

# SENIOR MYTHS

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## INTRODUCTION

In the not too distant past, senior citizens or seniors for short – used here to mean those individuals age 55 and older -- were perceived as valued members of a community. They were appreciated for their wisdom and respected for the contributions they had made throughout their working lives. However, in recent years this perception seems to have changed. Largely due to their increasing numbers, their advocacy groups, and their generally negative portrayal in the media, today seniors are frequently perceived as burdens on society. They are treated as if, once they retire, they quit making any economic contribution.

While this may be true for some seniors, research by THOMAS, WARREN + ASSOCIATES has shown that it is not true for senior citizens on average or as a whole. Perceptions and reality about the contributions of senior citizens differ because a number of myths about seniors have emerged as they have become a more visible component of society. These myths include:

**Seniors are a drain on an economy.**

**Spending public funds to attract seniors only subsidizes developers.**

**Popular retirement destinations are over run with seniors.**

**Migrating seniors change the nature of a community.**

**One senior is pretty much like another.**

If, as will be argued here, these statements about senior citizens are myths, it is of some interest to ask why these myths arose. First and foremost, it seems that the increasing number of senior citizens has made them a much more visible element of society. As the percentage of seniors has increased they have spawned a number of advocacy groups, AARP and Area Agencies on Aging, for example. These advocacy groups very existence depends on having issues to espouse. It is not in their self interest to point out the economic well being of the entire group they represent, but rather to focus on those few seniors who are not making a net contribution to society's economic well-being. Finally, it seems well accepted that people quickly become bored with "feel good" stories in the media. Thus the media, in order to promote their circulation or ratings, need to focus on stories about senior citizens who essentially represent anomalies. None of these factors is solely responsible for the myths about seniors, rather it appears to be a confluence of all three factors.

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### **MYTH: SENIORS ARE A DRAIN ON AN ECONOMY**

Why are seniors thought to be a drain on an economy? The answer usually includes some combination of the following reasons:

- Seniors have below average incomes
- Seniors do not spend as much as their younger counterparts
- Seniors do not support schools
- Seniors get more than their fair share of public health benefits
- Seniors do not pay their way

Because all of these reasons are also myths, the belief that seniors are a drain on an economy is really a “super myth.” That is, it is the amalgamation of several component myths. Because of this, it is really not possible to address the super myth directly, but rather necessary to address each of its component myths individually.

### **MYTH: SENIORS HAVE BELOW AVERAGE INCOMES**

Many people believe that most seniors are poor. They conjure up images of an old lady eating cat food in order to make her social security check stretch through the month. They seem to forget that Warren Buffet is also a senior. In fact, seniors, as a whole, are surprisingly well off. There may be old ladies eating cat food to stretch their budget, but they are almost as much an anomaly as is Warren Buffet.

In reality seniors, on a per capita basis, have significantly higher incomes than do individuals below age 55, even when children not yet old enough to enter the workforce are excluded. The per capita income of Arizona’s senior residents in 1996 was about 20% higher than residents 16 to 55 years old. In 2000 Florida’s senior residents’ per capita income was 14% higher than that of the state’s 18 to 55 year olds. This is not just an anomaly associated with two of the country’s premier retirement destinations. The 2000, per capita income of North Carolina’s seniors was 19% larger than their younger counterparts, and the per capita income of Louisiana’s senior residents was an amazing 27% higher than the state’s 18 to 55 year old residents.

The reason that seniors have higher incomes than their younger counterparts is twofold. Those seniors between the age of 55 and 64 who are still working are in their prime earning years. Their salaries are at their apex. Thus, it is to be expected that these people would have higher per capita incomes. However, most people age 65 and older have at least one income, social security, and many have two incomes, social security and privately funded pensions. Thus, while most people age 65 and above have incomes, the same is not true for those under age 55. Contrary to popular belief, there continue to be many families where only one adult works.

### **MYTH: SENIORS SPEND LESS THAN THEIR YOUNGER COUNTERPARTS**

After the previous discussion, the myth that seniors spend less than their younger counterparts would seem to be patently false; because seniors have larger per capita incomes, it

would be expected that they should spend more per capita. However, this is not the case. People generally do not spend their money as individuals, but as households. In most households, each individual does not buy his or her own groceries, car, house, *etc.* On a per household basis, the incomes of those under age 55 are slightly higher than they are for seniors.

Nevertheless, the spending by seniors, on a per household basis, is nearly as large as the spending by those under age 55. The primary difference is not how much each group spends, but what they spend their income on. In general, seniors spend more on services, shelter, household operations, out-of-pocket medical expenses (including insurance), and charity while their younger counterparts spend more on food and beverage, apparel, transportation, recreation, and education. Thus the spending by seniors has a larger impact on their local (state and community) economies than does spending by younger residents because more of their spending stays at home.

This being said, the size of the per capita spending by seniors is significant. Senior residents of Arizona spent about \$23 billion in 1996. This represented about 34% of the total spending by all residents of Arizona. To put this into perspective, Arizona's senior residents accounted for only about 21% of the state's resident population that year. Florida's senior residents spent about \$118 billion in 2000 or about 48% of the total spending by all Florida residents. To again put this in perspective, Florida's senior residents represented only about 28% of the state's population in 2000. North Carolina is no different. Senior residents of North Carolina spent about \$33 billion in 2000. Thus almost 42% of the total spending by residents of the state was done by 21% of its population. Finally, Louisiana's senior residents spent about \$24 billion in 2000. This represented 38% of the total spending by all Louisiana residents, but was done by only 20% of the state's population.

### **MYTH: SENIORS DO NOT SUPPORT PUBLIC SCHOOLS**

Typically seniors do not have children in the local public school system. This appears to have led to the myth that they do not support public schools. As a result, it seems that people believe that seniors are unwilling to vote additional money for their school system. Granted there have been instances where school bond issues have failed to pass in districts with relatively large senior populations. On the other hand, a 1998 survey of 900 retirement-age residents of Arizona<sup>1</sup> found that 71% of the retirement-age individuals surveyed who said they voted, reported voting in favor of school bonding issues.

Regardless of whether seniors vote for new school bonds or not, they do support local public schools. Most funding for local public schools comes from property taxes. Because seniors are more likely to own their own home than those under age 55, and because they tend to have more expensive homes, on a per capita basis seniors pay more property taxes than do their younger counterparts. For example, in 1996, Arizona's retirement-age residents paid 39% more per capita in property taxes than did residents under age 55. Also, while comprising only about 28% of the

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1. Reported in THOMAS, WARREN + ASSOCIATES, "The Impacts of Retirement-Age Residents of Arizona," 1998.

state's population in 2000, Florida's senior residents paid 47% of the state's residential property taxes. Thus, not only do seniors support local schools through their property taxes, they provide more than their share of the monetary support for local schools.

**MYTH: SENIORS GET MORE THAN THEIR FAIR SHARE OF PUBLIC HEALTH BENEFITS**

Infirmities are a by-product of increasing age. Thus, it is natural to believe that seniors require more medical care and more expensive medical care than do their younger counterparts. With the high costs of medical care and the growing numbers of seniors, there is an increasing feeling that seniors are getting more than their fair share of public health benefits. While at the federal level this is true, at the state and local level this is not the case. For example, in 2000 the per capita expenditures from general revenue funds for Health and Human Services in Florida was nearly the same for the state's senior residents as it was for its younger residents.

This myth seems to be perpetuated because people tend to focus on anomalies, not the big picture. Of course, senior medical care, especially end of life care, can be expensive. If a senior does not have Medicare and perhaps a health care policy to supplement it, the state in which they reside may have to pay for much of their health care. However, this is the exception, not the rule. Consider the case of Florida's Department of Elder Affairs. In 2000, it spent an average of \$858 per client. However, this works out to be only \$23 per senior resident of Florida. What these numbers mean is that the Department of Elder Affairs is providing monetary benefits to only a very small portion (2.5%) of the senior residents of the state.

In 1996 Arizona spent about \$135 more per capita in state funded public health benefits for seniors than it did for those below age 55. However, this must be put in perspective. In the same year, Arizona's equivalent of Medicaid (state funded health care for those not covered by insurance) spent more per capita for prenatal, delivery, and postnatal health care that it did on senior health care.

Most seniors do not require state assistance for their health care. They have health care insurance, typically Medicare supplemented by private insurance. Thus, although senior health care cost can be expensive, only a relatively small portion of it is paid for by their state.

**MYTH: SENIORS DO NOT PAY THEIR WAY**

The states in which they live derive revenue from seniors, primarily from the income and sales taxes they pay. Because, as noted earlier, seniors have higher per capita incomes than do those under age 55 and have expenditures nearly as great as their state's younger residents, it should not come as a surprise that they pay more in state taxes per capita than do their younger counterparts, at least in Arizona, Florida, and Louisiana, states for which THOMAS, WARREN + ASSOCIATES has done extensive research.

In Arizona, the per capita state taxes paid by its senior residents in 1996 were 121% of the per capita state taxes paid by residents under age 55. Arizona's seniors each paid a total of \$990

in state income and sales taxes in 1996, while those under age 55 paid \$819 each. That means that each senior resident of Arizona paid \$171 more in state income and sales taxes than did each person under age 55. Recall that, on average, a senior resident of Arizona required an additional \$135 more in state funded medical expenses than did a younger individual. Subtracting this state subsidy for senior medical expenses from the additional state taxes they paid, senior residents of Arizona provided the state with \$36 more per capita in state revenue than did its younger residents.

Because Arizona is a state which imposes both a state income tax and a sales tax on its residents, the question remains whether the same result would hold in a state that does not have a state income tax. Florida is such a state. 73% of Florida's general revenue in 2000 came from its sales and use tax with the remainder from an array of other taxes, none of which was an income tax. In 2000 the per capita sales taxes paid by senior Floridians was about 185% of the per capita sales taxes paid by younger Floridians. The average senior resident of Florida paid an estimated \$508 in sales tax in the year 2000 while a resident under age 55 paid only \$298. That is a whopping \$210 more in per capita sales tax paid by the state's senior residents. This is even more astounding when it's recalled that, on a per capita basis, Florida's senior residents received about the same dollar amount of state funded medical care as did the state's younger residents.

There is no reason to believe that Arizona and Florida are anomalies. In fact, very similar results hold true for Louisiana. Because seniors more than pay their fair share of state taxes, they can be thought of as providing a subsidy to the younger residents of the states in which they reside.

#### **MYTH: SPENDING PUBLIC FUNDS TO ATTRACT SENIORS ONLY SUBSIDIZES DEVELOPERS**

Economic development is an important aspect of virtually every state and local government's attempts to grow its economy and thereby provide better living conditions for its residents. At the heart of most economic development activity is the attempt to attract businesses to the state or community. Businesses provide jobs to their communities. These jobs provide wages for new or (unemployed) existing residents. These additional wages are spent in the community and state, thereby fueling their economies and attracting more amenities (*i.e.*, doctors, stores, restaurants) to serve the additional wage earners as well as the rest of the community. Because there are usually a number of states or communities competing for the same businesses, a state or community can only be successful in attracting new businesses if it provides the new business with some kind of incentive (or subsidy).

A developer building new senior housing is doing essentially the same thing as a new business. First, the developer is creating jobs in the local building industry. Presumably seniors will buy the homes being built and move to the state and community where they are located. Now recall that seniors have higher per capita incomes than do the average wage earners, and, although they may not have jobs, they spend their income in the community and state where they reside. However, the money being spent by seniors is no different than that being spent by people

with jobs. Thus, senior spending fuels the local economy and attracts new amenities that also serve the rest of the community; attracting seniors accomplishes the same end as does traditional economic development.

Spending public funds to attract seniors may indeed help developers sell their homes, but attracting seniors is simply good business. Both Florida and Louisiana have recognized this fact. In 2002 Florida’s Governor Jeb Bush established the *Destination Florida Commission* which was charged with determining how to make Florida more attractive to seniors. In 2001, Louisiana established the Louisiana Retirement Development Commission under the auspices of (then) Lt. Governor Kathleen Babineaux Blanco specifically to promote the state as a desirable retirement destination and thereby attract seniors to the state.

**MYTH: POPULAR RETIREMENT DESTINATIONS ARE OVER RUN WITH SENIORS**

Because their attractiveness to seniors is emphasized, popular retirement destinations such as Florida and Arizona are often envisioned as being overrun with seniors. In actuality, there is a limit to the number of retirees who can live in a given region. By definition, retirees do not work and therefore are not part of a region’s labor force. But, because they have incomes and spend money on goods and services, there must be workers providing the goods and services they want to purchase. Those providing retirees with goods and services are, by definition, part of the labor force and thus not retired. Therefore, it is impossible to have a region that is all retirees, because such a region would have no one available to provide the goods and services retirees purchase. Although the percent of non-retirees necessary to provide the goods and services retirees demand depends on a number of factors, it is generally greater than 70%.

Table 1 shows the percent of the population that were age 55 or older in 2000 for a cross section of states. By way of contrast, the percent of the U.S. population that was age 55 or

**Table 1 ~ Percent of Population 55+ in 2000**

FL	27.5%	AR	23.6%	AL	22.4%
MA	22.1%	NE	21.8%	OR	21.8%
AZ	21.6%	SC	21.4%	IN	21.1%
NC	21.0%	NV	20.5%	LA	20.0%
CA	18.3%	GA	17.7%	TX	17.6%

older was 21.1%. Only Florida (FL) is significantly above the national average, and they do not believe that they have enough seniors. It is also interesting to note that Massachusetts (MA), a state no one thinks of as a retirement haven, has almost 300,000 more seniors than does Arizona. Yet while some claim that Arizona is overrun with seniors, no one thinks that Massachusetts is.

**MYTH: ATTRACTING SENIORS CHANGES THE NATURE OF A COMMUNITY**

Some people worry that if a community attracts seniors it will change the nature of the

community. They are essentially worried that outsiders will move into their community with different lifestyles and attitudes and change the existing nature of the community.

Those who believe this myth forget that seniors who move after they retire have a choice of where to live. They are not moving to a new job assignment nor moving to try and find a job. They are moving to a place they want to live and feel they fit in. Given this choice, seniors match the attributes of the community they are considering moving to and the attitudes of its residents with their own preferences. Thus, if anything, retirees strengthen the existing nature of the community.

There is one way in which seniors can change the nature of a community. Seniors are more likely to vote than their younger counterparts, and when they vote they are more likely to support a conservative agenda. Thus, if they move into a community in sufficient numbers, they can affect the political agendas of elected officials.

#### **MYTH: ONE SENIOR IS PRETTY MUCH LIKE ANOTHER**

It used to be that many seniors who moved after they retired wanted to live in an age restricted community. This is now changing. According to Richard Florida, the current trend with baby boomers is that they want to be integrated into a mixed community. This is borne out by the fact that Las Vegas' Sun City recently voted to remove the age restrictions on its residents.

Today's seniors generally enjoy an active lifestyle. They want to do more than to play golf and shuffleboard in a warm climate. Otherwise there is no explaining why places such as Eagle River, Wisconsin, Hamilton, Montana, Pagosa Springs, Colorado, and Silver City, New Mexico have become popular retirement destinations. The activities seniors want to pursue upon retirement are as diverse as the activities enjoyed by their younger counterparts.

Recently retired seniors are concerned about more than just their next social security check (although that is clearly still very important). They are more involved with their church than younger people are, and many contribute their time to their church, social service organizations (like the St. Vincent de Paul Society), and political campaigns. They also tend to be more supportive of charities in general than are their younger counterparts. In Florida, senior residents contributed over \$3.6 billion to charity in 2000, compared to the \$2.2 billion contributed by twice as many Floridians under the age of 55.

#### **CONCLUSIONS**

Nothing said here should be construed to mean that everything about having seniors in a community or state is entirely good. They can be quite annoying to younger people, especially those in a hurry. Nevertheless, they provide a definite economic benefit to all residents of the communities and states in which they choose to live. In short, seniors are "gray gold" to those communities and states able to attract and retain them.