

Published by

UCLA Center for Policy
Research on Aging
USC Ethel Percy Andrus
Gerontology Center
UCLA Chicano Studies
Research Center

In partnership with

the National Hispanic
Council on Aging, the
National Association
of Latino Elected and
Appointed Officials, and
the National Council of
La Raza

This project is made
possible through
a grant from the
Ford Foundation

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WHO ARE THE LATINO BABY BOOMERS? Examining the Demographic and Economic Characteristics of a Hidden Population

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AND FERNANDO TORRES-GIL

A momentous demographic shift began in the United States in 2008, as the oldest members of the baby boom generation became eligible for early retirement under Social Security. Recently, national attention became focused on another demographic shift, as the Latino population replaced African Americans as the largest U.S. minority (U.S. Census Bureau 2008). Although each of these changes has been recognized as significant and historic, little research has examined those individuals who fall into both categories: the Latino baby boomers, who numbered 8 million in 2000 (fig. 1) (U.S. Census Bureau 2000).

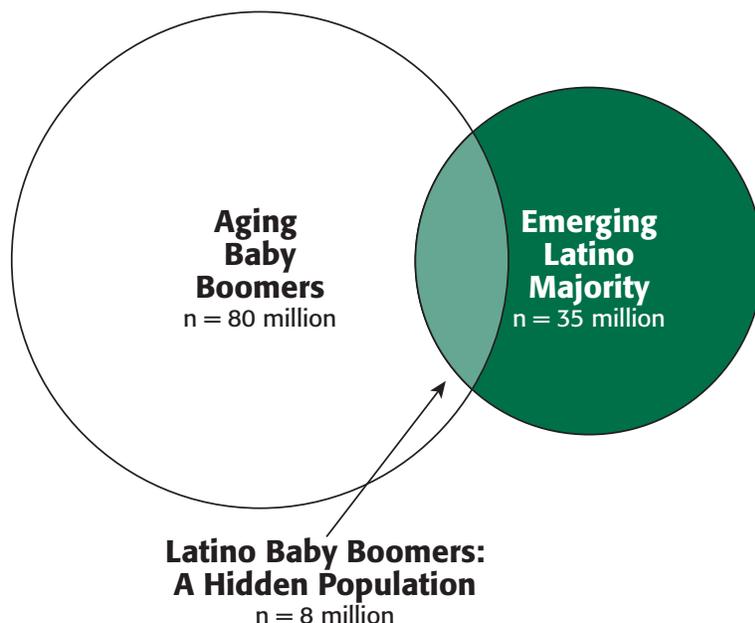
As the convergence of an aging population and a growing minority, Latino boomers are

an important bellwether of demographic change. Yet they remain a largely hidden population, with little understood about their sociodemographic and economic characteristics. This research report explores what is known and not known about the 10 percent of baby boomers who are Latino and describes a research agenda that will assess the impact that their aging might have on public policy, corporate policy, communities, families, and individuals.

The Demographic Context

The United States stands on the threshold of a dramatic increase in its older adult population. Between 1900 and 2000, the

Figure 1. The Confluence of Two Important Demographic Groups





proportion of older adults grew from 4 percent of the U.S. population to 13 percent, or close to 35 million people (Hoyer and Roodin 2003). This increase—the “Graying of America”—will soon be compounded by the baby boomers. Comprised of 80 million individuals born between 1946 and 1964, the boomers are the largest generation in this nation’s history. Some studies estimate that by 2030 the population of adults aged sixty-five and older will reach more than 65 million, or over 20 percent of the U.S. population (Hoyer and Roodin 2003).

U.S. society is also becoming considerably more culturally diverse: Racial/ethnic minorities, which constituted 28 percent of the population in 1997, are expected to make up nearly 50 percent of the U.S. population by 2050. The largest increase will be among Latinos, whose proportion of the U.S. population is expected to double between 1997 and 2050, growing from 12 percent to 24 percent (Hendley and Bilimoria 1999), and whose older adult population is expected to almost triple, reaching 16 percent by 2050 (Beedon and Wu 2004).

Much has been written about the economic status of the baby boomers and how the aging of this generation will affect the United States. Little is known, however, about the specific characteristics of Latino baby boomers, their current economic status, and the effect that retirement might have on the financial security of this growing population. Although research has posed these questions for Latinos as a whole and for baby boomers of all races and ethnicities, there is a dearth of information specifically about Latino baby boomers.

The Latino Population

The term *Latino* is used to identify individuals whose origin is “Mexican, Puerto Rican, Cuban, South or Central American, or other Spanish culture or origin, regardless of race” (Office

of Management and Budget 1997). Although this population is composed of many subgroups from different backgrounds, more than half of Latinos in the United States are of Mexican heritage, and the majority of Latinos were born in the United States (Pew Hispanic Center 2008). The remaining Latino population is spread relatively evenly among Cubans, Puerto Ricans, and Central and South Americans.

LOW SOCIOECONOMIC STATUS THREATENS POVERTY IN RETIREMENT

As a whole, the Latino population scores poorly on the primary indicators of socioeconomic status. For example, compared with the other major racial/ethnic groups, Latinos have the lowest education levels. In 2006, only 59 percent of Latinos over age twenty-five had obtained a high school degree or higher. In contrast, 81 percent of non-Latino blacks and 90 percent of non-Latino whites had reached the same educational level. It is important to point out that this is a vast improvement from the 1980s, when the same measure generated scores of 44 percent for Latinos, 51 percent for non-Latino blacks, and 72 percent for non-Latino whites (Snyder, Dillow, and Hoffman 2007).

Irrespective of the reasons for this education gap, low education levels lead Latinos into jobs with lower incomes. Income levels among the Latino population have been documented as being lower than those for every other segment of the population. A recent report showed median Latino personal earnings as \$20,124. This compares with \$22,941 for non-Latino blacks, \$30,186 for non-Latino whites, and \$30,991 for non-Latino Asians (Pew Hispanic Center 2008). In addition, low-paying jobs often provide minimal pension and healthcare benefits or no benefits at all.

Concurrent with their low education and income levels, Latinos tend to have lower rates of health insurance

coverage. A recent study that examined the uninsured showed a disparity of 22 percentage points between Latino and non-Latino white populations (Reschovsky, Hadley, and Nichols 2007). Between 1987 and 2004, the proportion of Latinos who were uninsured ranged from 30 percent to 35 percent, whereas the proportion of uninsured non-Latino whites was between 10 percent and 12 percent. Non-Latino blacks bisected these two populations, with rates between 19 percent and 22 percent. Furthermore, Baughman (2005) reported that nearly half of poor full-time workers have no insurance. This far exceeds the average for the U.S. population as a whole, which is approximately 15 percent (Reschovsky, Hadley, and Nichols 2007).

LATINOS EXPERIENCE A CUMULATIVE DISADVANTAGE

The Latino population, having experienced a lifetime of relative hardship, can be expected to exhibit the effects of “cumulative disadvantage” as they enter old age and retirement. Cumulative disadvantage, or “the tendency of negative life events to have an enduring and multiplying impact over the life course” (Moody 2002, 466), can be seen in indicators of health as well as financial security. Although Latinos have long been known to have a higher incidence of disability (see, for example, Rudkin, Markides, and Espino 1997), a recent study has shown that these high disability rates are largely a result of differences in health and socioeconomic factors (Dunlop et al. 2007). This is a clear manifestation of cumulative disadvantage within the Latino population.

GREATER LONGEVITY INCREASES FINANCIAL STRAIN

Although a large proportion of the Latino population has poor health status, Latinos exhibit a longer life expectancy than the general population does. Latino men aged

sixty-five in 2004 were expected to live four years longer than the average, and their female counterparts could expect an additional three years of life compared to the average sixty-five-year-old woman (Social Security Administration 2004). These years of increased life place additional financial burdens on Latino older adults. Not surprisingly, Latinos typically underutilize savings accounts (Ibarra and Rodriguez 2006) and have grossly inadequate assets in their retirement accounts (Orszag and Rodriguez 2005). As a result, over a quarter of Latino households have historically exhibited zero or negative net worth (Kochhar 2004), leaving them highly vulnerable to economic downturns.

Latinos' low income levels and lack of savings predictably lead to aggravated economic problems in old age. In 2004, 43 percent of Latinos aged sixty-five and over were classified as being near-poor or worse, with incomes below 150 percent of the poverty threshold. This figure was nearly twice the rate of the general U.S. population aged sixty-five and over, of which 25 percent fell below 150 percent of the poverty threshold (Wu and Beedon 2004). Because of this staggeringly high level of hardship, a disproportionate number of older Latinos have come to rely on public programs such as Social Security for most of their monthly income. According to the Social Security Administration, 58 percent of unmarried older Latinos rely on Social Security for 90 percent of their income. Likewise, nearly two of every five older Latino couples—39 percent—get 90 percent of their income from their earned Social Security benefits (Social Security Administration 2004).

Characteristics of Baby Boomers

Although baby boomers as a group are more heterogeneous than older generations are, it is important to identify the

shared characteristics that separate them from other generations. Following historical trends, baby boomers are more highly educated than their predecessors, but they are surpassed in educational attainment by successive generations (U.S. Census Bureau 2007). Despite their high levels on this socioeconomic indicator, baby boomers appear to be in worse health than those individuals born in the two decades before 1946. Some studies suggest that baby boomers have relatively high levels of chronic conditions such as obesity and arthritis (see, for example, Leveille, Wee, and Iezzoni 2005), and relatively low scores on measures of self-reported health (Chen, Cohen, and Kasen 2007).

THE ECONOMIC OUTLOOK IS UNCLEAR

Beyond basic demographic and health characteristics, a number of publications have focused on the economic status of baby boomers. Although much of this research uses questionable methodology or unreliable projection techniques, a few publications offer important comparisons between baby boomers and previous generations in terms of income, wealth, and financial security.

As the baby boomers were coming of age, researchers expressed concern over what the boomers' economic position would be when they neared retirement. While sociological and economic projections indicated that boomers would be the first generation to fall below their parents' economic standing in retirement, these fears have been largely assuaged. More recent studies have established that baby boomers will surpass their parents' retirement wealth (Easterlin, Schaeffer, and Macunovich 1993).

The research presented below suggests that baby boomers indeed appear to be better off than were previous generations. Based on these trends, one might expect younger baby boomers (a.k.a. "late boomers," born from

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1956 through 1964) to have higher levels of economic status than older baby boomers (a.k.a. "early boomers," born from 1946 through 1955) when they retire (fig. 2). Research indicates, however, that younger boomers will fare no better than older boomers in terms of retirement wealth and financial security.

WEALTH DISTRIBUTION

A recent study provided a comparative view of baby boomers' pre-retirement wealth based on data from the Health and Retirement Survey (Lusardi and Mitchell 2007). The nature of the survey sample, however, limited analysis to data for boomers born between 1948 and 1953. The characteristics of these individuals in 2004, when they were aged fifty-one to fifty-six, were compared to data gathered in 1992 for people of the same age, who were born between 1936 and 1941.

Generally, Lusardi and Mitchell (2007) found that baby boomers born between 1948 and 1953 had a similar distribution of assets compared to their predecessors twelve years earlier, with a 12 percent increase in median value of real assets. There was a greater standard deviation of net worth between the boomers and the 1992 cohort (\$960,350 versus \$737,950, respectively), with a higher percentage of baby boomers having a negative net

worth. Additionally, when compared with the 1992 cohort, baby boomers placed more of their wealth in housing equity (33 percent versus 27 percent, respectively), stocks (12 percent versus 8 percent), and IRAs (11 percent versus 7 percent), but showed declines in the proportion of wealth attributable to business ownership (10 percent versus 17 percent) and investment real estate (14 percent versus 17 percent).

Butrica and Uccello (2004) provided one of the most comprehensive reports on the projected financial security of baby boomers. They generated estimates for levels of wealth and income at age sixty-seven for four birth cohorts: current retirees (born 1926–1935), near-retirees (born 1936–1945), older baby boomers (born 1946–1955), and younger baby boomers (born 1956–1965). In line with Lusardi and Mitchell's (2007) data, Butrica and Uccello found that baby boomers in general were projected to have a higher mean level of inflation-adjusted wealth than those groups born before 1946.

Compared to older boomers, younger boomers were projected to have a slightly lower mean wealth at age sixty-seven, the opposite of the expected effect. When the median statistic is used, however, younger boomers show an increase, as originally expected. Further examination reveals that low financial and housing wealth play the most important roles in

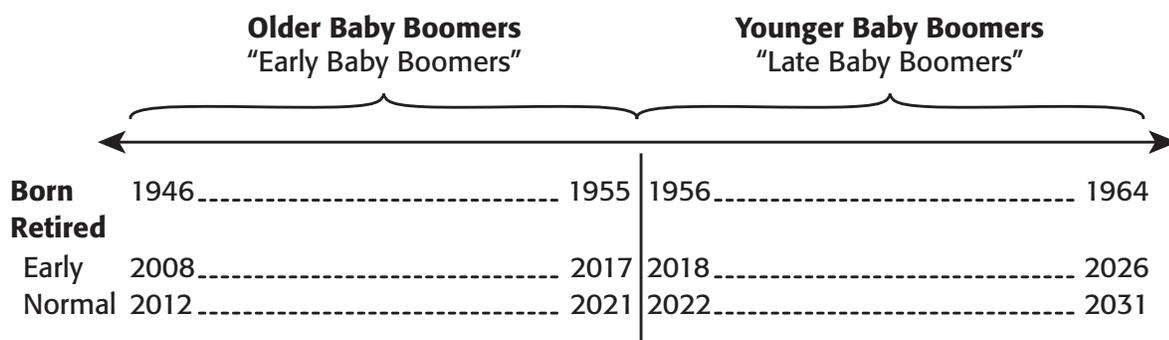
this reversal (Butrica and Uccello 2004). These statistics suggest that relatively few of the younger baby boomers have housing wealth in the uppermost ranges, a characteristic that could have a negative impact on their retirement security.

INCOME AND POVERTY LEVELS

Trends for income are projected to be similar to patterns for wealth. The real mean household income will increase from \$44,000 for the group of current retirees to \$55,000 for near retirees, and it will plateau at \$65,000 for older and younger baby boomers (Butrica and Uccello 2004). Contrary to the results for wealth, younger boomers will not see an increase in their real income.

The median replacement rate, or proportion of total retirement income compared to pre-retirement income, achieved by younger baby boomers is expected to be lower than that of previous cohorts. Younger baby boomers will achieve only an 80 percent median replacement rate, compared with rates between 86 percent and 88 percent for the other three cohorts (Butrica and Uccello 2004). Much of the relational stability seen here is due to earnings income—an income type that, in retirement, is often need based—and Supplemental Security Income (SSI)—a means-tested program. When these two income types are excluded, median

Figure 2. Years of Birth and Retirement for Older and Younger Baby Boomers



Source: Social Security Administration 2007.

replacement rates are projected to shrink from 71 percent for current retirees to 67 percent for near retirees, 68 percent for older baby boomers, and 63 percent for younger baby boomers. Although the absolute indicators of financial security are getting steadily better, this finding indicates that successive generations of retirees will have retirement income that is lower than the high levels of pre-retirement income to which they are accustomed.

Finally, Butrica and Uccello (2004) provide projected poverty figures for these four groups. Surprisingly, the poverty rates decrease steadily from current retirees (8 percent) to younger boomers (2 percent). Due to a broader and more accurate definition of income, these figures are lower than the typically generated poverty rates. Nevertheless, the downward slope is clear regardless of the absolute numbers, indicating better financial security in retirement.

Characteristics of Latino Baby Boomers

Although several studies have focused on either Latinos or baby boomers, not much detailed information is available for Latino members of the baby boom generation. Specific, targeted information does not exist, and in-depth analyses have not been done for this important population. It is possible, however, to extract a few key snippets of information from the current literature and to make inferences about some characteristics of Latino baby boomers.

THOUGH STILL POORER, LATINO BOOMERS ARE NARROWING THE GAP

Based on data presented both by Butrica and Uccello (2004) and by Lusardi and Mitchell (2006), it appears that Latino baby boomers and the general population of baby boomers follow similar patterns in terms of wealth, income, replacement rates, and poverty. Nevertheless,

Butrica and Uccello (2004) indicated that Latino wealth and income averages as well as income replacement rates fall below those of the general population. Although poverty rates for Latino boomers are slightly above those seen for boomers in general (6 percent versus 4 percent for older boomers, 3 percent versus 2 percent for younger boomers), the good news is that this disparity appears to be considerably less for baby boomers than for previous generations of Latinos. Lusardi and Mitchell (2006) reported, however, that Latino members of the older baby boom group are less likely to think about retirement than their white, non-Latino contemporaries. This may prove to be an important factor, as Lusardi and Mitchell (2007) also suggested that “planners”—people who have given considerable thought to retirement—will accumulate higher levels of wealth as they near retirement.

Because the broad group characteristics presented here offer only a general overview of the Latino baby boomer population, clear conclusions cannot yet be drawn. The trends outlined above may reflect underlying diversity within the group of Latino baby boomers or may be an indicator of some other factor of interest. The identification and dissection of the key characteristics of Latino baby boomers that may affect retirement security has yet to occur.

QUESTIONS AS LATINO BABY BOOMERS ENTER THE “RETIREMENT ZONE”

A number of important questions need to be answered to improve our knowledge of Latino baby boomers. In addition to basic demographic characteristics, it is important to understand key economic and social indicators of Latino baby boomers compared to the generation as a whole. How much do Latino baby boomers have in assets, and how are these assets allocated? What are their savings rates, and where

do they put these savings—for example, into defined contribution plans such as IRAs or 401(k) accounts? What is the rate of home ownership, and how much mortgage debt has been accrued? What other resources do Latino baby boomers have? Generally, how prepared for retirement are they? What will be the effect of their retirement on public benefits such as Social Security and Medicare?

In addition, social indicators that affect retirement must be better understood. What family resources will be available, and how will they compare to levels of social support that have been historically accessible to this population? What effect will increased levels of assimilation have on traditional family networks? What implications will this have for caregiving needs and, consequently, economic security?

Another important area to examine surrounds the effects of immigration and assimilation. What are the differences in economic indicators among Latino baby boomers who are recent immigrants, those who immigrated at young ages, and those who are native-born? How do these characteristics affect economic and social well-being?

The U.S. population as a whole faces critical questions raised by the retirement of the baby boomers and the growth of the Latino population—the two great demographic shifts that the nation is currently experiencing. Answers to these questions will have important implications for the well-being of Latinos generally and Latino baby boomers in particular. Well-researched, data-driven answers will help policy makers properly prepare for the retirement of the baby boom generation, including its Latino members.

The next report from our joint centers will explore the questions posed above and provide answers as to the nature of the Latino baby boomers, currently a hidden minority.



Note

This report was produced for “A New Latino Agenda: Realities on Aging, Diversity, and Latino Financial Security,” a research project of the UCLA Center for Policy Research on Aging.

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LATINOS & SOCIAL SECURITY

RESEARCH REPORT

NO. 3
JULY 2008

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Latinos comprise 10 percent of the baby boom generation as well as a steadily increasing proportion of the U.S. population, making Latino baby boomers an important bellwether of demographic and economic change. Despite their importance, little research has explored the impact that Latino boomers are likely to have on families and communities and the policies that affect them. This report assesses what is known and not known about this hidden population.

MISSION STATEMENT

This report was produced for "A New Latino Agenda: Realities on Aging, Diversity, and Latino Financial Security," a newly funded expansion of "Latinos and Social Security," a study of the impact of Social Security on the Latino population. It is a collaborative research project of the UCLA Center for Policy Research on Aging, the USC Ethel Percy Andrus Gerontology Center, and the UCLA Chicano Studies Research Center, in partnership with the National Hispanic Council on Aging, the National Association of Latino Elected and Appointed Officials (NALEO), and the National Council of La Raza. Major support is provided by the Ford Foundation.

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