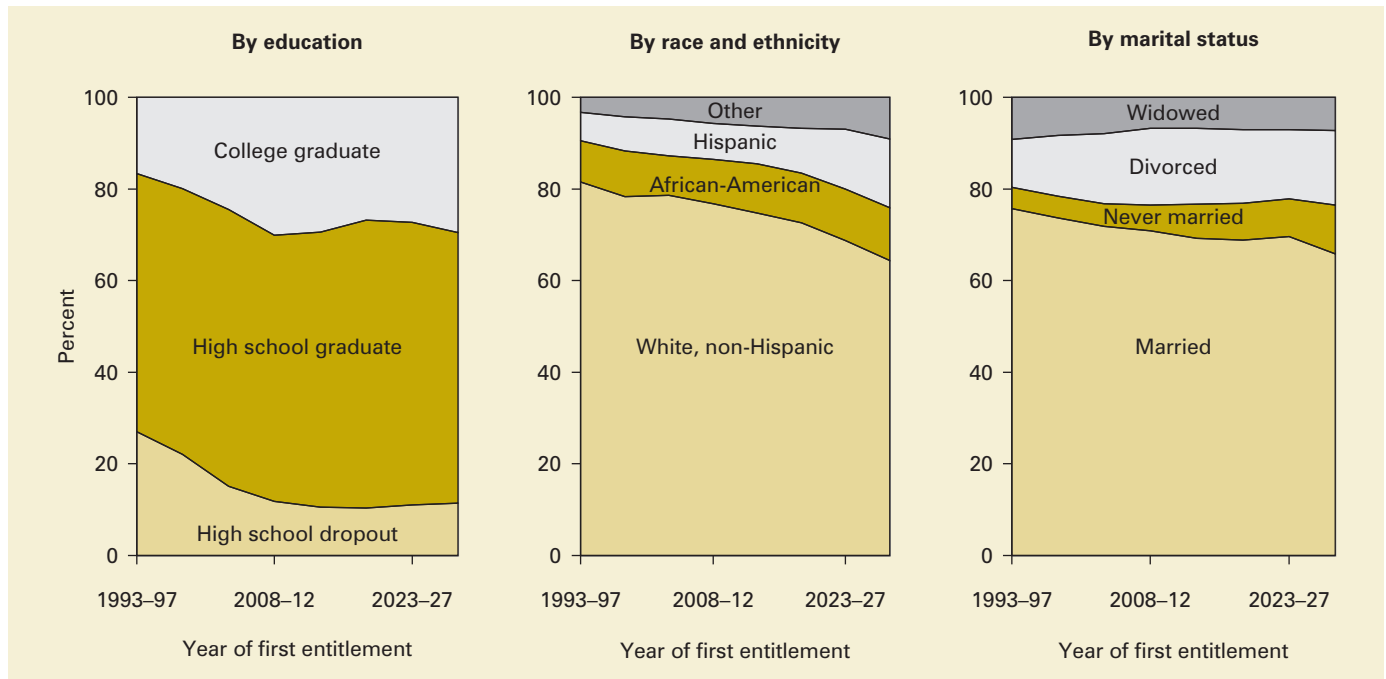
for the next few decades. Non-Hispanic whites were 82 percent of 62-year-olds in 1993–97, but are 79 percent of 62-year-olds in 2003–07 and will be only 64 percent of 62-year-olds in 2028–2032. The share of African Americans in this population will rise moderately from 9 percent in 2003–07 to 12 percent in 2028–32, but over the same period the share of Hispanics will jump from 8 to 15 percent and the share of other groups (including Asian Americans) will increase from 5 to 9 percent.

The portion of married or widowed among those eligible for retirement is dropping and will continue to drop. Between 1993–97 and 2003–07, the share of married 62-year-olds declined from 76 to 72 percent; in 2028–32, it will continue to decline to 66 percent. Shares of 62-year-olds who were never married will increase sharply from 5 percent in 2003–07 to 11 percent in 2028–2032. The share of divorced 62-year-olds has gone up from 10 percent in 1993–97 to 15 percent in 2003–07, but is expected to stabilize after the first baby boomer cohorts reach retirement age in 2008–12.

The changing demographics of the retiring population have consequences for Social Security financing and retirement policies. The shifting marital status and racial composition of the population will increase the numbers of retirees in groups (divorced women and minorities) who have been at higher risk of poverty. Fewer married or widowed retirees, in combination with increases in relative earnings of married women, will reduce the number of workers receiving spousal and survivor benefits and increase the share receiving benefits based on their own earnings. Improved education is associated with gains in workers' lifetime earnings and associated increases in Social Security retirement benefits, but the stabilization of education levels, beginning with the late baby boomer cohorts, means that this one source of earnings growth will no longer contribute to higher retirement benefits in the future.

FIGURE 1. *Characteristics of Retirees by Year of First Entitlement*

By education

By race and ethnicity

By marital status

College graduate

High school graduate

High school dropout

Percent

1993–97   2008–12   2023–27

Year of first entitlement

Other
Hispanic
African-American

White, non-Hispanic

1993–97   2008–12   2023–27

Year of first entitlement

Widowed

Divorced

Never married

Married

1993–97   2008–12   2023–27

Year of first entitlement

Source: Urban Institute projections from Modeling Income in the Near Term 4 (MINT4).

Note

Data for this report come from simulations using **version 4 of Modeling Income in the Near Term** (MINT4), developed by the Urban Institute for the Social Security Administration (http://www.urban.org/UploadedPDF/411191_MINT4.pdf).

Reference

Social Security Administration. 2005. *The 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*. House Document 109-1. 109th cong., 1st sess., Apr. 5. http://www.ssa.gov/OACT/TR/TR05/tr05.pdf.