

Past 65 and Still Working: Big Data Insights on Senior Citizens' Financial Lives

Every day, roughly 10,000 baby boomers turn 65.¹ Some will “retire” in the traditional sense of the word. Many will keep working, though, and others will rejoin the workforce later on. The share of Americans who work beyond traditional retirement age has increased, raising important questions. How has this trend impacted seniors’ income and spending? And how can policymakers best help working seniors, especially those who are struggling financially?

Using data on millions of anonymized Chase customers, the JPMorgan Chase Institute is able to provide a unique lens on the financial lives of seniors, including those still in the workforce.

Our research shows that a rising number of seniors are supplementing their income—in non-trivial amounts—by participating in the “gig economy”, or Online Platform Economy.² We also observe that income volatility is considerable for seniors, especially those in the workforce. This high volatility can be a major financial strain yet is often avoidable, providing an opportunity for policymakers to help. Finally, our data show that, despite rising participation in the labor force, seniors’ spending has been weakening over the past couple of years, most notably in many western and southern cities.

Fast Facts

- Roughly 1 percent of seniors, or over 400,000 seniors, have turned to the Online Platform Economy to earn money
- Seniors who participated in online platforms were *more reliant* on them for income than younger adults on average
- Seniors’ increasing participation in the workforce boosts their income but also raises their income volatility, which averages 20% month-to-month
- Growth in local spending among seniors has decelerated by 7.6 percentage points over the past two years, a larger slowdown than among other adults
- Among 15 metro areas where we track spending, cities in the West and South saw the biggest slowdowns in spending by seniors

A New Source of Income for Seniors: Online Gigs

An increasing number of seniors are supplementing their income through the Online Platform Economy. Many online platforms are especially well suited for seniors in that they permit flexible work and allow

¹ Social Security Administration <<https://www.ssa.gov/performance/2012/APP%202012%20508%20PDF.pdf>>

² We define the Online Platform Economy as economic activities involving an online intermediary that provides a platform by which independent workers or sellers can sell a discrete service or good to customers. Labor platforms, such as Uber or TaskRabbit, connect customers with freelance or contingent workers who perform discrete projects or assignments. Capital platforms, such as eBay or Airbnb, connect customers with individuals who rent assets or sell goods peer-to-peer. Please see our report Paychecks, Paydays, and the Online Platform Economy (Farrell, Greig 2016) for more information.

people to generate income from accumulated assets. Accordingly, further growth in participation by seniors appears quite possible.

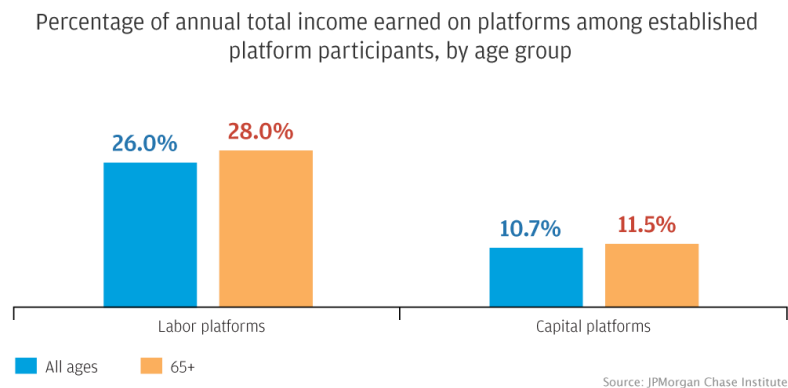
Among all adults, participation in the Online Platform Economy has been growing very quickly. To measure this growth, we assembled a dataset of over 260,000 anonymized Chase customers who earned income from at least one of 30 distinct platforms between October 2012 and September 2015—the largest sample of platform earners to date. During this period, the cumulative participation rate grew from 0.1% of adults to 4.2%, a [47-fold growth](#).

Although most participants in the platform economy are younger workers, seniors are not standing on the sidelines. In the 12 months ending in September 2015, about [0.9 percent](#) of seniors were providers in the platform economy, compared to 3.1 percent of the general population. With over 47 million seniors in America, this translates to over 400,000 seniors participating in the platform economy.³

For those seniors who do participate, their earnings are often substantial. In [our research](#), we distinguish between labor and capital platforms. Labor platforms, such as Uber or TaskRabbit, connect customers with freelance or contingent workers who perform discrete projects or assignments. Capital platforms, such as eBay or Airbnb, connect customers with individuals who rent assets or sell goods peer-to-peer.⁴

Those seniors who were established participants in labor platforms derived 28.0 percent of their total income from those platforms.⁵ Seniors who were established participants in capital platforms derived 11.5 percent of their income from those platforms. These shares were higher for seniors than the average shares across all adults. In other words, those seniors who did participate in online platforms were *more reliant* on them for income than younger adults on average.

Figure 1: Participating Seniors Got Bigger Share of Income from Online Platform Economy than Younger People



This new source of income is certainly welcome for many seniors. At Uber, the majority of drivers report that working for the platform [improves their income](#) and financial security. Among all Uber drivers, [24% were 50 years](#) or older and 3% were formerly retired, according to a report last year. Furthermore, the American Association of Retired Persons (AARP) has [partnered with Uber](#) to enlist more seniors as drivers. According to the New York Times, [nearly 600](#) new senior drivers were enlisted into Uber by early this year through this program. Likewise, other platforms are finding seniors to be great providers. At home-rental platform AirBnB, people aged 60+ are the [fastest-growing](#) and best-reviewed age group on the platform. At labor platform

³ According to Census Bureau [estimates](#), the population of people aged 65 and higher was 47,760,852 in 2015. In our report *Paydays, Paychecks, and the Online Platform Economy*, we discuss in Part 2 of the Appendix several reasons why our estimates of platform economy participation rates may be biased upward or downward because of our data sample and chosen time frame. We also note that our estimates of participation rates are on the low end when compared with what other studies have found.

⁴ Examples are listed to illustrate the definition of labor versus capital platforms and do not imply that we have identified income from these specific platforms.

⁵ We define "established participants" as those who also received platform income at any point in the two years before October 2014.

DogVacay, which connects pet sitters with owners, people over the age of 50 constitute 25 percent of sitters and are the [fastest growing segment](#).

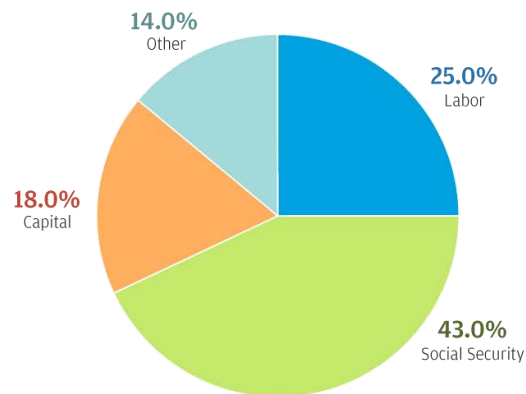
Going forward, policymakers should pay close attention to this phenomenon and consider how to protect and promote the welfare of all platform workers, including seniors. Social safety net programs like unemployment insurance, workplace benefits, and other protections available to most workers under the law are often inaccessible to platform workers, who are commonly classified as independent contractors. Additionally, platform employment opportunities do not typically withhold taxes from take-home pay. As a result, more low- to middle-income seniors might find that they [have to make tax payments](#) and might even owe tax underpayment penalties. Innovations to predict and automatically withhold or save taxes owed could help these workers avoid owing significant payments at tax time.

Work Brings More Income But Also More Volatility

The growth in seniors’ participation in the Online Platform Economy is part of a bigger trend, as more seniors are participating in the labor force broadly. This is bringing them more income, but also more income volatility.

It is not surprising that seniors, as a group, derive the largest portion of their income from Social Security—43 percent, according to an anonymized sample of Chase customers. What may be more surprising is that, as a group, seniors receive about 25 percent of their income from their labor,⁶ according to our [recent study](#). This share is certainly much less than for younger adults (who derive over 70% of their income from labor), but it is still sizable.

Figure 2: Seniors Get 25% of Income from their Labor



Source: JPMorgan Chase Institute

What’s more, that 25% share may be rising. The percent of seniors who are in the labor force has been increasing quickly—from 20.7% in 2009 to 23.1% in 2015—even as the share of younger people in the labor force has declined.⁷ And there is reason to believe that more and more seniors will linger within or rejoin the labor force. In 2016, [26%](#) of surveyed baby boomers said they now plan to retire at age 70 or older, up from only 17% five years earlier.

An increase in labor income certainly benefits seniors’ financial health. That benefit does come with a caveat, though: whereas social security payments are steady, seniors’ labor income often isn’t. And income volatility can be a problem for financial security.

⁶ This finding comes from our February 2016 report “Paychecks, Paydays, and the Online Platform Economy”, which relies on a sample of 1 million core Chase customers. Differences between our figures and other national measures of the sources of income may reflect the fact that our figures represent take-home pay (i.e. after tax, deductions, etc.). For comparison, according to a Social Security Administration analysis of the Bureau of Labor Statistics’ Current Population Survey (2013), the share of income among people aged 65 and above that comes from earnings is 33 percent.

https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2015/fast_facts15.pdf

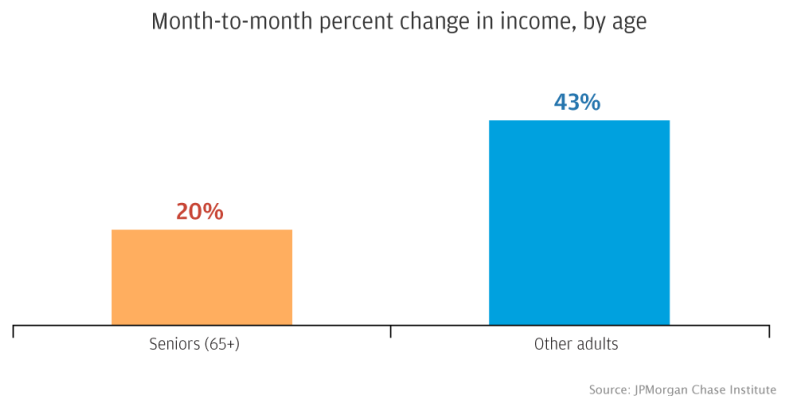
⁷ BLS, Current Population Survey (Household Survey). Data for seniors applies to non-disabled civilians.

According to our data, seniors (those 65 years and older) see their income swing by 20% month-to-month on average. Although this is lower than the 43% average monthly income volatility for younger age groups, it is still considerable. Furthermore, those seniors who are in the workforce are likely experiencing much higher than 20% monthly income volatility, as our data show that labor income is 10 times more volatile than social security income.

Figure 3: Seniors Experience Significant Income Volatility

This variation in income can be a real problem for many working seniors, especially those who live on a strict budget. Income volatility matters because it is hard to manage and because many seniors lack the financial buffer necessary to weather the volatility.

The combination of volatile income and a limited financial buffer can create hardship for seniors when trying to meet regular expenses, and even more hardship when expenses fluctuate. Medical costs are a prime example of a large and often unpredictable expense for seniors. Although seniors tend to gradually shrink their expenditures across nearly all spending categories as they age (by about 25-30% overall during their late 60s, 70s and 80s), healthcare is the one category where spending tends to rise as people age.⁸



Policies could be designed to smooth out spikes and dips in income over time, enabling seniors (and others) to better manage their budgets. Moreover, better financial education or new financial products could help seniors to anticipate income fluctuations and plan accordingly. For example, our research indicates that 61 percent of all adults experienced a pay spike some time between December and March that resulted in a 30 percent (on average) temporary increase in pay. With good planning, the proceeds from these predictable income surges can help seniors with financial obligations through the remainder of the year.

Senior Spending Slowdown

Despite the rising share of seniors who are working longer, seniors as a group have been curtailing their spending recently.

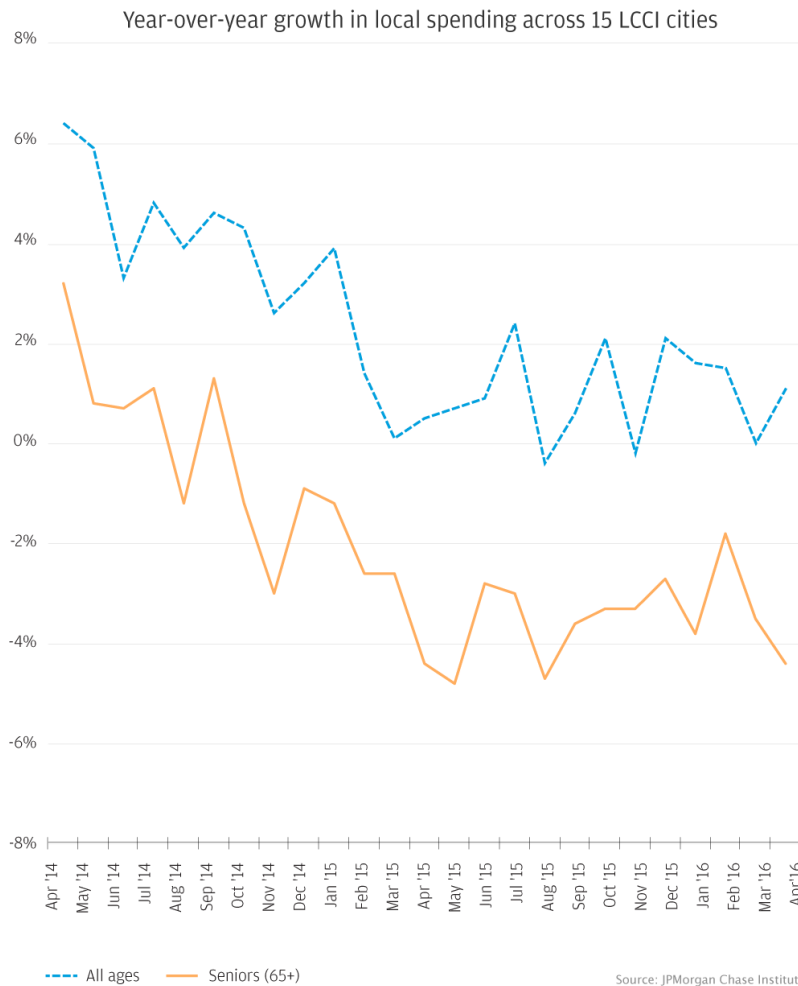
Our [Local Consumer Commerce Index](#) (LCCI) tracks everyday spending by seniors (along with many other segments of the population) in 15 major metro areas. This new data set—which leverages over 16 billion transactions by more than 54 million Chase customers—provides a timely view on seniors’ spending that was previously unavailable.

⁸ Average total spending falls from \$50,962 for households aged 55-64 to \$36,206 for households aged 75+, while healthcare spending is observed to rise during later years of life. (Source: J.P. Morgan Asset Management analysis of 2014 Consumer Expenditure Survey data, in “Guide to Retirement” [2016])

Over the past couple of years, we see in the figure below that spending by seniors in 15 major U.S. metro areas has decelerated significantly. This deceleration has been more severe than the slowdown in spending by other age groups.⁹

We also see that spending by seniors has decelerated in nearly all metro areas, with Atlanta being the only exception. The slowdown in spending has been more moderate in four metro areas in the Northeast and Midwest and more severe in the West and South.

Figure 4: Spending by Seniors has Decelerated over Past 2 Years



Change in growth rate from April '14 to April '16, in percentage points (pp)	
Seniors (65+)	-7.6pp
All ages	-5.3pp

⁹ Note that spending growth rates for younger age groups will tend to be structurally higher than for older people because of life cycle spending effects and how we structure our sample. Age bands in our analysis are constructed as a moving window view. For example, the growth calculation for 25-34 year olds in a given month compares 24-33 year olds from last year to the 25-34 year olds in the current year. The consequence of this choice is the structural inclusion of life cycle effects. To the extent that the under-25 group includes the ages at which most people enter the workforce, incomes and expenses tend to grow. The opposite is true for people leaving the workforce in the over-65 group.

Figure 5: Seniors' Spending has Slowed in 14 of 15 Major Cities Over Past 2 Years

Change in growth rate* from April '14 to April '16, in percentage points (pp)		
Atlanta, GA	+4.9pp	Seniors' spending accelerated in Atlanta
Columbus, OH	-0.8pp	Seniors' spending decelerated mildly in these Northeast and Midwest cities
New York, NY	-1.8pp	
Chicago, IL	-3.2pp	
Detroit, MI	-3.2pp	
Portland, OR	-3.4pp	Seniors' spending slowed most in these West and South cities
Phoenix, AZ	-3.4pp	
Dallas, TX	-4.7pp	
Los Angeles, CA	-5.2pp	
San Diego, CA	-5.6pp	
San Francisco, CA	-5.8pp	
Miami, FL	-6.0pp	
Seattle, WA	-6.8pp	
Denver, CO	-6.8pp	
Houston, TX	-8.6pp	

*growth is measured as the 3 month moving average of the year-over-year growth rate to smooth out volatility

Source: JPMorgan Chase Institute

Why has spending slowed more for seniors than for other age groups? Our research to date doesn't shed direct light on this question of causality. We do, however, observe a few economic phenomena wherein seniors have been left worse off in the past two years, at least relative to other adults or to previous years.

First, the stock market has been pretty flat (on net) since early 2015 after rising steadily and strongly over the previous 5 years.¹⁰ Compared to other age groups, seniors [hold more financial assets](#) and receive a far [higher share](#) of income from their assets. Admittedly, financial asset holdings are concentrated among higher income seniors, but total spending by seniors will be disproportionately driven by this group also.

Second, seniors saved less on gas in 2015 and 2016 than other age groups, principally because they drive only about [half as much](#) as younger people on average. Our data reveal that the average reduction in gas spending from 2014 to 2015 among seniors living in 15 major metro areas was only \$383, compared with \$526 for other adults. In other words, younger adults received a "stimulus" from gas savings that was 37% larger than seniors', perhaps helping younger people to maintain higher spending growth.

Finally, social security payments did not increase from 2015 to 2016, something that has occurred only three times in the past 40 years. This happened because headline [inflation was negative](#) in 2015 (largely on

¹⁰ Total returns on the S&P Target Date 2010 Index (which tracks portfolios that have a mix of equities and fixed income deemed suitable for somebody who retired in 2010) has followed a similar path. Ticker: SPTGT10T.

account of the steep fall in gas prices), and annual adjustments to social security are indexed to inflation.¹¹ By way of contrast, the average upward “cost of living adjustment” had been [2.4% per year](#) over the previous decade. In other words, seniors missed out this year on an income boost that is typically a few hundred dollars.¹² Given that this effect did not occur until January 2016, it cannot explain the deceleration in seniors’ spending since mid 2014. That said, it may well be a significant factor to keep in mind moving forward.

A Little Help Could Go a Long Way

With the baby boom generation reaching traditional retirement age, the ranks of senior citizens are swelling. This demographic wave makes it especially important for policymakers, nonprofit leaders, and business decision-makers to understand the financial lives of seniors. The Institute’s research to date has shed new light on this topic, specifically providing insights on seniors’ income volatility, their participation in the online platform economy, their savings from lower gas prices, and how much they are spending in local markets. These insights show that, while there are many seniors who cannot afford to quit working just yet, smart policies and new labor market opportunities could help them onto a sounder financial footing. Leveraging the unique power of our data asset, we will continue to provide a lens on seniors’ financial lives in our future research.

The JPMorgan Chase Institute is committed to delivering data-rich analyses and expert insights for the public good. In our recently released report [The Consumer Response to a Year of Low Gas Prices](#), we quantified the impact of lower gas prices in 2015 on consumer spending across the nation. Our regularly updated [Local Consumer Commerce Index](#) measures the monthly year-over-year growth rate of everyday debit and credit card spending by over 50 million [anonymized](#) Chase customers across 15 cities in the U.S.

¹¹ The Social Security Cost-of-Living-Adjustment (COLA) is based on the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the previous year to the third quarter of the current year.

¹² The median annual Social Security payment for persons 65 and older was \$14,425 in 2014. Data for 2015 are not yet available, but we assume based on the 2015 COLA being 1.7% that the median annual benefit was slightly higher in 2015. This means that, had headline inflation been 2% in 2015, the median annual Social Security payment would have risen by roughly \$300 in 2016. Those seniors receiving the 2015 maximum allowable annual benefit (\$31,956) would have missed out on a \$639 increase in 2016 in this hypothetical scenario.