Baby Boomers’ Paths into Retirement

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Aging Society and Retirement

The U.S. population is getting older due to:

- Rising life expectancies
- Lowering fertility rate
- Large baby boom generation

Baby boomers who are comprised of persons born between 1946 and 1964:

- 1/3 of the U.S. population in 2010
- Generating a powerful amount of economic activity
- The oldest baby boomers reached retirement age (65 years old) in 2010

Retirees re-focus their lives away from work:

- For some, moving and downsizing with location preferences — rising number of older migrants

Senior Migration and Community Development

Elderly population is heterogeneous group:

- Elderly migration behavior is not adequately captured in general migration models: kinship moves, returns to the place of birth, age (life cycle)-dependency, locational choice, or moves to traditional retirement areas
- Proximal role for planners and policy makers

Senior migration as an economic development strategy:

- In receiving communities:
  - Seniors purchase local goods and services using externally derived income from Social Security, private pensions, and certain forms of equity income
  - Elderly drive the demand for additional government services or enhance a local government's economy and tax base without imposing heavy demands on local service
  - In sending communities that lose their elderly population, may lose business opportunities

Income dependency of seniors’ migration behaviors and migration patterns:

- Micro-level analysis:
  - How does income affect the migration behavior of the older population?
  - Does the migration behavior's income dependency differ between the baby boom generation and the pre-baby boom generation?
- Macro-level analysis:
  - What are the aggregate outcomes of later-life migration, especially, w.r.t. income variation and redistribution?

Research Questions

How does the nexus of aging, migration, and income play out for the older population?

- Movers:
  - 5% of age 65+ and older moves every year
  - 13% of movers move across state boundaries; two-thirds are headed to a TRD
  - The average income is much higher for interstate movers and in particular those who move to a TRD
  - Seniors living in the West and South are more likely to move to a TRD
  - More likely to move to a TRD (M2=1) and moving elsewhere (M3=1); subset of M2=1
  - M0: for staying in the place of birth (M0=1) and staying (M0=0); subset of M0=1

Retirement migration in terms of net income gains:

- Winners of retirement migration in terms of net income gains: states located in the West and South.
- There is a gender difference in the income dependency on migration behavior
- Logit models for three types of binary migration variables M (c=1,2,3)
  - M1 for staying in the place of birth (M1=1) and staying (M1=0)
  - M2 for staying in a different state (M2=1) and moving within state boundaries (M2=0); subset of M2=1
  - M3 for moving to a TRD (M3=1) and moving elsewhere (M3=0); subset of M3=1

Base model

Base model + fixed effects for the (pre-migration) place of residence

- Annual American Community Survey (ACS) for 13-year period, 2005 to 2017, a household survey by U.S. Census
- Selected all household heads of age 65 or older at the time of the respective survey:
  - 4,172,204 observations in the sample, representing 338 million household heads
  - 56.4% household heads without spouse (71% of these are female) and 43.6% household heads with spouse (22% of these are female)
  - 15.8% baby boomers; 74.3 mean of age
  - Income: $33,749 in mean and $33,372 in median

Distribution of household income by migration status

- Share of elderly among In-Migrants, 2017

- Increasing likelihood of moving to a TRD with rising income

- Net income gains and losses due to elderly migration, 2017 per capita USD

- Omitted income category: $40,000 to $55,000

- For lower income group, propensity to move (M0) is higher that higher income group

- Low propensities to make interstate moves in the West and South

- Probabilities to make an interstate move (M0) and a TRD-move (M3) increase with rising income only for those with income

- Net income gains are much higher for interstate movers and in particular those who move to a TRD

- On average, earning more than those who only made residential adjustments within the state

- Winners of retirement migration in terms of net income gains: states located in the West and South

- Interstate moves are predominantly white, affluent, and better educated.

- Strong positive association between income and interstate moves for the baby boomers

Results

Quantile maps for estimated FE odds ratio of origin

- Strong East-West disparity of M1: Seniors living in the eastern U.S. are more likely to be stayer except for those living in FL, IL, and ME

- Low propensities to make interstate moves in the West coast, in TX, and in ME

- East-west disparity of M2: highest propensities to move to TRD in states with a cold winter climate, from MN to ME

Conclusion

How does the nexus of aging, migration, and income play out for the older population?

- Movers:
  - 5% of age 65+ and older moves every year
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  - The average income is much higher for interstate movers and in particular those who move to a TRD

- Stayers:
  - On average, earning more than those who only made residential adjustments within the state

- Spatial income redistribution:
  - Winners of retirement migration in terms of net income gains: states located in the West and South
  - Interstate moves are predominantly white, affluent, and better educated.

- Strong positive association between income and interstate moves for the baby boomers