

Chapter 9:

Finances and Lifestyles

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.

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

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.

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.

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

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.

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

Social Security
Medicare
Older Americans Act

We've looked at the Older Americans Act. In this chapter we learn about Social Security and Medicare.

Understanding Social Security

Overview: What is Social Security, when was it created and why?

Understanding Social Security

The term "Social Security" actually refers to the program called "OASDI"

Benefits include:

Old Age,
Survivors, and
Disability Insurance

Understanding Social Security

Old Age--Monthly pay check
(C.O.L.A.—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?)

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).

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 their deceased spouse's benefits—will receive spouse's benefits instead of their lower amount of benefits

--The more one puts in, the more one gets back (SS admin. will average one's highest 35 yrs).

--If one starts drawing SS at **age 66** (the age is slowly increasing and will eventually be 67), 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 gets more than full benefits for life

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

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.

SS was **modified in 1983** to create a money surplus which was to be used when the babyboomers reach old age (unfortunately Congress has spent the surplus on other things)

Understanding Social Security Changes included (1983):

- Age to receive full benefits will eventually **increase to 67** (How old does one need to be currently to receive full benefits?)
- Increased SS tax** (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 \$160K)

Understanding Social Security



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

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.

Any ideas what could be done to create a balance?

Possible changes being considered to keep social security solvent:

1. Old people who work full-time would not receive SS until they retire
2. Any older person working and making less than, say, \$50K would receive SS but would pay taxes on the SS received
3. The younger wealthy workers would be taxed more (currently only taxed on roughly first \$160,000)

4. General tax review from income taxes could be used to make up the difference

5. 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)

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 amount, what will happen to her/him?

Is there any other source of financial support?

Supplemental Security Income

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.

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"

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.

Let's See What You Know ☺

Do millionaires receive SS if they are 66 or older (e.g., Bill Gates, Donald Trump)?

Do middle-income people (let's say \$60K family income) pay SS on ALL their income? Do millionaires pay SS on all their income?

Do people who are working 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) supplement SS?

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.

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.

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?

What do you know about Medicare?

Medicare is part of a larger program called:

Old Age, Survivors, Disability Insurance (OASDI)

(also referred to as Social Security)

Who can receive Medicare benefits?

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

Where does the money come from to pay for the health benefits a Medicare patient receives?

The source of the Medicare funds depends on the particular services being provided (there are two primary groups of services: Parts A and B).

What services does Medicare provide?

- Part A covers 100% of hospital expenses and is paid for by the Social Security (OASDI) funds collected
- Part B covers 80% of outpatient doctor and medical expenses. The 80% is paid for by a monthly fee (much like private health insurance but less expensive) the remaining 20% is paid by the patient.

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.

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

Medicare offers:

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

Private insurance also offers Medigap.

Medigap covers:

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

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

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

What is the difference between Traditional Medicare and Medicare Advantage?

1. Medicare Advantage is administered by insurance companies.
2. These companies can administer the Medicare program at a lower cost by requiring the recipient to use specific MDs and hospitals.
3. In exchange, the recipient will be provided additional services that traditional Medicare doesn't provide (which services depends on the insurance company offering it).

Which seems better Traditional Medicare or Medicare Advantage?

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

Medicare Advantage:
(operated by 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, 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 for payment.

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
4. Unlike Medicare, Medicaid is not funded by OASDI (Social Security)

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?

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 the better less run down housing?	Urban
Which has more government housing?	Urban
Who is closest to health care services	Urban elderly

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?

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.

7 Incredible Ways the Area Agency on Aging Can Help You
<https://www.youtube.com/watch?v=PyyV8cs6ZxY>

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

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>

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

7 Incredible Ways the Area Agency on Aging Can Help You
<https://www.youtube.com/watch?v=PyyV8cs6ZxY>

What's the Best Age to Claim Social Security 62, 66, or 70? (17 mins)
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>

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Absolute Poverty vs. Relative Poverty (2 min)
<https://www.youtube.com/watch?v=5HJK1Yn1uoM>

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

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)

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Thank You.

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