

# FLORIDA REAPS BILLIONS OF DOLLARS FROM ITS MATURE RESIDENTS

Gene Warren

THOMAS, WARREN + ASSOCIATES, LLC

Florida has long been a premier retirement destination. Whether this is a benefit to the State has been debated almost as long. However, a recent study by THOMAS, WARREN + ASSOCIATES of Phoenix, Arizona estimated that Florida reaped a \$1.42 billion net economic benefit from its mature residents (those residents age 50 and older) in the year 2000. On a per capita basis, Florida's mature residents had nearly twice the income, spent almost twice as much, paid much more in sales and use taxes, and imposed slightly lower medical costs on the State government than did those Floridians under age 50. In short, Florida would be far worse off economically without its mature residents.

The study by THOMAS, WARREN + ASSOCIATES, *The Economic Impacts of Mature Residents of Florida*, was undertaken specifically to estimate the economic costs and benefits of Floridians age 50 and better. Age 50 was chosen as the cut-off age because it includes not only those already retired (age 65+) but those in the process of retiring (age 50-64). The study only considered the economic costs and benefits to the State. Had the economic costs and benefits of mature residents to counties also been included, the net benefits would have been much higher.

Using data compiled by the U.S. Office of the Management and Budget, THOMAS, WARREN + ASSOCIATES estimated the spending patterns of Floridians over and under age 50 in over 50 different expenditure categories. Applying appropriate sales and use tax rates to these expenditures, it was found that each mature Floridian paid \$508 in sales and use taxes while younger Floridians paid only \$298 each. Because there are twice as many Floridians under age 50 as there are over 50, this difference in the per capita sales and use tax paid equates to a \$105 subsidy for each younger resident of Florida by the State's mature residents. Put another way, residents under age 50 benefited by \$2.7 billion from the presence of mature residents of the State.

It has always been thought that mature Floridians require more than their fair share of the State's medical expenditures. The study by THOMAS, WARREN + ASSOCIATES dispels this misconception. The study showed that Floridians under age 50 use slightly more Health and Human Service expenditures per capita than do mature residents. Considering only Health and Human Service expenditures from general revenue funds, THOMAS, WARREN + ASSOCIATES found that in the fiscal year

2000 the State paid \$241 per mature resident while it paid \$242 for each resident under age 50. The misconception apparently arises from the fact that the State's medical expenditures on a given elderly resident can be quite high. However, these expenditures are required by relatively few of the State's mature residents. For example, Florida's Department of Elderly Affairs spent \$124 million in the year 2000, but served less than 3% of the State's mature residents. This amounted to an expenditure of \$858 per (mature) client, but only \$23 per mature resident if averaged over the entire population.

The benefits to Florida from its mature residents do not end with the taxes they pay. Their spending pumps up the State's economy and creates jobs. Based on U.S. Census income data and U.S. Office of Management and Budget consumer expenditure data, THOMAS, WARREN + ASSOCIATES estimated that Florida households headed by mature residents (mature households) spent \$117.0 billion in the year 2000. This figure does not include the \$18.4 billion in Medicare payments made on their behalf. Thus, adding the two, it was estimated that in the year 2000 mature households in Florida spent \$135.4 billion. This figure compares quite favorably with the estimated \$123.0 billion spent by the State's younger households.

Not only do Florida's mature households spend more than their younger counterparts, they have different consumption patterns. THOMAS, WARREN + ASSOCIATES found that younger households spend more on food and beverage, apparel, transportation, recreation, and education than do those headed by a mature resident. Households headed by mature residents spend more on services, shelter, household operations, (out-of-pocket) medical expenses, and give more to charity than do households headed by someone under age 50. The implication of these spending patterns is that mature households spend more in categories where their spending is more likely to remain in the State, whereas younger households spend more in categories where a larger portion is likely to leave the State. Thus, not only do mature households spend more, Florida receives a bigger bang for their buck from their spending.

An ancillary benefit of the spending patterns of mature Floridians is their sizable contribution to charity. THOMAS, WARREN + ASSOCIATES estimated that in the year 2000 Florida's mature residents contributed over \$3.6 billion to charity. This compares quite favorably to the estimated \$2.2 billion contributed by the State's younger residents. Because there are twice as many residents of Florida under age 50 as there are those over age 50, the per capita contributions are even more dramatic. It

was estimated that in the year 2000 mature Floridians contributed almost \$709 per person to charity while younger residents of the State contributed only \$210 per person.

The real importance of consumer spending is not only the fuel it provides to Florida's economic engine, but the jobs the spending creates. A part of every dollar spent at a Florida business is used by the business to pay its employees who, in turn, spend their salaries at other businesses that use the money to pay their employees, and so on. Thus, every dollar spent in Florida is used to pay a portion of many workers' salaries. In fact, it has been estimated that one job in Florida is created by every \$31,008 in spending by mature households. Some quick division shows that the \$135.4 billion spent by mature households in Florida in 2000 created 4.2 million jobs in the State.

The benefit the State derives from its mature residents is a direct result of their income. THOMAS, WARREN + ASSOCIATES found that mature Floridians are truly resourceful. It was estimated that in the year 2000 the average income of a mature resident of Florida was \$29,820 which compared quite favorably to the \$15,755 average income of a younger Floridian. Put another way, although mature residents constitute only 33% of the State's population, they account for almost 49% of the income of all Floridians. If only potential wage earners are included in the younger age group, *i.e.*, those between 18 and 50 years old, the average income of younger Floridians rises to \$23,977, still significantly below the \$29,820 average income of a mature resident.

Although Floridians aging-in-place (those who moved to Florida before age 50) are resourceful in their own right, all indications are that individuals moving to Florida after age 50 are even more resourceful. And there are lots of them – an estimated 2,536,189. THOMAS, WARREN + ASSOCIATES estimated that 48% of the State's mature residents moved to Florida after age 50.

While not all of those individuals moving to Florida after turning 50 are resourceful, there are mitigating reasons why the less resourceful do not impose the expected burden on the State. THOMAS, WARREN + ASSOCIATES found evidence that there were a significant number of mature individuals who, after moving to Florida, moved again to another warm weather state with a lower cost of living than Florida. The obvious explanation for this phenomenon is that they found living in Florida too expensive, which implies they were probably less resourceful than those mature residents who remain in Florida. THOMAS, WARREN + ASSOCIATES also found that although the rate of migration out of Florida declines steadily for residents between age 50 and 75, for residents age 75 or better there is

an increase in the out-migration rate. This observation, coupled with a high correlation between the state they migrated from and the state they are migrating to, implies that a significant number of mature Florida residents are returning to their “home” states at the end of life presumably to take advantage of the support of the family and friends they left behind when they moved to Florida.

Whether they moved to the State after turning 50 or are aging-in-place, Florida’s mature resident population is large and growing. Florida’s mature population grew by 1,071,462 people during the 1990’s. This is a net gain; it represents the increase in mature residents over and above the 1,076,965 mature residents who died and the estimated 250,285 mature residents who moved out of Florida during the 1990’s. In the year 2000, Florida’s mature residents constituted 33.3% of the State’s population. This figure is substantially larger than the 27.2% of the U.S. population who were age 50 or better in the year 2000.

Floridians of all ages economically benefit from the presence of mature residents. Their spending subsidizes the sales and use tax burden of younger Floridians and fuels the State’s economic engine. Mature residents of Florida are a key component of the State’s economy. Their spending has a tremendous positive impact, especially on the State’s construction and health services sectors. Because people do not retire someplace they haven’t visited, attracting mature residents also most likely has a significant impact on the State’s tourism sector. Thus, the continued growth of the State’s mature population provides a buffer against declines in other areas of the economy. On the other hand, a decrease in their numbers could have a much larger impact on the State’s economy than the post September 11<sup>th</sup> decrease in tourism.

While Florida’s mature residents are currently a tremendous asset to the State, their future contribution is more problematic. Although in 2000 mature Floridians accounted for 1/3 of the State’s population, their rate of increase has been declining since the decade of the 1960’s. Other states are now aggressively competing with Florida for mature residents. Many mature individuals who in the past would have moved to Florida are now relocating elsewhere, and mature Floridians are increasingly moving to other states. If this trend is not reversed, the benefits Florida receives from its mature residents will inevitably decline with its number of mature residents. For the good of all Floridians, the State’s mature residents are a resource to be nurtured.

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Gene Warren is President and CEO of THOMAS, WARREN + ASSOCIATES, LLC, an economic and policy research firm. Dr. Warren is a nationally recognized expert in the economics of retirement. His work in this area has been applied to shape both state and local policies affecting retirees. He has spoken on the advantages of attracting retirees as a form of economic development to audiences across the country. The firm is located at 1501 W. Amelia Ave., Suite 101, Phoenix, AZ 85015. Dr. Warren can be reached at (602) 277-1957 or [ehwarren@twaconsulting.com](mailto:ehwarren@twaconsulting.com). More information about THOMAS, WARREN + ASSOCIATES can be found at [www.twaconsulting.com](http://www.twaconsulting.com).

