

## Vermont Elder Economic Security Standard

AARP, Community of Vermont Elders (COVE),  
Vermont Commission on Women and the Peace and Justice Center

This is a difficult time for Vermonters, especially for the elderly, many of whom live on very modest fixed incomes. So as the legislature considers budget cuts that may affect elders, it is important to understand the cost of their basic needs and the importance of such programs.

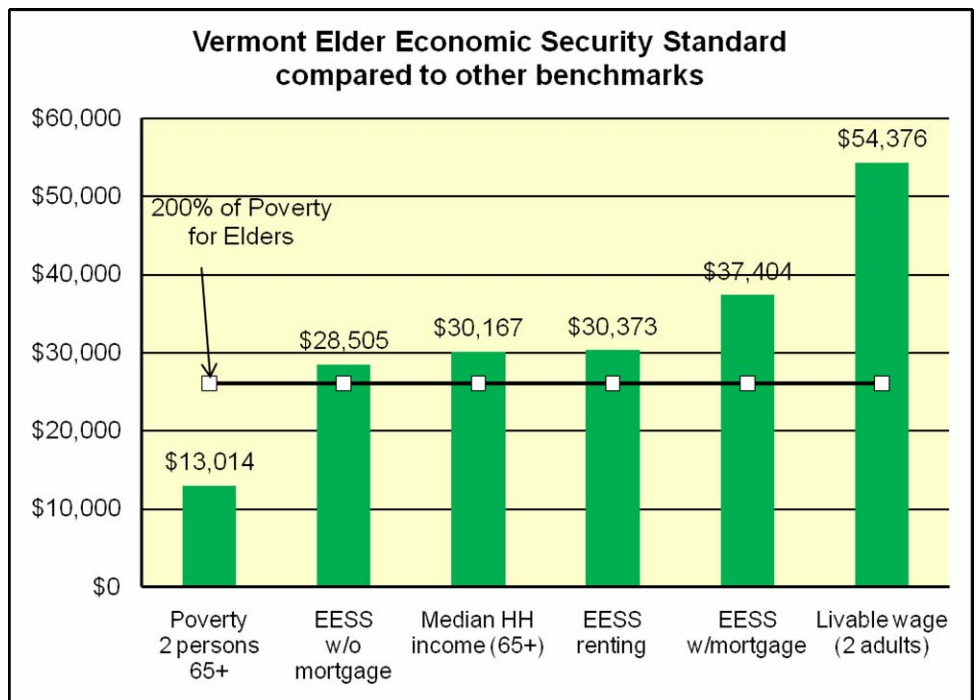
The elder economic security standard is for retired persons over 65 and is similar to the basic needs budget prepared by the Joint Fiscal Office for livable wage calculations. It assumes households meet their basic needs without public assistance (Appendix A). A version of this methodology has been used in other states by Wider Opportunities for Women (Appendix B). The costs are substantial.

Elder Economic Security Standard						
Annual Expenses	Elder Person			Elder Couple		
	Owner w/o mortgage	Owner w/mortgage	Renter (1 BR)	Owner w/o mortgage	Owner w/mortgage	Renter (1 BR)
Elder Standard per year (urban)	\$20,233	\$29,139	\$23,605	\$28,036	\$36,936	\$31,409
Elder Standard per year (rural)	\$21,883	\$30,782	\$22,246	\$28,974	\$37,872	\$29,337
<b>Average urban &amp; rural</b>	<b>\$21,058</b>	<b>\$29,961</b>	<b>\$22,926</b>	<b>\$28,505</b>	<b>\$37,404</b>	<b>\$30,373</b>

For perspective, there are over 82,000 Vermonters 65 and older. According to the Census Bureau, 19% are Veterans and 38% have a disability. Thirty six percent pay more than 30% of their income for housing. The average Social Security payment is only \$1,075.

The poverty threshold for two adults over 65 is \$13,014.<sup>1</sup> But the poverty threshold is outdated and does not reflect the cost of basic needs.<sup>2</sup> In recognition of this, eligibility for many public assistance programs is set at multiples of the poverty threshold (i.e., 150%, 200%, etc.). So it is disturbing to learn that a) 18% of married couples 65+ earn less than \$15,000<sup>3</sup>; b) 27% of households 65-74 are < 200% of poverty; and c) 40% of households 75+ are < 200% of poverty.<sup>4</sup> (Appendix C)

It is not surprising that so many are struggling. Since 2002, the cumulative cost of living adjustment for Social Security was 17%.<sup>5</sup> During that period, rents grew by 32%, heating oil 113%, natural gas 89%, and gasoline 26% (this includes the recent decline in some prices; see Appendix C).<sup>6</sup>



## APPENDIX A

### EESS Sources & Methodology

**1. Housing:**

- Homeowners with and without mortgages: Census, American Community Survey, Selected Monthly Housing Costs, three year avg. for '05 – '07 adjusted for inflation to 2008 with the CPI-U for housing.<sup>7</sup>
- Renters: HUD Fair Market Rents, 2009 (includes utilities).

2. **Food:** USDA Moderate Cost Food Plan, June 2008; average of Male & Female 71+ years; adjusted for the Northeast w/Consumer Expenditure Survey (CES) average for 1998 - 2007 (6.31%).

3. **Transportation:** Mileage x IRS Business Reimbursement rate. Northeast region urban & rural mileage from the 2001 National Household Trans. Survey; avg. annual miles per driver; 2+ adults retired, no children.

4. **Health care:** Medicare Part B + Medicare Advantage (HMO, no premiums, see Medicare web site) plus out of pocket expenditures. Out of pocket data from the Medical Expenditure Panel Survey, U.S. Dept. of Health & Human Services. We assumed “good” health and no long-term care expenses.

5. **Miscellaneous:** Includes household furnishings (furniture, textiles, appliances, etc.), household supplies, apparel, telephone, etc. WOW used 20% of the total of the other categories, which approximates these costs in the CES. But this results in wide variations based on mortgage status, which has no bearing on these costs. Therefore, for homeowners, we averaged the 20% figures from those with a mortgage and those without. See below for details.

6. **Taxes:** We did not include taxes because there will be no liability for singles whose total income (Social Security +) is less than \$25,000. Only two of the six single person EESS households would owe any taxes. The same is true for couples, where the base amount is \$32,000.

Urban (Chittenden County)						
Monthly expenses	Elder person			Elder couple		
	Owner w/o mortgage	Owner w/mortgage	Renter (1 BR)	Owner w/o mortgage	Owner w/mortgage	Renter (1 BR)
Housing	\$556	\$1,248	\$883	\$556	\$1,248	\$883
Food	\$307	\$307	\$307	\$563	\$563	\$563
Transportation	\$273	\$273	\$273	\$382	\$382	\$382
Health care (good health)	\$176	\$176	\$176	\$353	\$353	\$353
Misc.	\$343	\$343	\$328	\$451	\$451	\$436
<b>Elder Standard per month</b>	<b>\$1,686</b>	<b>\$2,428</b>	<b>\$1,967</b>	<b>\$2,336</b>	<b>\$3,078</b>	<b>\$2,617</b>

Rural (rest of state)						
Monthly expenses	Elder person			Elder couple		
	Owner w/o mortgage	Owner w/mortgage	Renter (1 BR)	Owner w/o mortgage	Owner w/mortgage	Renter (1 BR)
Housing	\$556	\$1,248	\$674	\$556	\$1,248	\$674
Food	\$307	\$307	\$307	\$563	\$563	\$563
Transportation	\$387	\$387	\$387	\$447	\$447	\$447
Health care (good health)	\$176	\$176	\$176	\$353	\$353	\$353
Misc.	\$366	\$366	\$309	\$464	\$464	\$407
<b>Elder Standard per month</b>	<b>\$1,824</b>	<b>\$2,565</b>	<b>\$1,854</b>	<b>\$2,414</b>	<b>\$3,156</b>	<b>\$2,445</b>

## APPENDIX A

continued

### EESS Miscellaneous Expenditures

The WOW methodology includes cost estimates for four major household budget categories: food, housing, transportation, and health care. It assumes that the cost for all other essentials is 20% of the four major categories. The “miscellaneous” group includes clothing, shoes, paper products, cleaning products, household items, personal hygiene items, and telephone service. It does not allow for recreation, entertainment, savings, or debt repayment.

To check the validity of the 20% assumption, we used the 2007 Consumer Expenditure Survey (CES) to determine average expenditures for selected budget items in households where the reference person is 65 or over.<sup>8</sup> Although a valuable resource, the CES has limitations. First, the > 65 data is national rather than regional or state specific. Second, the average number of persons in the > 65 group was 1.7 so the figures are high for a single person and a bit low for a couple. Third, the average pre-tax income for the > 65 group was \$40,305, well above most of our hypothetical households. Fourth, the budget categories in the CES are not intended to represent basic needs so they include some goods and services that might not be considered essentials.<sup>9</sup> In addition, some categories include expenditures for home owners only.

The CES reports data for single and two person households. While the income and total expenditures for the single person household are similar to our range, the two person figures are much higher. In addition, both configurations are weighted to younger householders who are wage earners (whose purchasing habits are different than retirees).

In any case, the total of the miscellaneous expenditures equals 22% of expenditures for the four major categories.

Miscellaneous Categories	Annual exp.
Household operations	\$825
Housekeeping supplies	\$562
Household furnishings & equipment	\$1,235
Apparel & services	\$1,040
Telephone	\$806
Personal care products & services	\$528
<b>Total</b>	<b>\$4,996</b>
CES exp. for food, housing, trans. & health care	\$27,327
<b>Misc. as % of CES “basic” expenditures</b>	<b>22%</b>

## APPENDIX B

### EESS comparative figures from other jurisdictions

(Source: Wider Opportunities for Women)

#### Single

State / County	w/o mortgage
VT (avg. urban-rural)	\$20,168
WI, Dane Co.	\$19,903
WI, Milwaukee	\$18,803
IL	\$18,269
MA, Middlesex Co.	\$17,683
CA	\$17,105
PA	\$16,343
MA, Worcester Co.	\$15,811
CT	\$15,537
MA, Suffolk Co.	\$15,048

#### Two persons

State / County	w/o mortgage
WI, Dane Co.	\$29,617
WI, Milwaukee	\$28,786
VT (avg. urban-rural)	\$27,615
MA, Middlesex Co.	\$27,245
IL	\$27,188
CA	\$26,567
MA, Worcester Co.	\$25,387
PA	\$25,251
CT	\$21,658
MA, Suffolk Co.	\$17,064

State / County	w/mortgage
MA, Suffolk Co.	\$31,349
VT (avg. urban-rural)	\$30,851
CA	\$30,224
IL	\$25,060
PA	\$23,336

State / County	w/mortgage
CA	\$39,686
VT (avg. urban-rural)	\$38,294
IL	\$33,979
MA, Suffolk Co.	\$33,365
PA	\$32,243

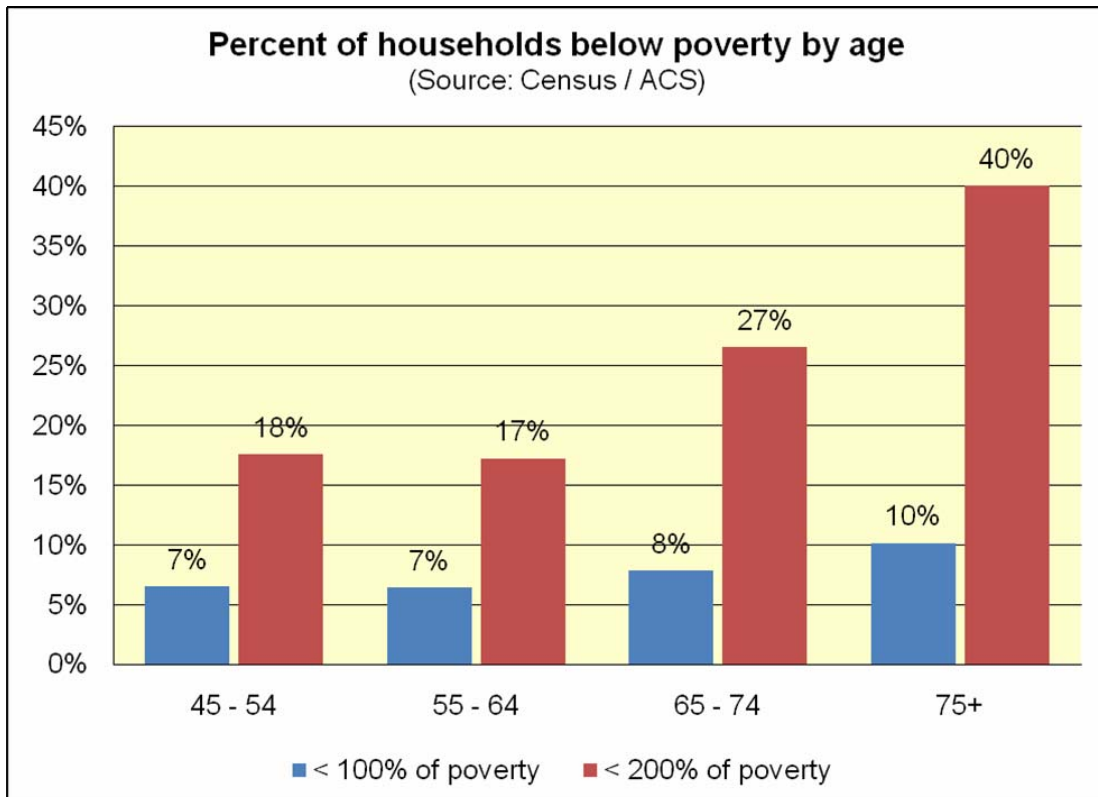
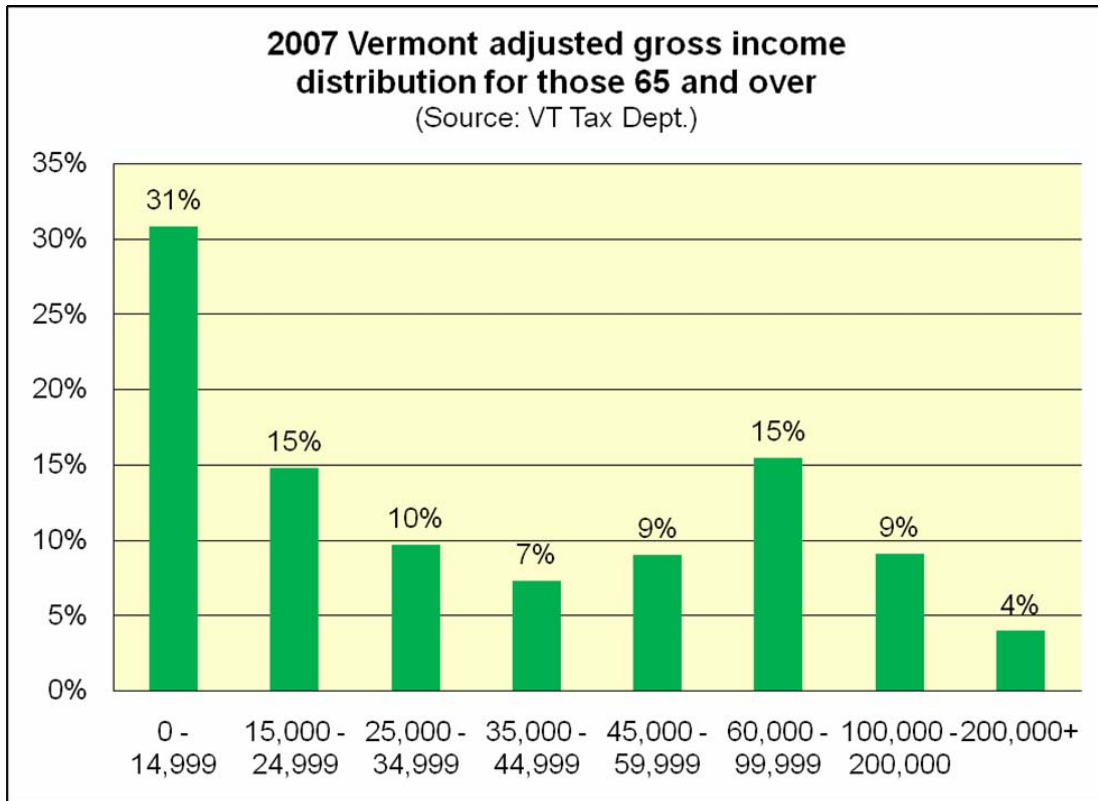
State / County	renter
MA, Middlesex Co.	\$24,926
MA, Suffolk Co.	\$23,702
VT (avg. urban-rural)	\$22,926
CA	\$21,010
WI, Dane Co.	\$20,852
WI, Milwaukee	\$20,329
CT	\$20,061
IL	\$19,810
MA, Worcester Co.	\$19,469
PA	\$17,590

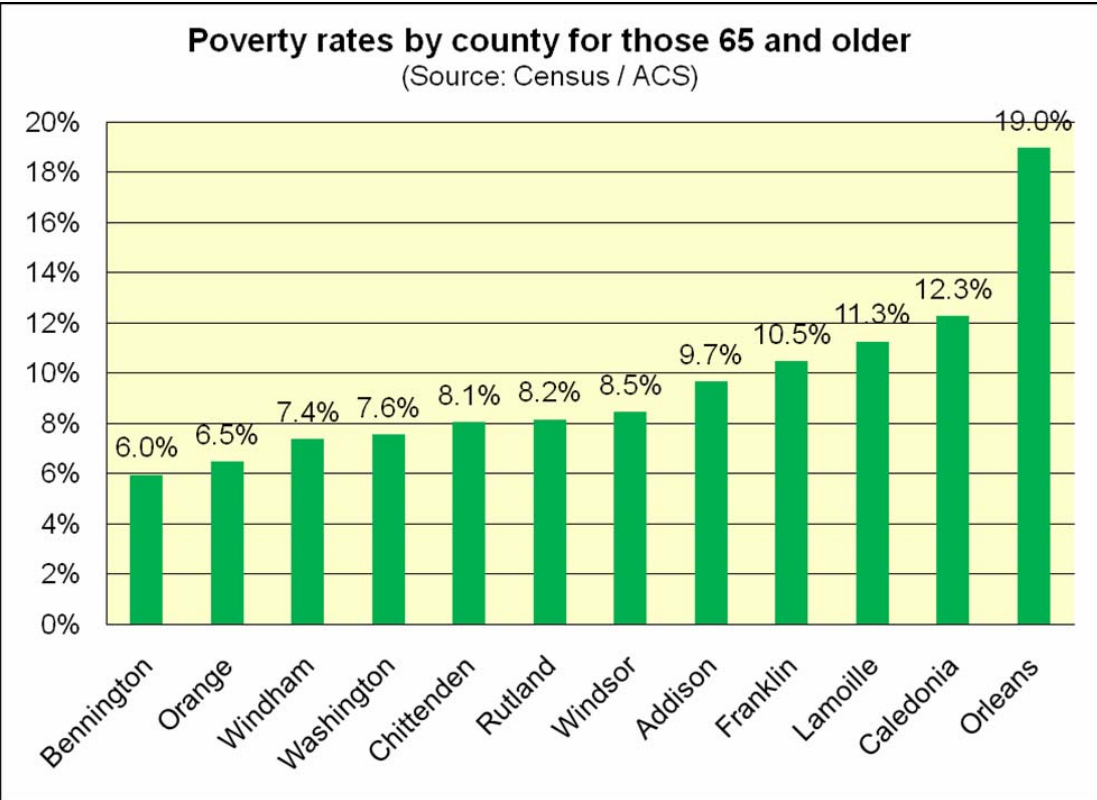
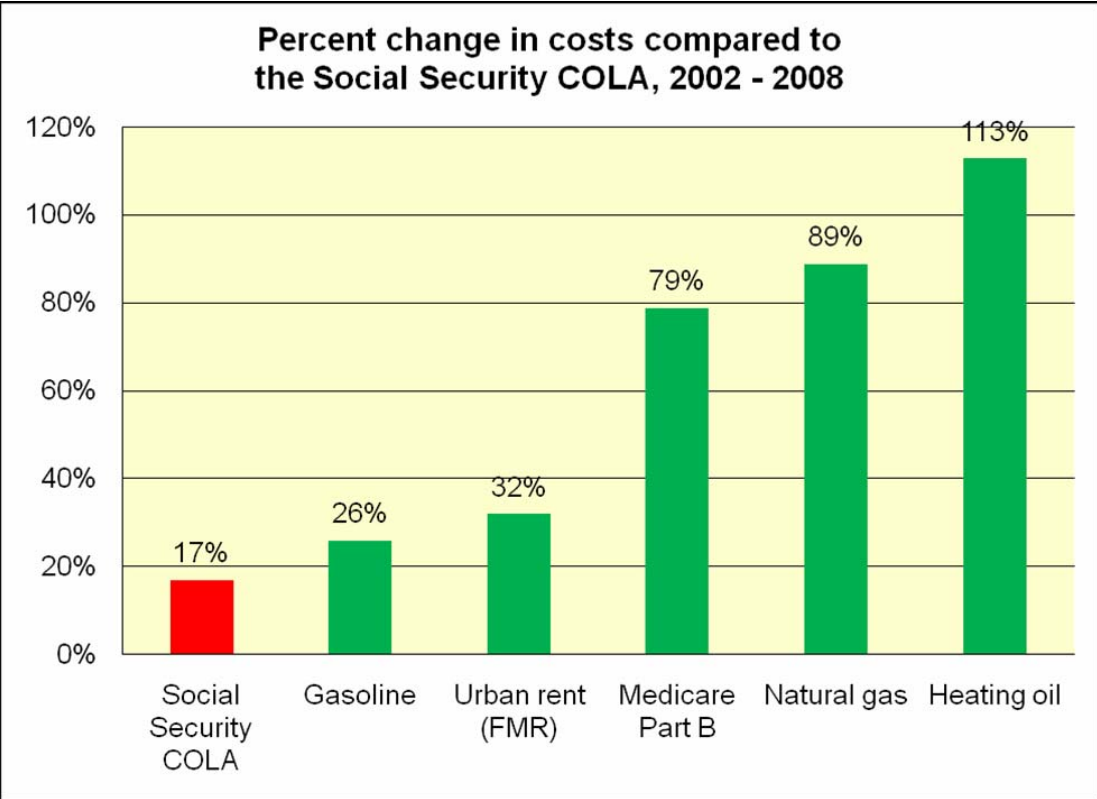
State / County	renter
MA, Middlesex Co.	\$34,488
WI, Dane Co.	\$30,566
CA	\$30,472
VT (avg. urban-rural)	\$30,373
WI, Milwaukee	\$30,312
MA, Worcester Co.	\$29,045
IL	\$28,729
PA	\$26,498
CT	\$26,064
MA, Suffolk Co.	\$25,718

Note: Some figures are from different years and have not been adjusted for inflation.

2008 VT  
 2008 WI  
 2007 IL  
 2007 CA  
 2007 PA  
 2007 CT  
 2006 MA

## APPENDIX C





## ENDNOTES

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- <sup>1</sup> Source: Census Bureau. Note: The U.S. Dept. of Health & Human Services publishes poverty “guidelines” to determine eligibility for various public assistance programs. We used the Census figures because they are somewhat more detailed and because it allows for consistency when discussing the number of elders living above or below the poverty line (reported by Census). In any case, the two measures are very similar.
- <sup>2</sup> See Measuring Poverty: A New Approach, National Research Council, National Academy Press, 1995.
- <sup>3</sup> Source: Vermont Dept. of Taxes, 2007.
- <sup>4</sup> Source: Census, American Community Survey, 2005 - 2007 three year average for Vermont.
- <sup>5</sup> Source: Social Security Administration.
- <sup>6</sup> Source: Energy Information Administration, U.S. Dept. of Energy.
- <sup>7</sup> Source: Census, American Community Survey. “Selected monthly owner costs” include the sum of payments for mortgages, real estate taxes, various insurances, utilities, fuels, mobile home costs & condominium fees.
- <sup>8</sup> Consumer Expenditure Survey (Census & BLS), Table 3, Age of Reference Person.
- <sup>9</sup> Household operations includes “*Personal services*” such as baby-sitting; day care, nursery school, and preschool tuition; care of the elderly, invalids and handicapped; adult day care; and domestic and other duties, and “*Other household expenses*” such as housekeeping services, gardening and lawn care services, coin-operated laundry and dry-cleaning (non-clothing), termite and pest control products and services, home security systems service fees, moving, storage, and freight expenses, repair of household appliances and other household equipment, repair of computer systems for home use, computer information services, reupholstering and furniture repair, rental and repair of lawn and gardening tools, and rental of other household equipment.  
Housekeeping supplies includes laundry and cleaning supplies, cleaning and toilet tissues, stationery supplies, postage, delivery services, miscellaneous household products, and lawn and garden supplies.  
Household furnishings & equipment includes textiles, furniture, floor coverings, major appliances, small appliances, miscellaneous housewares, and miscellaneous household equipment.