

# Baby Boomer Women: Secure Futures or Not?

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A collaboration of the  
Global Generations Policy Institute  
Harvard Generations Policy Journal  
and Harvard Generations Policy Program

[www.genpolicy.com](http://www.genpolicy.com)

*Baby Boomer Women: Secure Futures or Not?* is published by the Baby Boomer Media Group LLC. All inquiries should be directed to the Baby Boomer Media Group, 124 Mount Auburn Street, Suite 200N, Cambridge, MA 02138, tel: 617-491-1171, fax: 617-547-1431, e-mail: [genpolicy@aol.com](mailto:genpolicy@aol.com), website: [www.genpolicy.com](http://www.genpolicy.com).

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ISBN 0-9778688-0-X

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*Baby Boomer Women: Secure Futures or Not?* is a *pro bono* public service publication whose mission is to develop and implement national policies that will ensure a dignified, sustainable quality of life for our nation's aging baby boomer women.

# Home Ownership: A Boon to Boomer Women

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**T**he women of the baby boom generation, numbering just under 40 million in 2003,<sup>1</sup> are the largest generation of women to reach the ages of 42 to 60 in the nation's history. The oldest of the women in this generation have already begun to reach early retirement ages. For boomer women, how financially secure they are likely to be as they age will be greatly influenced by their present and future housing choices. Housing remains the largest single expenditure that most households make, and is the primary source of wealth for the majority of seniors. Therefore, whether or not these women own a home, how much they choose to spend on housing as they age, how much home equity they tap into, and their living arrangements matter to their future financial well-being.

As a consequence of the relationship between housing and economic security, women of the baby boom generation who own their homes (either alone or with spouses) will be at an advan-

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tage. At the very least, baby boom women who own their homes have the option of tapping into all or a portion of their home equity to meet their needs as they age. Those who rent, however, will be at a disadvantage in terms of wealth accumulation and will enter their senior years with sharply lower wealth. Nonetheless, for women who become frail and end up living alone, even their home equity may not be enough to cover the combined costs of housing, personal care, and health care.

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### **The Women of the Baby Boom**

By most measures, the women of the baby boom are reaching retirement ages in better shape financially and with better housing than any generation before them. They have been economic pioneers, achieving higher labor force participation rates and smaller male-female wage gaps than the women who came before them. As a simple illustration, women in the leading edge of the baby boomers (born 1946–1955) had a labor force participation rate of 77 percent and a male-female wage gap of 45 percent in 2000.<sup>2</sup> By contrast, in 1990, at the same ages (49–58), women of the age cohort immediately preceding the boomers participated in the labor force at the rate of 71 percent, with a male-female wage gap of 49 percent. As for homeownership rates, the leading edge of the boomer women has managed to achieve an 82 percent rate (including those who own with a spouse)—the same rate that the age cohort immediately preceding them achieved at the same ages, even though larger numbers of baby boomers live alone. The trailing edge of the boomers (born 1955–1964), meanwhile, is on a lifetime course that places them on an even higher income and wealth trajectory than the leading edge.

Baby boom women who are parts of married couples (roughly 67 percent) are, on average, doing the best economically. Married boomers who also own homes have achieved record levels of home equity relative to past generations of women when they reached middle age. As they age and more become widows, they will carry the economic benefits they achieved earlier in life into widowhood.

Still, these successes are not universal. Baby boomer women live in diverse arrangements and fall across all points of the household income distribution and living arrangements. The second-largest category of boomer women, at 11 percent, are those living alone. Boomer women living in single-parent households make up an additional 9 percent of the total, and the rest live in a variety of other household types. Boomer women living alone have the lowest incomes, followed by boomer single mothers (see Table 1, next page).

With aging and retirement, increasing numbers of boomer women will fall into the bottom income quartile. Among today's seniors, nearly half fall within the bottom household income quartile, but among today's households headed by senior women, a higher 6 in 10 fall in the lowest quartile. An expected increase in the median retirement age may reduce that percentage among boomer women, but it is likely to still be high, especially relative to households headed by boomer men.

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### **Housing Expenses**

As their incomes fall in retirement, more boomer women will face heavy housing cost burdens. Many boomer women do not have to wait; they already face steep housing costs. As of 2003, 7 percent of baby boomer women in married couple households, 21 percent of women living in single-parent households, and 22 percent of women living alone were spending more than half of their income on housing. For these women, not only are their current budgets strained by their housing needs, but their ability to save for their retirement and offset costs in the future is hampered, potentially exacerbating problems down the road.

Among boomer women who do not currently face high housing costs, many will face challenges meeting their future housing expenses. Even though many of the owners among them will extinguish their mortgage debt and thus reduce their housing costs, the housing costs that remain (including utilities, insurance, property taxes, and maintenance) will cut more deeply into their smaller incomes. Meanwhile, renters will face the additional threat of rent increases, if they do not have rent controls.

**Table 1: Households with Baby Boomer Women, 2003 AHS**

	Total Households (millions)	% of Total Households	OWN (millions)	RENT (millions)	Home-ownership Rate	Median Household Income (\$)	Median Monthly Housing Costs (\$)	Median Cost-to-Income Ratio	Median Equity of Owners (\$)	% in Bottom Income Quartile	% in Lower-Middle Income Quartile	% Moderately Cost Burdened	% Severely Cost Burdened
<b>All BB Women</b>													
Type of Household													
Married Couple	25.43	67%	22.68	2.74	89%	73,000	963	1.6%	110,000	6.75	15.28	11.41	6.96
Single Person	4.13	11%	2.36	1.77	57%	28,762	640	2.7%	75,429	36.83	32.47	2.4	22.35
Single Parent**	3.42	9%	1.95	1.48	57%	31,200	746	2.8%	69,500	31.2	33.26	25.55	21.29
Other	5.02	13%	3.30	1.72	66%	41,500	663	1.9%	82,000	21.08	28.32	15.69	13.89
ALL	38.00	100%	30.29	7.71	80%	58,500	849	1.8%	100,000	14.11	20.49	14.62	10.84
<b>Younger BB Women</b>													
Type of Household													
Married Couple	14.80	67%	12.98	1.82	88%	73,000	1,013	1.7%	100,000	6.05	15.41	12.64	6.43
Single Person	1.84	8%	.94	.90	51%	29,800	652	2.7%	75,000	35.14	34.9	23.87	22.18
Single Parent**	2.75	13%	1.56	1.19	57%	30,968	759	2.8%	61,791	31.58	33.27	26.28	21.2
Other	2.61	12%	1.64	.97	63%	42,800	657	1.9%	70,386	20.59	27.17	15.78	13.08
ALL	22.00	100%	17.12	4.89	78%	59,084	882	1.9%	93,000	13.4	20.67	15.66	10.38
<b>Older BB Women</b>													
Type of Household													
Married Couple	10.67	66%	9.74	.93	91%	73,000	896	1.5%	120,000	7.73	15.11	9.67	7.69
Single Person	2.29	14%	1.42	.87	62%	27,650	630	2.7%	76,788	38.18	30.52	24.11	22.48
Single Parent**	.70	4%	.40	.30	57%	33,000	707	2.7%	100,000	28.56	33.45	22.5	21.12
Other	2.54	16%	1.76	.78	69%	40,100	675	2.0%	94,692	21.09	29.22	15.42	14.44
ALL	16.20	100%	13.32	2.88	82%	57,200	798	1.7%	110,000	15.02	20.29	13.16	11.42

\*Some single-parent households include other adults who are not the householder; hence, not all baby boomer women living in a single-parent household are necessarily single parents themselves.  
Source: JCHS tabulations of the 2003 American Housing Survey.

Today's seniors are an instructive guide to the magnitude of the housing affordability problems boomer women will likely face in retirement. Of the half of all seniors who currently fall in the bottom income quartile, a staggering 35 percent spend half or more of their income on housing. Among senior renters in the bottom income quartile, that amount is an even higher 57 percent.

Despite higher incomes and homeownership rates relative to older generations, it is likely that only slightly lower shares of boomer women will have severe housing cost burdens (spending more than half of their income on housing). In fact, if energy costs continue to climb, they may fare worse.

This is so important because the share of income that must be allocated to housing has a profound impact on health and economic security. Not surprisingly, the Consumer Expenditure Survey<sup>3</sup> reveals that among seniors in the lowest expenditure quartile (total monthly outlays of less than \$1,500) in 2003, those with large housing outlays (more than 50 percent of total expenditures) spent much less on other critical items than those with small outlays (less than 20 percent of total). Indeed, they spent on average \$87 less on food, \$111 less on health care, and \$16 less on pensions and insurance.

### **Nest Eggs and Economic Security**

In terms of how their current housing can contribute to their financial well-being down the road, baby boomer women who own have a distinct advantage over those who rent. Homeownership makes an enormous difference to the assets available to households when they reach retirement ages and beyond. As noted, housing expenses tend to be lower for owners because most have relatively low fixed mortgage payments or have already paid off their mortgages in full. The median housing cost burden of senior renters in the bottom income quartile is 33.6 percent, but for senior owners it is 18.3 percent. Spending less on housing makes it possible for seniors to spend down their nonhousing wealth more slowly in retirement, making investment income stretch longer.

More importantly, homeownership provides a pool of home equity that can be tapped in retirement. Owners can choose to trade down to a less expensive home and cash out some of their equity to fund other needs, or they can cash out on all their equity by selling and moving to a leased rental or assisted-living unit that provides care and services. In addition, they can take out a "reverse mortgage" that pays them an annuity until their

death, with repayment from principal after the home passes to their estate. However, thus far, seniors have appeared reluctant to tap into home equity using reverse mortgages, which assign to lenders the risk that an owner will live past the point at which a reverse mortgage depletes 100 percent of the home's equity.

But if the willingness of baby boomers to add more mortgage debt later in their lifetime is an indicator of things to come, there is reason to believe that boomers may be more receptive to reverse mortgages. Indeed, as of 2001, according to the Survey of Consumer Finances,<sup>4</sup> only 22 percent of households aged 45 to 54 had paid off their mortgages, compared with 25 percent of the same age group in 1989. Even more remarkable is the level of debt being carried into middle age. Adjusting for inflation, the median mortgage debt of 45- to 54-year-olds more than doubled from \$38,000 in 1989 to \$78,000 in 2001.

If women of the baby boom are willing to tap into their home equity, their record equity stakes will provide for a higher standard of living in retirement. The Survey of Consumer Finances suggests that married couple boomers in 2001 (before the big run-up in home prices) already had median home equity of \$75,000; unmarried male householders, \$52,000; and unmarried female householders, \$47,000. Even though it was lower for women of the baby boom heading their own households than for other boomers, home equity accounted for a larger share of the total net wealth of unmarried boomer women homeowners (51 percent) as compared with boomer married (35 percent) and unmarried male homeowners (44 percent).

Whereas single boomer women are clearly more dependent on homeownership for retirement security, women of the baby boom who rent are in more dire straights. In contrast to homeowners, renters among baby boomers will not have the option of cashing out on home equity and will enter their senior years with sharply lower wealth than owners. Unmarried female heads of renter households among the baby boomers had total median wealth of only \$3,320, while boomer women renting with their husbands had total median household wealth of \$10,040 and male heads of renter households \$10,250.<sup>5</sup> With so little wealth and a median household income of only \$29,000, most of the 7.7 million boomer women now living in rental housing face a future of questionable economic security. Already 35 percent of boomer women who rent are in the lowest income quartile, and this share is only likely to grow as

age and infirmity make it more difficult for them to earn income. Absent a significant increase in scarce federal rental subsidies, these women are vulnerable to even greater economic insecurity in the future than they now face.

### **Staying Put**

While boomers have the option of “trading down” to smaller housing as they age to lower their costs and to free up accumulated equity, past evidence indicates few will be likely to do so. Repeated surveys reveal that most seniors would prefer to remain in their homes rather than move. Among people who were age 70 or older in 2003, fully 58 percent of them had moved into their homes before they reached age 55. Many older homeowners simply opt not to tap into their equity and instead stay in homes that are costly to operate and maintain.

Unless boomer women homeowners depart from the behavior of other generations when they reached retirement, they will cling to their homes rather than move, even if it means spending a great deal to operate and maintain the large homes in which most of them presently live. Not only will they be equity rich and cash poor, but they will spend more on housing than if they had traded down. Each generation has been buying larger and larger homes than the one preceding it, and although new homes are now far more energy efficient than older homes, the vast majority of baby boomers still live in older existing homes that consume a lot of energy. Furthermore, boomer women are more likely to live in detached single-family homes in the suburbs than previous generations of women. About 47 percent of households with boomer women live in detached single-family homes in the suburbs, and of these, about 65 percent were built prior to 1985. This spatial isolation will make them increasingly reliant on automobiles, or forced to spend more to have the services and care they need brought to them as they age.

Another difficulty is that many baby boomers will age in homes not modified to accommodate possible physical disabilities that come with aging. A

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1995 American Housing Survey<sup>6</sup> showed that more than half of the homes occupied by seniors with disabilities lacked one or more of the features they considered necessary. The more extreme the disability, the more rare are the modifications that would assist the disabled. Less than 15 percent of homes occupied by seniors with difficulty accessing kitchen facilities had features in place to improve access, and only 17 percent of seniors with hearing problems had modified smoke detectors, doorbell, and phone sensors with lights to replace sound alerts.

***The cost of assisted housing will quickly overwhelm the capacity of most boomer women to manage these costs even if they were to tap into their home equity.***

### **Housing Choices and Solutions**

Faced with these dire consequences of staying in their homes, more boomer women may be inclined to seek alternative solutions than their predecessors have been. Some may opt to trade their homes for newer, more energy efficient, easier-care homes closer to amenities and services. However, thus far, they have shown less of an inclination to do so than media reports touting empty nesters flocking to cities would suggest. If they stay put, getting services to them when they need it—and the costs of doing so—will further undermine their economic well-being.

Moving to an assisted-living facility is another option for defraying the costs of staying in their homes and sitting on their equity, especially for those who become infirm or disabled. However, the cost of combining health care and housing for such individuals can dwarf the costs of providing housing alone. Nursing homes can cost upward of \$10,000 per month (which Medicaid will cover), and assisted-living facilities can cost many thousands of dollars a month (which Medicaid will only cover partially and only in some states). The fact is that the cost of assisted housing will quickly overwhelm the capacity of most boomer women to manage these costs even if they were to tap into their home equity. Thus, should they require assisted living, even a push to get boomer women to use reverse mortgages or completely cash out on their home equity will be insufficient to cover the needed costs.

Another solution to increasing housing challenges for aging boomer women is moving in with children or relatives. Again, this is not that common. Among today's seniors, only 6 percent of women outside of institutional care live with their children, and 13 percent live with a relative other than a child or a spouse. In contrast, fully 38 percent of senior women live alone, and the share is an even higher 47 percent among those 75 or older.

### **Future Policy**

Baby boomer women overall are on a course to achieve somewhat greater economic security than the women ahead of them. But many will face a life of economic fear, doubt, and real inability to meet their most basic of needs, let alone cover the cost of health and personal care. Already large proportions of boomer women have severe housing cost burdens, and the share will escalate sharply over the next 20 years. At the same time, the health-care costs of these women are almost certain to increase. Growing frailty with age means that more of them will need costly medical treatment and personal care services delivered to them in their residences if, as expected, they remain in their houses. Meanwhile, the alternative options of trading down their housing to free up equity, moving to assisted-living facilities to have better access to services, or living with others who can supplement increasing costs and care needs all involve their own costs and challenges that boomer women may be eager to avoid.

Government has thus far been dealing with the housing problems of senior women in a piecemeal and inadequate fashion. Today, about 31 percent of boomer renter households in the bottom quartile receive rent subsidies. With so many women reporting steep housing cost burdens despite the flow of subsidies, it is clear that government would have to provide billions of more dollars in annual subsidies to take care of all the boomer women in need today, and much more to meet the need in the years ahead. Right now, that is not likely to happen. Government revenues already are not

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keeping pace with government spending, and political will to increase spending in this environment is low unless motivated by sudden catastrophe or crisis. A public policy response to the economic security of boomer women as they age that is built around housing is urgently needed. Sadly, it is being little debated and discussed.

## NOTES

1. All data in this article are from Joint Center for Housing Studies tabulations of the 2003 American Housing Survey, Department of Housing and Urban Development, [www.huduser.org/datasets/ahs.html](http://www.huduser.org/datasets/ahs.html) unless otherwise noted.

2. Data analysis based on Joint Center for Housing Studies tabulations of the 2000 Decennial Census Public Use Microdata Sample, Census Bureau, [www.census.gov/Press-Release/www/2003/PUMS.html](http://www.census.gov/Press-Release/www/2003/PUMS.html).

3. Data analysis based on Joint Center for Housing Studies tabulations of the 2004 Consumer Expenditure Survey, Bureau of Labor Statistics, [www.bls.gov/cex/home.htm](http://www.bls.gov/cex/home.htm).

4. Data analysis based on Joint Center for Housing Studies tabulations of the 2001 Survey of Consumer Finances, Federal Reserve Board, [www.federalreserve.gov/pubs/oss/oss2/scfindex.html](http://www.federalreserve.gov/pubs/oss/oss2/scfindex.html).

5. Data analysis based on Joint Center for Housing Studies tabulations of the 2001 Survey of Consumer Finances.

6. Data analysis based on Joint Center for Housing Studies tabulations of the 1995 American Housing Survey, Department of Housing and Urban Development, [www.huduser.org/datasets/ahs.html](http://www.huduser.org/datasets/ahs.html).