

## Chapter 9:

### Finances and Lifestyles

1

What do we mean by social class (how is it related to income) and how might it affect the elderly?

Social class is a category of individuals and families who have similar characteristics in terms of occupation, income, and education levels.

2

Who has more of the following:  
upper, middle or working class elderly?

Life expectancy?

Upper class lives longer

Illness?

Upper class is healthier than middle class which is healthier than working class which is healthier than lower class

Prevalence of mental illness?

Upper class has better mental health

Social opportunities of widows?

Higher among middle class than working class

% perceive self as old at age 65+?

$\frac{3}{4}$  of working class see self as old vs 50% of middle class

3

Who adjusts better to retirement?  
The upper, middle or lower class and why?

Upper class.

They have more varied interests and more community participation so that it is easier to fill the "void" left by retirement.

4

Who is looking forward to retirement the least? The upper, middle or lower class and why?

Lower class.

They have financial concerns regarding how they will pay the bills.

5

Who has more: upper, middle, or working class elderly?

Amount of interaction with family members, middle or working class?

Working class, family is typically more available

Elderly helping children, middle or working class?

Middle class has more to give.

Social participation in community activities?

Upper belongs to more voluntary associations

Life satisfaction?

Upper class happy with life, income appears to affect this

6

What is meant by social mobility when speaking about social classes?

Movement of persons from one social class to another.

Is social mobility desirable?

If the person is moving down, no. But, if the person is moving up, yes.

7

When considering government programs/policies for the elderly? What are perhaps the three most influential?

Social Security (1935)  
Medicare (1965)  
Older Americans Act (1965)

8

### Understanding Social Security (OASDI)

Old Age--Monthly paycheck (C.O.L.A. passed in 1972—what is this?)

Old Age--Health Insurance (Medicare, Part A 100% for hospital; Part B 80% for doctor, most recently coverage of some drugs)

Survivors Insurance

Disability Insurance

(Why the underlining?)

9

### Facts About Social Security

- Passed in 1935 —originally only monetary benefits, money put in was put in a savings account for you but this quickly was changed
- The money a person puts in is immediately given out to those who are eligible
- To be eligible for monthly payments one must have paid in at least 40 quarters (i.e., 10 years).

10

### Facts About Social Security

- a person who does not have 40 quarters —can receive  $\frac{1}{2}$  of spouse's benefits
- A person who does not have 40 quarters—can receive 100% of deceased spouse's benefits
- A person who does have 40 quarters but their benefits are lower than 50% of their spouse's benefits—will receive the 50% of spouse's benefits instead of their lower amount of benefits

11

How is it determined, how much money a person will receive each month?

The more one puts in, the more one gets back (Social Security administration will average one's highest 35 yrs).

12

At what age do you qualify for "early" Social Security benefits? "Full" benefits?

If you were born between 1943 and 1954, your Full Retirement Age is 66.

If you were born between 1955 and 1959, the Full Retirement Age gradually increases by 2 months for each year:

born 1955: 66 years and 2 months

born 1956: 66 years and 4 months

For those born later than 1959, full benefits will be at age 67

Why the gradual increase to 67?

13

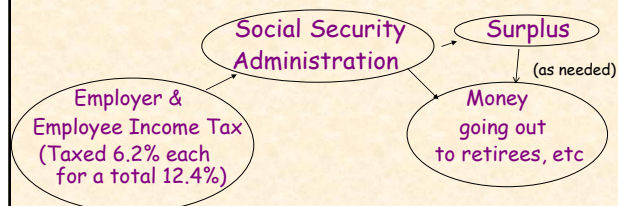
--If one starts drawing SS at **age 67** (born after 1959), one will get "full" benefits for rest of one's life.

--If one draws SS at **age 62**, s/he will get 30% less than full benefits for the rest of one's life.

--If one starts SS at **age 70**, s/he will get 8% more for each of the years beyond 67, or 24% more than full benefits for life

14

What does this figure tell us about Social Security?



If the amount coming in is less than amount going out, then we have a problem. In 2034, the surplus (trillions of \$) will be gone and changes will need to be made.

15

Understanding Social Security  
Is there a SS problem?

There is **NO** SS problem, **IF** the amount coming in is at least as much as what is needed to go out.

16

SS was **modified in 1983** to create a money surplus which was to be used when the babyboomers reach old age (the surplus was used to buy treasury bills).

Today, the surplus is being spent down each year and will run out in 2034 unless changes are made.

17

Understanding Social Security  
1983 Changes included:

--Age to receive full benefits will eventually **increase to 67**

--**Increased SS tax** (tax was increased to currently 6.2 of an employee's income paid by the employee and another 6.2% by employer)

--Early retirement (age 62) **30% reduction** rather than 25% (which is what it was)

--**SS taxed for first \$110,000** of income (it has been adjusted so now it is around \$168K)

18

## What does this figure tell us about Social Security?



If the amount coming in is less than amount going out, and the surplus is spent, then we have a problem

19

## Understanding Social Security

An examination of

So, what changes could be made to create a balance?

20

## Understanding Social Security

Changes are currently being proposed so that the balance between money coming in and going out will be the same, i.e., no SS problem.

So, what changes could be made to create a balance?

21

Possible changes being considered to keep social security solvent:

1. Increase the age at which a person receives full benefits (currently scheduled to increase to age 67)
2. Increase Payroll Taxes: Raising the 6.2% Social Security tax for employees and employers
3. Wealthy workers would be taxed on all their income rather than only the first \$168,000 (this amount currently increases somewhat each year to account for inflation)

22

4. Older people who work full-time and earn a "substantial" salary would not receive SS until they retire
5. General tax review from income taxes could be used to make up the difference
6. Only give SS to middle and lower income elderly (a "means tested" program). The rich would not receive it (say people worth 5 million or more)

23

7. Tax people's investment profits: millionaires often have very little "income" but huge investments that provide them millions of dollars currently not taxed by social security. .

24

If an older person doesn't qualify for Social Security and has a very low income or s/he receives SS but it is a very low amount (e.g., \$900/month), what will happen to her/him?

Is there any other source of financial support?

25

### Supplemental Security Income (SSI)

provides monthly payments to adults and children with a disability or blindness who have income and resources below specific financial limits.

SSI payments are also made to people age 65 and older without disabilities who meet the financial qualifications. Funding of SSI comes from federal income taxes.

26

Thinking of income for older Americans, do you remember how a "reverse mortgage" is related?

It is sometimes seen as addressing the issue of an older person being "house rich and cash poor"

27

If an older person agrees to a reverse mortgage:

Perhaps the most common arrangement: s/he will receive a set amount of money each month for the rest of their life and then the "lender" obtains ownership of the older person's home when the person(s) dies.

There are various reverse mortgage arrangements. The federal government offers such a program as well as private banks.

28

### Let's See What You Know ☺

Do millionaires receive SS if they are 67 or older (e.g., Bill Gates, Donald Trump)?

Do middle-income people (let's say \$60K family income) pay a social security tax on ALL their income or just a portion?

Do millionaires pay SS on all their income?

Do people who are working full-time and age 70+ also receive SS? Do people who are working, age 70+ and earning \$100,000+ also receive SS?

Does the general tax revenue (money obtained from federal income taxes) provide a supplement for SS?

29

On the positive side, what are cities and merchants doing to assist older persons who are typically retired and on a much lower income?

Senior discount programs of 10% to 15% for products such as drugs, groceries, taxi fare, haircuts, movie tickets, etc.

30



On the opposite, negative side, how does America's version of capitalism negatively affect older persons (consider health care for example)?

One example is health care where pharmacies, hospitals, and doctors charge as much as they can get for their products and services. This has negative effects on the elderly.

31

Some sociologists are looking at the relationship between income and happiness.

What do you believe is the relationship? For example, is it a linear relationship?

How might "relative deprivation" be related?

32

What does this figure tell us about Social Security?



If the amount coming in is less than amount going out, and the surplus is spent, then we have a problem

33

Possible changes being considered to keep social security solvent:

1. Increase the age at which a person receives full benefits (currently scheduled to increase to age 67)
2. Increase Payroll Taxes: Raising the 6.2% Social Security tax for employees and employers
3. Wealthy workers would be taxed on all their income rather than only the first \$168,000 (this amount currently increases somewhat each year to account for inflation)

34

4. Older people who work full-time and earn a "substantial" salary would not receive SS until they retire
5. General tax review from income taxes could be used to make up the difference
6. Only give SS to middle and lower income elderly (a "means tested" program). The rich would not receive it (say people worth 5 million or more including their investments)

35

7. Tax people's investment profits: millionaires often have very little "income" but huge investments that provide them millions of dollars currently not taxed by social security.

36

What do you know about  
Medicare?

37

Medicare is a health care program  
for most people 65+ administered  
by the Social Security  
Administration (same as OASDI)

Who can receive Medicare  
benefits?

38

1. A person 65+ (or individual's spouse) can receive benefits, If, the person has paid into Social Security for 40 quarters (10 years total)
2. A disabled person can qualify for Social Security Disability if the person has paid into Social Security for at least 20 quarters, that is, 5 years. After receiving SS disability for 24 months, person will qualify for Medicare

39

Medicare costs roughly  
\$1 trillion per year.

Where does the money come from (the  
\$1 trillion) to pay for the health  
benefits a Medicare patients receive?

40

(1) All employees and employers pay a  
Medicare Tax (in addition to an OASDI tax)

- 1.45% on a worker's income is taxed and their employer matches
- Unlike social security a person pays the tax on all their income (there is no cap like SS which is \$168K). This covers roughly 30% of the \$1 trillion cost.
- Additional 0.9% tax on wages above:
  - \$200,000 (single filers)
  - \$250,000 (married filing jointly)
- Self-employed individuals pay the full 2.9% (plus the 0.9% if they earn \$200K +).

41

2. A second source of Medicare funding comes from General Revenue Taxes (what we pay to federal government from our wages)

- The general revenue funds cover roughly 45% of the \$1 trillion a year Medicare costs or \$450 billion.

42

3. The third source of Medicare funding comes from 65+ persons currently receiving Medicare coverage. This covers 25% of total Medicare costs.

Those on Medicare pay a monthly fee much like any other health insurance policy (but the cost is much less than private health insurance such as Blue Cross Blue Shield)

43

- The amount of the monthly fee a person pays depends on what services/coverage the person chooses.

- Medicare has a variety of things it covers including MDs, medications, hospital costs

44

There are two primary services offered by Medicare referred to as Part A and Part B

Does anyone know what these parts of Medicare cover?

- Part A covers 100% of hospital expenses. Persons covered by Medicare do not have to pay a monthly fee if they only sign up for Part A (but must qualify for Social Security).

- If they don't pay the monthly fee, other health costs (e.g., MD, medical tests) won't be covered.

45

- Part B covers 80% of outpatient doctor and medical expenses (after paying a deductible which is currently \$260).

- To receive Part B a person must pay the monthly fee (much like private health insurance but less expensive) the remaining 20% is paid by the patient.

- Many persons covered by Medicare choose to purchase private health insurance or additional Medicare to cover the 20%.

46

There are also other Parts to Medicare including:

Medicare Part C offers an alternate way to receive your Medicare benefits called Medicare Advantage (see below for more information). It requires a monthly fee.

Medicare Part D covers prescription drugs and requires a monthly fee.

47

Any idea what "Medigap" might be? (it is also referred to as Medicare Supplemental Insurance plans)

Medigap covers:

- the 20% the Part B does not pay for
- Additional hospital days so the whole year can be covered

Medicare offers:

Medigap Plan F and Medigap Plan G which requires a monthly fee:

Private insurance also offers Medigap.

48



What is the difference between  
Medicare (also referred to as  
"traditional Medicare")  
and  
"Medicare Advantage"?

49

Traditional Medicare is administered by the federal government. Recipients can usually keep the doctor and hospital they have always used prior to going onto Medicare. Further, a MD's orders are typically paid without a "review."

A person who qualifies for Medicare can choose to sign up for Medicare Advantage instead of Traditional Medicare.

What is the difference between  
Traditional Medicare and Medicare  
Advantage?

50

1. Medicare Advantage is administered by private insurance companies.
2. These companies can administer the Medicare program at a lower cost by requiring the recipient to use specific MDs and hospitals where they have negotiated a lower price.
3. The private health insurance companies are more likely to deny a service to save money

51

3. In exchange, for using the insurance doctors, hospitals, etc and being more likely to be turned down for services, the recipient will be provided additional services that traditional Medicare doesn't provide (which services depends on the insurance company offering it).
4. Additional services might include eye glasses, dental coverage, etc.

Which seems better Traditional  
Medicare or Medicare Advantage?

52

Traditional Medicare:  
(operated by Federal Gov't, Medicare)

1. advantage: can choose whatever MD you want; covers what MD requests for you without a review to determine whether you "really" need it.
2. disadvantage: does not provide as much service as Medicare Advantage

53

Medicare Advantage:  
(operated by private insurance companies)

1. Advantage: for the same price as Traditional Medicare will provide one or more additional services depending on the particular program (e.g., transportation, home care, discount on drugs, eye glasses, recreation fee)
2. Disadvantage: have to go to specific MDs rather than your MD you've been seeing for years. Medical services that the MD believes you need are reviewed and can be turned down

54

## Chapter 10

### Living Environments

55

### What is Medicaid? How is it different from Medicare?

1. Medicaid is health insurance for any age where the person is low-income
2. Medicaid covers all health needs, 100%, including hospital and outpatient needs
3. Medicaid patients do not pay anything including not paying the 20% that Medicare patients must pay for Part B
4. Unlike Medicare, Medicaid is funded by a combination of Federal and State general revenue funds

56

The last section of chapter 9 discusses "Lifestyles."

What would you guess are some differences between the rural and the urban elderly?

How about demographic differences?

57

### Comparing rural and urban elderly

Geographic locations of the U.S.? Rural elderly in southern states

Which has higher % of low-income elderly rural or urban areas

Rural, particularly high for African American elderly

Which area is growing in population

Urban

Who tends to be most isolated?

Rural elderly

Which area has less run-down housing?

Urban

Which has more government housing?

Urban

Who is closest to health care services

Urban elderly

58

### What is relative deprivation?

People believe they are "deprived" if their resources come up short in comparison with others, or, when comparing their current selves to an earlier stage of their life.

This can occur even if their resources are very extensive and/or they have lots of money.

How is this possible?

59

### How does relative deprivation affect one's life satisfaction?

People who perceive themselves as deprived are dissatisfied even when they have lots of resources/money if their resources/money are less than those they are comparing themselves too.

60

There are many different living environments ranging from whole communities to an environment providing individualized care.

Are you familiar with any residential communities that are limited to only older adults?

61

Active Adult Communities are for 55+. People purchase a home and the community provides recreational activities (e.g., golf, crafts building).

An example is Robson Ranch located between Fort Worth and Denton on I35W

(2 minutes)

<https://www.robson.com/communities/robson-ranch-texas/>

62

Robson Ranch requires age 55 and above restricted.

- There is a concession for one Spouse can be as low as 40 years of age.
- The youngest age for a child to live at Robson Ranch is 19.
- Children and Grandchildren may spend time with Robson family members for a specific # of days per year. There are special events for Grandchildren such as a special outdoor pool and a golf clinic held once a year.

63

What is the most preferred housing choice of older persons?

Single family dwelling—own or rent

- Can provide privacy, independence
- Can have problems with increasing taxes, maintaining the home
- Renters have problems with increasing rents, are sometimes subjected to involuntary moves forced by owner
- Owners are able to accrue equity, can allow for a reverse mortgage

64

Other types of housing:

Shared housing - older people share a dwelling.

Why would they choose to live this way?

Many reasons such as companionship, sharing finances, caregiving

65

The real reason American health care is so expensive (6 mins)

<https://www.youtube.com/watch?v=tNla9nyRMmQ>

Is the US running out of Social Security? (8 min)

<https://www.youtube.com/watch?v=j1Bfxhdxn6g>

Why Are American Health Care Costs So High? (8min)

<https://www.youtube.com/watch?v=qSjGouBmo0M>

No Taxes on Social Security? Here's What Trump's Plan Means for You

<https://www.youtube.com/watch?v=20h1XTUHq4E>

66

7 Incredible Ways the Area Agency on Aging Can Help You  
<https://www.youtube.com/watch?v=PyV8cs6ZxY>

How to keep your elderly parents safe and in their home longer | Roger Wong | TEDxStanleyPark (show 11:00 min up to 20min)  
<https://www.youtube.com/watch?v=0CVI3pfDBNo&t=177s>

What's the Best Age to Claim Social Security 62, 66, or 70? (show 5 or 6 mins)  
[https://www.youtube.com/watch?v=2Zax1rDO\\_w8](https://www.youtube.com/watch?v=2Zax1rDO_w8)

National Council on Aging: What is Medicare Extra Help  
<https://www.youtube.com/@ncoaging>

Millennials Show Us What 'Old' Looks Like | Disrupt Aging (Produced by AARP)  
<https://www.youtube.com/watch?v=IYdNjrUs4NM>

67

5 Things People Regret at the End of Retirement  
<https://www.youtube.com/watch?v=5IVDotkxQW8>

7 Incredible Ways the Area Agency on Aging Can Help You  
<https://www.youtube.com/watch?v=PyV8cs6ZxY>

What's the Best Age to Claim Social Security 62, 66, or 70? (17 mins)  
[https://www.youtube.com/watch?v=2Zax1rDO\\_w8](https://www.youtube.com/watch?v=2Zax1rDO_w8)

National Council on Aging: What is Medicare Extra Help  
<https://www.youtube.com/@ncoaging>

Millennials Show Us What 'Old' Looks Like | Disrupt Aging (Produced by AARP)  
<https://www.youtube.com/watch?v=IYdNjrUs4NM>

Age Discrimination Food Truck Experiment | Disrupt Aging (Produced by AARP)  
<https://www.youtube.com/watch?v=UYCxAIqjyCA>

68

Absolute Poverty vs. Relative Poverty (2 min)  
<https://www.youtube.com/watch?v=5HJKtYn1uoM>

One in seven US seniors live in poverty (2:21 mins)  
<https://www.youtube.com/watch?v=v6qoxJCTTg>

Old and Poor: America's Forgotten (8:17 min)  
<https://www.youtube.com/watch?v=Y9zImCUEHaA>

People Over 40 Denied Free Samples in Social Experiment (Produced by AARP)

69

## Facts About Social Security

- Passed in 1935 —originally only monetary benefits, money put in was put in a savings account for you but this quickly was changed
- The money a person puts in is immediately given out to those who are eligible
- To be eligible for monthly payments one must have paid in at least 40 quarters (i.e., 10 years).

70

## Facts About Social Security

- a person who does not have 40 quarters —can receive  $\frac{1}{2}$  of spouse's benefits
- A person who does not have 40 quarters—can receive 100% of deceased spouse's benefits
- A person who does have 40 quarters but their benefits are lower than 50% of their deceased spouse's benefits—will receive the 50% of spouse's benefits instead of their lower amount of benefits

71

Thank You.

72

72