

Potential Income From Assets: Findings of the 1963 Survey of the Aged

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IF THE ASSETS of all persons in the United States aged 65 and over could be converted to income prorated over the expected life of the holder, the median income for aged couples in 1962, with equity in the home excluded, would be raised from \$2,875 to \$3,130. The median would be raised from \$1,365 to \$1,560 for nonmarried men and from \$1,015 to \$1,130 for nonmarried women.

Such an addition of distributed assets to income would increase the inequality of the income distribution. It would still leave more than a third of the couples and about two-thirds of the nonmarried with insufficient income to live independently at the "modest but adequate" budget standards developed by the Bureau of Labor Statistics.

It has long been recognized that, although current money income is the customary and certainly the best single measure of the economic situation of any population group, supplementary resources may be especially important for the aged. Assets, inheritances, and other occasional money receipts not classified as income, the informal transfers to income that occur when the elderly share living arrangements with relatives, food that is home-grown or received as a gift or in lieu of wages—all these resources may significantly enhance the well-being of an aged couple or individual.

Detailed information from the 1963 Survey of the Aged, conducted by the Social Security Administration, on the size and sources of the income of the aged and on the size and composition of their asset holdings has been published in previous articles.¹

The objective of this article is to focus on a measurement that combines data on the income and assets of the survey units, as well as their age and sex. This measurement has been called "potential income." It involves an arbitrary proration of assets, plus earned interest, over the expected

life of the survey units. Although this is a statistical construct, it serves as a convenient device for grouping together units having approximately the same economic position when both income and assets are considered and thus for showing how the size distribution of current money income would be altered with assets taken into account in this way.

Lump-sum life insurance and other payments—inheritances, gifts, tax refunds, back pay, awards for injury or damage—that are not classified as current income may be large indeed for a few individuals (the inheritance of a "wealthy widow," for example), but they cannot be considered as a resource for the great majority. In 1962 only about 5 percent of the units aged 65 and over had any receipts of this kind. Food received without direct expense is a supplementary resource for a larger number of units and may be of special importance to those with very low incomes, but in general the value of such food is small. Living with relatives may improve the economic situation of the aged in some cases; in others, it is of mutual advantage or may benefit the younger members. The limited information on the financial aspects of such living arrangements that can be derived from a cross-tabulation of the money income of the older units by income of all members in the family group is currently being analyzed.

POTENTIAL INCOME—CONCEPT AND MEASUREMENT

In order to express the economic position of units with any combination of income and asset holdings and to group the units with broadly equivalent positions, "income with prorated assets"—in other words, potential income—was computed for each unit. The following procedure was used.

Assets were assumed to be capable of earning a 4-percent annual rate of return. The principal and the appropriate interest amounts were divided over the expected remaining years of the

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¹ The income of the aged was reported in the *Bulletin* for March 1964, work experience and earnings in the June 1964 issue, and assets in the November 1964 issue.

unit's life in equal annual sums so that the assets would be exhausted at the end of that period. The annual amount computed in this way was added to the current money income less income actually received from assets.² For couples, proration was based on a joint probability: the number of years of life remaining for husband and wife together and the number either spouse might survive alone to draw two-thirds of the annual portion of asset holdings previously available to the couple.³ In a few cases—usually those in the lower end of the age range, or couples who had assets other than equity in a home—the actual return was greater than the 4 percent used in the computation, and the prorated amount of assets added was less than the amount subtracted.

The adoption of these procedures, although in effect assuming the conversion of assets into life annuities, does not in any way bear upon the question of the feasibility or the desirability of this form of asset management for individuals. The advisability of such conversion would, indeed, be subject to many conditions and considerations important for the individuals involved. The conversion of the owned farm or other business holdings into prorated assets, for example, is recognized as particularly unrealistic. However, in order to achieve the objective of measuring equivalence of economic status within broad population groups, such assets have been included.

As an illustration of the concept and measurement of potential income, some questions may be raised, and answered, about groups of individuals with different combinations of income and assets. It would be generally agreed that persons with incomes of, say, \$1,500 and asset holdings of \$10,000 are better off than those with the same income and no assets. But would they be better off than others with an income of \$2,000 and with \$1,000 in assets? If these persons were all non-married women aged 65 and were currently receiving a 4-percent return from their assets, all

would have about the same potential income—actual income minus the income from assets plus prorated assets—of slightly more than \$2,000. For those with \$10,000 in assets, \$900 of this amount would be income from prorated assets. If the latter group were aged 85 instead of 65, the potential income would be appreciably greater—about \$3,600, with more than \$2,500 from prorated assets.

An owned home, unlike other assets, is not normally acquired as a source of future money income or as a reserve for contingencies but rather for the services and satisfaction it yields as a place of family living. Accordingly, potential income has been calculated both including and excluding home equity among the assets prorated. For many purposes it may be more reasonable and realistic to exclude the owned home from prorated assets, especially since sale of the home would increase the need for income to cover rental costs. Such costs tend to run higher than the expense of ownership, particularly for the large group of the elderly who own their homes clear of mortgage.

The distributions of couples and of nonmarried men and women aged 65 and over by level of potential income and the median amount of such income are compared with the distributions of the same groups by level of actual income. Comparisons are presented for beneficiaries under the old-age, survivors, and disability insurance (OASDI) program and for nonbeneficiaries, for three age groups. A cross-tabulation of units by actual income and by income with prorated assets other than owned homes provides information on the proportions of units whose potential income is considerably higher than or about the same as their actual income. Finally, the income with prorated assets other than the owned home of units with no income from earnings is reviewed. Those units who are receiving income from earnings may still be increasing their asset holdings. Those who no longer have such income are more likely to be drawing upon assets previously acquired. An understanding of the potential income of this group seems of special interest.

COMPARISON OF POTENTIAL AND ACTUAL INCOME

When the distributions of survey units by actual and potential income shown in table 1 are

² The amounts that were subtracted were interest on deposits in banks, credit unions, etc.; interest or dividends on stocks and bonds; and 4 percent of any amounts reported as invested in a business or farm.

³ The factors needed in the computation were developed by the Division of the Actuary. The United States Life Tables for 1959 were used in determining life expectancies by age and sex. For simplicity in calculation for married couples, the wife was arbitrarily assumed to be 5 years younger than the husband and the joint life expectancies were computed on that basis.

compared, they appear to be remarkably similar. When the comparison is based upon income with prorated assets other than the home, the differences that do exist usually amount to only 1 or 2 percentage points at any income interval. Differences are definitely larger when the owned home is included in the prorated assets. An indication of the shifts in the distributions may be obtained through a comparison of the medians for units aged 65 and over, shown below.

Type of unit	Actual income	Income with prorated assets	
		Excluding home equity	Including home equity
Married couples.....	\$2,875	\$3,130	\$3,795
Nonmarried men.....	1,365	1,560	1,845
Nonmarried women.....	1,015	1,130	1,395

Although the median potential income is about 10 percent greater than actual income when home equity is excluded and a little more than 30 percent greater when home equity is included, these shifts in the medians do not indicate the amounts that prorated assets would add in the aggregate to current income. The distributions of potential

income are even more skewed to the right than are the distributions of current income, and the inequalities in the distributions are increased.

The greater shift in the distribution when equity in the home is included among the assets reflects the importance of such equity, and the extent of homeownership, as a major form of assets among aged persons with relatively low incomes.

Another way of relating potential to actual income is to compare the percentages of units at less than a given level. It has been estimated that \$2,500 in 1962 would have permitted a retired couple to live independently at the BLS "modest but adequate" budget standard. About 42 percent of the couples had actual income of less than \$2,500. Thirty-six percent had less than \$2,500 if prorated assets excluding the owned home were added to income. It is not appropriate to relate to this benchmark the proportion of couples with less than \$2,500 in potential income when the equity in the owned home is prorated because the \$2,500 cost estimate assumes that a majority of units own their homes. If all units are assumed to rent their homes the cost of the "modest but adequate" budget would be higher.

TABLE 1.—SIZE OF INCOME, ACTUAL¹ AND WITH PRORATED ASSETS (EXCLUDING AND INCLUDING EQUITY IN NONFARM HOME),² FOR UNITS AGED 65 AND OVER: Percentage distribution, by income level, 1962

Income level	Married couples			Nonmarried men			Nonmarried women		
	Actual income	Income with prorated assets		Actual income	Income with prorated assets		Actual income	Income with prorated assets	
		Excluding equity in home	Including equity in home		Excluding equity in home	Including equity in home		Excluding equity in home	Including equity in home
Number (in thousands):									
Total.....	5,445	5,445	5,445	2,402	2,402	2,402	6,329	6,329	6,329
Reporting on specified income ³	4,719	4,337	4,337	2,173	2,063	2,063	5,536	5,086	5,085
Total percent.....	100	100	100	100	100	100	100	100	100
Less than \$1,000.....	5	4	3	32	28	25	49	45	36
1,000-1,499.....	10	9	6	25	20	18	21	21	18
1,500-1,999.....	14	12	8	12	12	11	13	13	13
2,000-2,499.....	13	11	9	11	12	11	7	6	8
2,500-2,999.....	12	12	9	5	6	7	3	4	6
3,000-3,999.....	16	18	18	6	6	8	3	4	7
4,000-4,999.....	11	10	11	3	5	6	1	2	4
5,000-9,999.....	15	18	26	6	8	11	3	3	5
10,000 and over.....	5	7	9	1	3	5	(4)	2	2
Median: ⁵									
All units.....	\$2,875	\$3,130	\$3,795	\$1,365	\$1,560	\$1,845	\$1,015	\$1,130	\$1,395
OASDI beneficiaries.....	2,800	3,020	3,685	1,405	1,640	1,960	1,225	1,330	1,630
Nonbeneficiaries.....	3,580	3,835	4,585	1,145	1,325	1,560	755	815	960

¹ Total money income in 1962.

² Actual income less income from assets plus the portion of asset holdings that would have been available for spending annually if all assets were prorated over the average remaining years of life of the unit, with a 4-percent annual return. Sex differentials in longevity included in computation. For couples, proration based on joint probability of the number of years remaining for husband and wife together and the number either spouse might survive alone to draw two-thirds of asset holdings available to couple annually.

³ Data on actual income based on information for those survey units reporting amount of money income received in 1962. Data on income with prorated assets based on information for those survey units reporting both amount of money income in 1962 and amount of assets at the end of 1962. Median actual income of those reporting on both income and assets would probably be about the same for married couples, slightly higher for nonmarried men, and slightly lower for nonmarried women.

⁴ Less than 0.5 percent.

⁵ Computed from \$600 income groupings.

For an individual living alone, the estimated amount required to provide the "modest but adequate" standard was \$1,800. Those nonmarried men and women having income of less than \$2,000 and those with less than \$1,500 as measured by the concepts—actual money income and income with prorated assets excluding the owned home—are shown in percentage terms in the following tabulation:

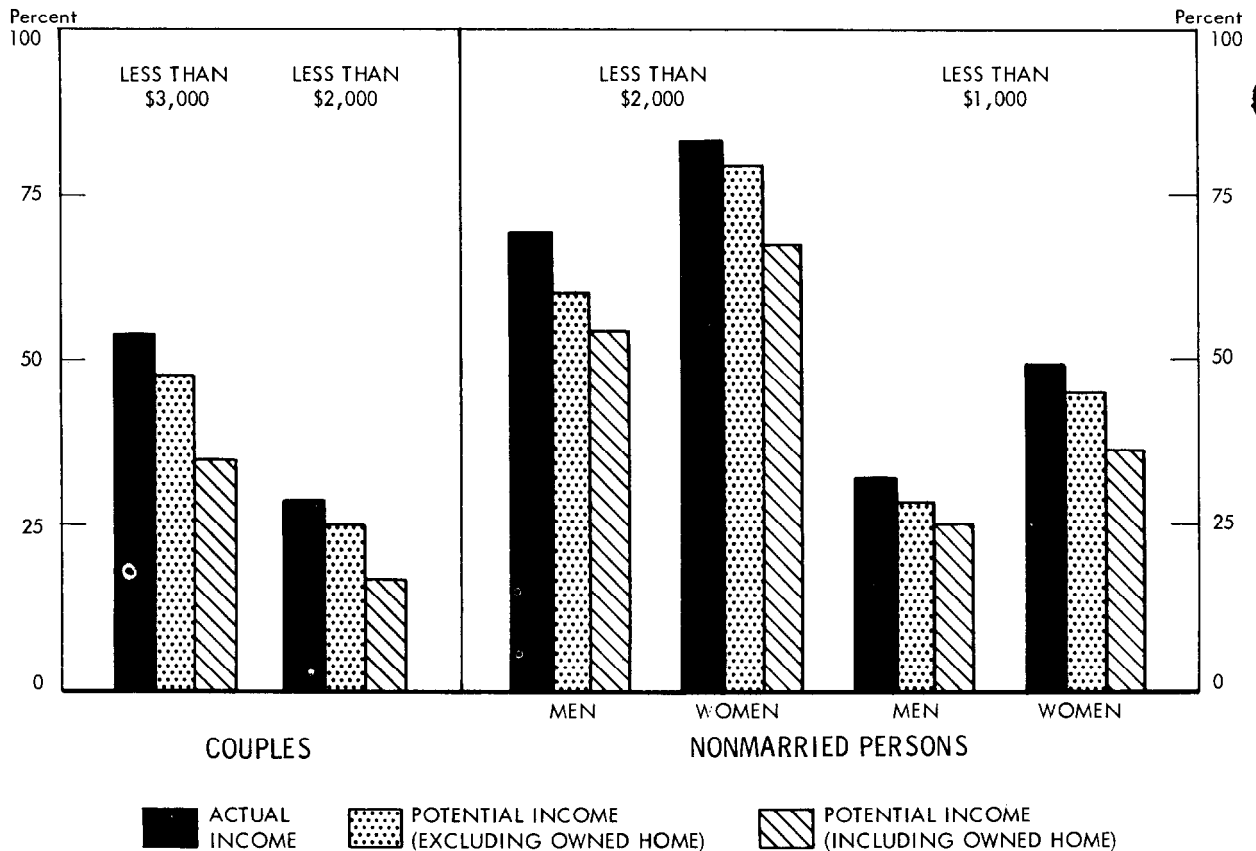
Income	Nonmarried men		Nonmarried women	
	Income less than—		Income less than—	
	\$2,000	\$1,500	\$2,000	\$1,500
Actual income	69	57	83	70
Income with prorated assets (excluding equity in owned home)	60	48	79	66

The percentages of the survey units with income (actual and potential, including and excluding the owned home) of less than \$3,000 and less

than \$2,000 for couples and, for nonmarried men and women, of less than \$2,000 and less than \$1,000 are shown in chart 1. These levels cover in general, the critical ranges of concern in much of the current discussion of the identification of the "poor."

The role of assets may also be judged by examining the proportion of those at each income level who shift into a higher level when the classification is by potential income. A cross-tabulation of the units by actual income and by income with prorated assets excluding the owned home permits the measurement of such shifts. Those units with no assets, or with assets so small that their potential income falls in the same \$1,000 intervals as their actual income, are classified as having "no improvement." The few units whose potential income falls in a lower interval than their actual income are also classified in this way. The units who shift into the next higher income class with the addition of prorated assets are grouped as having "moderate improvement," and those who

CHART 1.—ACTUAL AND POTENTIAL INCOME, BY SPECIFIED INCOME LEVEL, FOR UNITS AGED 65 AND OVER, 1962¹



¹For definitions, see table 1.

shift two or more classes as having "appreciable improvement."

The results, as shown in table 2 and chart 2, reflect the fact that most of the units with low incomes have little in the way of assets, especially when equity in the home is excluded. Most of the units—more than four-fifths of the nonmarried men and women and three-fourths of the couples—with actual incomes of less than \$3,000 remain in the same income interval when classified by potential income. The proportion remaining in the same class is greater at the income levels below \$3,000 than in the \$3,000–\$5,000 classes. Conversely, the proportion with "appreciable" improvement increased with income, particularly among the nonmarried. Four percent of the couples with actual income of less than \$2,000 showed an appreciable improvement when classified by potential income; of those with actual income of \$3,000–\$3,999, the improvement was substantial for 9 percent. For nonmarried men, on the other hand, 6 percent of those with actual income of less than \$2,000 but 27 percent of those

with \$3,000–\$3,999 showed an appreciable improvement. The pattern for nonmarried women was similar to that for the men.

Beneficiary Status

The next question to be explored concerns the pattern of change found for OASDI beneficiaries¹ and for nonbeneficiaries. Do the results found for all those aged 65 and over hold for both these groups when their actual income is compared with their potential income?

Differences between actual income and potential income for beneficiaries and nonbeneficiaries are fairly similar as shown by the following medians; the differences tend to be a few percentage points greater for the beneficiaries.

Type of unit	Actual income	Income with prorated assets	
		Excluding home equity	Including home equity
Married couples:			
Beneficiaries.....	\$2,800	\$3,020	\$3,685
Nonbeneficiaries.....	3,580	3,835	4,585
Nonmarried men:			
Beneficiaries.....	1,405	1,640	1,960
Nonbeneficiaries.....	1,145	1,325	1,560
Nonmarried women:			
Beneficiaries.....	1,225	1,330	1,630
Nonbeneficiaries.....	755	815	960

TABLE 2.—SHIFTS IN INCOME LEVEL WITH ADDITION TO ACTUAL INCOME OF PRORATED ASSETS (EXCLUDING EQUITY IN NONFARM HOME),¹ FOR UNITS AGED 65 AND OVER: Percentage distribution at specified income level, by extent of improvement, 1962

Actual income level and marital status	Number reporting ² (in thousands)	Total percent	Percent with—		
			No improvement ³	Moderate improvement ⁴	Appreciable improvement ⁵
Married couples:					
Less than \$1,000.....	224	100	76	19	4
1,000-1,999.....	1,007	100	81	14	4
2,000-2,999.....	1,097	100	77	16	6
3,000-3,999.....	713	100	76	15	9
4,000-4,999.....	453	100	68	(⁶)	(⁶)
Nonmarried men:					
Less than \$1,000.....	677	100	86	9	6
1,000-1,999.....	767	100	89	14	6
2,000-2,999.....	339	100	72	11	17
3,000-3,999.....	101	100	57	16	27
4,000-4,999.....	67	100	52	(⁶)	(⁶)
Nonmarried women:					
Less than \$1,000.....	2,572	100	87	11	2
1,000-1,999.....	1,698	100	85	9	6
2,000-2,999.....	487	100	75	11	13
3,000-3,999.....	141	100	55	18	26
4,000-4,999.....	61	100	11	(⁶)	(⁶)

¹ Actual income less income from assets plus the portion of asset holdings that would have been available for spending annually if all assets were prorated over the average remaining years of life of the unit, with a 4 percent annual return. Sex differentials in longevity included in computation. For couples, proration based on joint probability of the number of years remaining for husband and wife together and the number either spouse might survive alone to draw two-thirds of asset holdings available to couple annually.

² Based on information for survey units reporting both amount of money income in 1962 and amount of assets at the end of 1962; distribution among income classes therefore not strictly comparable with that shown for actual income in table 1.

³ Income with prorated assets in same class or class below actual income.

⁴ Income with prorated assets one class above actual income.

⁵ Income with prorated assets two or more classes above actual income.

⁶ Distribution between "moderate improvement" and "appreciable improvement" not available.

Changes in beneficiary-nonbeneficiary relationships when measured by potential rather than actual income are the net result of an intricate pattern of differences in the level of assets, their distribution by income class, and the average ages of the individuals in the beneficiary-nonbeneficiary groups being compared. Thus, the beneficiary couples had less in assets than the nonbeneficiaries, but they were somewhat older; the nonmarried men and women beneficiaries had somewhat greater assets than the nonbeneficiaries, but they were somewhat younger. Asset holdings increased rather more steeply with income for non-

⁴ Income data previously presented (in the March *Bulletin*) for beneficiaries related to those who had been on the rolls for a full year, because income in the year of retirement is not meaningful in comparing the income of beneficiaries with those of nonbeneficiaries. Assets, however, were presented (in the November *Bulletin*) for all beneficiaries, which in effect showed them in a more favorable asset position than if only full-year beneficiaries had been shown. Data for all beneficiaries have also been used here since the major purpose has been to focus on the comparisons of actual and potential income for the important groups of the aged.

married beneficiary men than for the other groups.

Comparison of the actual and potential income of beneficiaries and nonbeneficiaries has also been made on the basis of the percentage of the units with income less than a specified amount. The proportion of couples aged 65 and over with less than \$2,500 is shown below.

Income less than \$2,500	Beneficiaries	Nonbeneficiaries
Actual income.....	42	38
Income with prorated assets (excluding equity in owned home).....	37	35

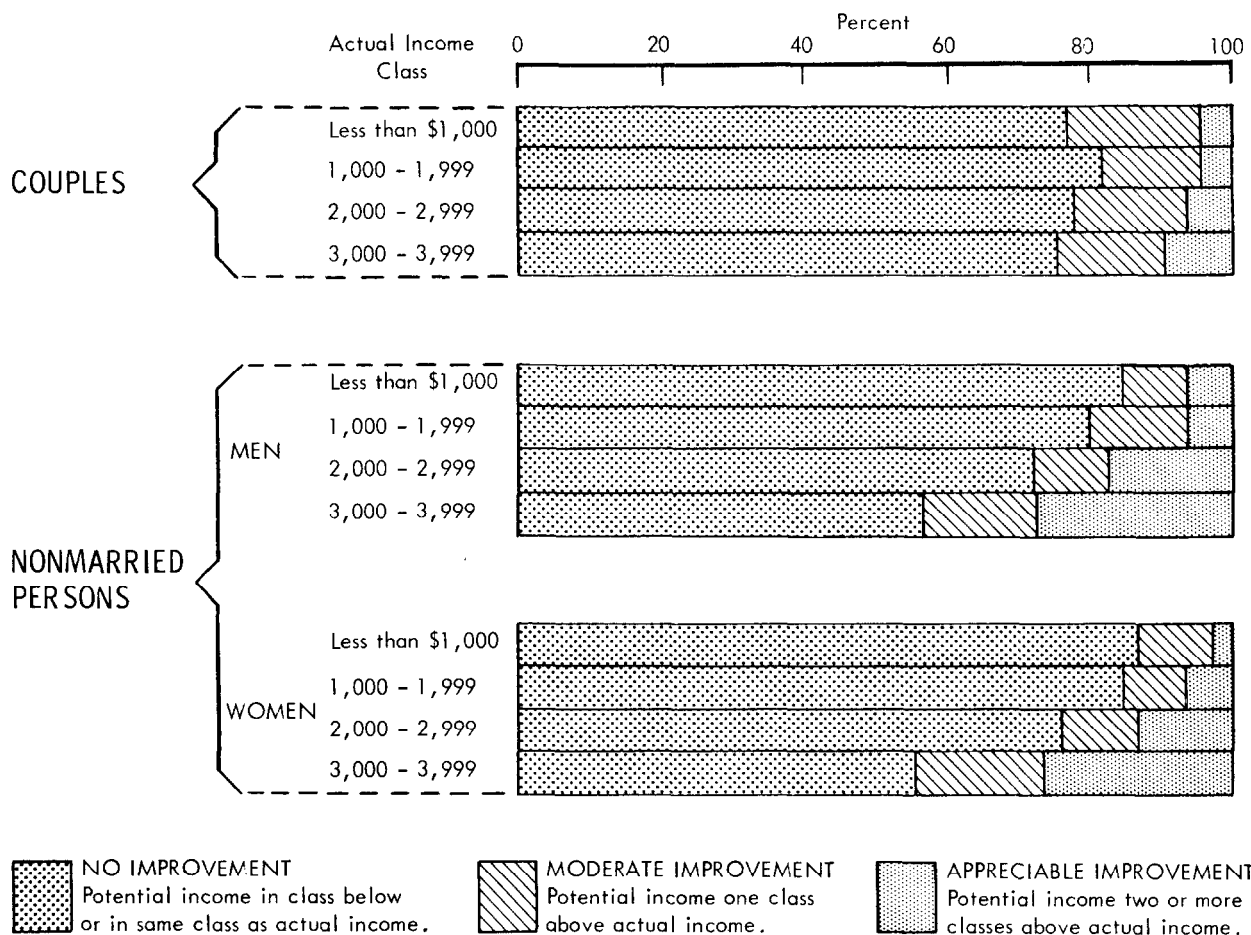
These data suggest greater improvement in position for the beneficiaries than for the nonbeneficiaries. Similar relationships hold for non-

married men and women at two income levels—less than \$2,000 and less than \$1,500—as shown by the following percentages:

Income	Nonmarried men		Nonmarried women	
	Beneficiaries	Nonbeneficiaries	Beneficiaries	Nonbeneficiaries
Less than \$2,000:				
Actual income.....	69	69	80	86
Income with prorated assets (excluding equity in owned home).....	59	64	75	84
Less than \$1,500:				
Actual income.....	55	59	64	79
Income with prorated assets (excluding equity in owned home).....	46	54	58	76

Perhaps the most striking finding emerging from this analysis is that more than half the nonmarried nonbeneficiary men and three-fourths

CHART 2.—SHIFTS IN INCOME LEVEL WITH ADDITION TO ACTUAL INCOME OF PRORATED ASSETS (EXCLUDING EQUITY IN NONFARM HOME), FOR UNITS AGED 65 AND OVER, BY EXTENT OF IMPROVEMENT, 1962¹



¹ For definitions, see table 2.

of the nonbeneficiary women have potential income of less than \$1,500 (excluding home equity).

Table 3 gives, for beneficiaries and nonbeneficiaries, data on the proportion of units at each actual income level that shift with the addition of prorated assets. These data support the findings for all units aged 65 and over grouped by marital status. In general, the proportion with moderate or appreciable improvement increases as income increases, and conversely the proportion whose potential income is at the same level as their actual income or at a lower one declines as income increases.

Age

There is a tendency for asset holdings to decrease with age, especially if no member of the unit is working. On the other hand, of course, the life expectancy decreases, and the prorated amount to be added to actual income increases with age. Data shown in table 4 suggest that, when the groups aged 65-72 and aged 73 and over are compared, the decrease in life expectancy is the stronger influence. Differences between actual

and potential income are generally greater for the group aged 73 and over than for the younger group.

The decrease in income with age is thus less striking when potential income rather than actual income is compared. The median actual income of married couples aged 73 and over was, for example, 30 percent less than that of those aged 65-72; the median income with prorated assets was 24 percent lower when home equity was excluded. Only for the relatively small group of nonbeneficiary nonmarried men is the percentage difference between potential and actual income less for the older than for the younger group. The level of asset holdings of the older men was very much lower—so low that the age advantage was not sufficient to overcome the difference. Although there is some tendency for the ratio of potential to actual income to be higher for the group aged 65-72 than for those aged 62-64, this tendency was neither very striking nor consistent for the various marital-beneficiary comparisons. The difference according to age is not so great as in the previous comparison, and assets may be greater or less, depending in large part upon the employment and earnings situation.

TABLE 3.—SHIFTS IN INCOME LEVEL WITH ADDITION TO ACTUAL INCOME OF PRORATED ASSETS (EXCLUDING EQUITY IN NONFARM HOME),¹ BY OASDI BENEFICIARY STATUS, FOR UNITS AGED 65 AND OVER: Percentage distribution at specified income level, by extent of improvement, 1962

Actual income level and marital status	OASDI beneficiaries					Nonbeneficiaries				
	Number reporting ² (in thousands)	Total percent	Percent with—			Number reporting ² (in thousands)	Total percent	Percent with—		
			No improvement ³	Moderate improvement ⁴	Appreciable improvement ⁵			No improvement ³	Moderate improvement ⁴	Appreciable improvement ⁵
Married couples:										
Less than \$1,000.....	138	100	80	17	3	87	100	70	23	7
1,000-1,999.....	816	100	79	17	4	193	100	88	5	7
2,000-2,999.....	1,001	100	78	16	6	96	100	74	16	10
3,000-3,999.....	606	100	76	14	10	109	100	75	19	6
4,000-4,999.....	367	100	68	(6)	(6)	85	100	67	(6)	(6)
Nonmarried men:										
Less than \$1,000.....	367	100	81	12	7	311	100	92	4	4
1,000-1,999.....	623	100	80	15	5	147	100	78	14	8
2,000-2,999.....	278	100	75	10	15	61	100	57	13	30
3,000-3,999.....	72	100	49	19	32	29	(?)	(?)	(?)	(?)
Nonmarried women:										
Less than \$1,000.....	1,213	100	83	15	2	1,359	100	92	6	2
1,000-1,999.....	1,272	100	85	10	5	427	100	85	5	10
2,000-2,999.....	354	100	79	12	10	134	100	66	10	24
3,000-3,999.....	93	100	62	14	24	48	(?)	(?)	(?)	(?)

¹ Total money income, less income from assets plus the portion of asset holdings that would have been available for spending annually if all assets were prorated over the average remaining years of life of the unit, with a 4-percent annual return. Sex differentials in longevity included in computation. For couples, proration based on joint probability of the number of years remaining for husband and wife together and the number either spouse might survive alone to draw two-thirds of asset holdings available to couple annually.

² Based on information for survey units reporting both amount of money

income in 1962 and amount of assets at end of 1962. Distribution among income classes therefore not strictly comparable with that shown for actual income in table 1.

³ Income with prorated assets in same class or class below actual income.

⁴ Income with prorated assets 1 class above actual income.

⁵ Income with prorated assets 2 or more classes above actual income.

⁶ Distribution between "moderate improvement" and "appreciable improvement" not available.

⁷ Percentage not computed when number is less than 50,000.

Earnings

Earlier reports from the 1963 Survey of the Aged have shown earnings to be one of the important components of income, even for the population group aged 65 and over. Incomes are appreciably lower for those who have retired or are unemployed than for those who still have income from their work. Resources other than income are of particular importance to this low-income group, and evidence from the Survey has been used to determine the extent to which the proration of assets, excluding the home, affects their relative financial position.

The data shown in table 5 indicate that differences in median income between earners and non-earners are greater for potential than for actual income. Those with no income from earnings have lower assets, and even though they are an older group their median position is not improved by more than about 10 percent, in general, by the proration of assets. The differences between the median income of those with and those without earnings are especially great for the nonbeneficiaries in both dollar and percentage terms, whether measured by actual or potential income.

A more significant comparison may be that of the earners who are not beneficiaries with non-earners who are beneficiaries. The data in table 5 suggest, at least for the group of persons presently approaching retirement, that the assets they

own cannot be expected to cushion the drop in income that inevitably accompanies withdrawal from the labor force. If the nonbeneficiary earners represent the preretirement group and the beneficiaries without earnings the retired, the median income of the former (with a deduction of, say, 5 percent for savings) may be compared with the potential income of the latter as estimates of consumption levels. (The use of potential income assumes dissavings of the amount of prorated assets.) For couples, these estimates are \$4,745 as the preretirement level and \$2,550 as the post-retirement level. The comparable estimates for nonmarried men are \$3,755 and \$1,580. An allowance for taxes would narrow the gap; nevertheless, assets would not appear sufficient to prevent a considerable reduction in the level of living following retirement.

SUMMARY

The economic status of the aged has been described through a construct—potential income. This measure combines information on the money income, the asset holdings, and the age and sex of each unit. The addition of prorated assets to money income provides a summary figure for grouping units who are equally well off in terms of their combined income and asset position and

TABLE 4.—INCOME, ACTUAL¹ AND WITH PRORATED ASSETS (EXCLUDING AND INCLUDING EQUITY IN NONFARM HOMES),² FOR UNITS AGED 62 AND OVER: Medians, by age, 1962

Age	Married couples			Nonmarried men			Nonmarried women		
	Total	OASDI beneficiaries	Non-beneficiaries	Total	OASDI beneficiaries	Non-beneficiaries	Total	OASDI beneficiaries	Non-beneficiaries
Median ³									
Actual income:									
62-64.....	\$5,200	\$2,950	\$5,900	\$1,775	\$1,375	\$2,685	\$1,610	\$1,395	\$2,205
65-72.....	3,340	3,050	4,750	1,765	1,720	1,980	1,280	1,400	855
73 and over.....	2,325	2,425	1,680	1,165	1,260	860	885	1,035	720
Income with prorated assets, excluding equity in owned home:									
62-64.....	5,395	2,920	6,155	1,900	1,410	2,925	1,645	1,385	2,330
65-72.....	3,480	3,260	4,890	1,925	1,855	2,250	1,335	1,475	890
73 and over.....	2,640	2,745	1,850	1,335	1,450	920	975	1,200	795
Income with prorated assets, including equity in owned home:									
62-64.....	5,930	3,310	6,705	2,000	1,510	2,940	2,080	1,755	2,805
65-72.....	4,105	3,865	5,785	2,120	2,035	2,420	1,575	1,750	1,055
73 and over.....	3,300	3,380	2,355	1,550	1,855	980	1,250	1,485	930

¹ Total money income in 1962.

² Actual income less income from assets plus the portion of asset holdings that would have been available for spending annually if all assets were prorated over the average remaining years of life of the unit, with a 4-percent annual return. Sex differentials in longevity included in computation. For couples, proration based on joint probability of the number of years remaining for husband and wife together and the number either spouse might survive alone to draw two-thirds of asset holdings available to couple

annually.

³ For actual income, based on information for those survey units reporting amount of money income received in 1962. For income with prorated assets, based on information for those survey units reporting both amount of money income in 1962 and amount of their assets at the end of 1962. Median actual income of those reporting on both money income and asset holdings would probably vary slightly from the amount estimated from the larger base, particularly for units aged 62-64.

TABLE 5.—SIZE OF INCOME, ACTUAL¹ AND WITH PRORATED ASSETS (EXCLUDING EQUITY IN NONFARM HOME),² FOR UNITS AGED 65 AND OVER WITH AND WITHOUT EARNINGS: Percentage distribution, by income interval, 1962

Total income	Married couples				Nonmarried men				Nonmarried women			
	Without earnings		With earnings		Without earnings		With earnings		Without earnings		With earnings	
	Actual income	Income with prorated assets	Actual income	Income with prorated assets	Actual income	Income with prorated assets	Actual income	Income with prorated assets	Actual income	Income with prorated assets	Actual income	Income with prorated assets
Number (in thousands):												
Total.....	2,449	2,449	2,998	2,998	1,738	1,738	666	666	4,907	4,907	1,422	1,422
Reporting on income ³	2,030	2,030	2,309	2,309	1,530	1,530	536	536	4,025	4,025	1,061	1,061
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100
Less than \$1,000.....	8	6	3	2	39	35	14	7	59	52	20	13
1,000-1,999.....	33	30	14	12	40	35	29	26	32	34	37	34
2,000-2,999.....	31	29	21	17	15	18	19	18	5	6	26	25
3,000-3,999.....	14	16	18	19	3	4	11	11	2	3	7	10
4,000-4,999.....	7	9	14	12	1	3	10	12	1	1	3	6
5,000 and over.....	7	10	31	38	2	5	17	27	2	4	6	11
Median: ⁴												
All units.....	\$2,285	\$2,475	\$3,680	\$3,985	\$1,265	\$1,420	\$2,380	\$2,935	\$855	\$955	\$1,810	\$2,095
OASDI beneficiaries.....	2,365	2,550	3,420	3,740	1,410	1,580	2,130	2,570	1,040	1,205	1,840	2,105
Nonbeneficiaries.....	1,775	1,875	4,995	5,500	845	890	3,950	4,320	695	745	1,680	2,060

¹ Total money income in 1962.

² Actual income less income from assets plus the portion of asset holdings that would have been available for spending annually if all assets were prorated over the average remaining years of life of the unit, with a 4-percent annual return. Sex differentials in longevity included in computation. For couples, proration based on joint probability of the number of years remaining for husband and wife together and the number either spouse might survive alone to draw two-thirds of asset holdings available to couple

annually.

³ Data based on information for survey units reporting both amount of money income received in 1962 and amount of assets held at end of 1962. Data on actual income therefore not strictly comparable with those shown in table 1.

⁴ Medians based on \$1,000 income groupings and therefore not strictly comparable with those shown in table 1, based on \$500 groupings.

then studying the distributions of the units by this new measure in comparison with their distributions by money income.

Median incomes were increased 10 percent when prorated assets excluded the owned home and more than 30 percent when equity in the owned home was included. The increases in the medians were appreciably greater for those aged 73 and over than for those aged 62-64 or 65-72, because of the shorter remaining life span over which assets were prorated.

The differences in the medians tended to be a few percentage points higher for beneficiaries than for nonbeneficiaries, and they were higher

both in dollar amounts and relatively for those units including an earner than for those with no earned income.

More than three-fourths of those with income of less than \$3,000 did not have asset holdings great enough to place their potential income in a higher \$1,000 interval than that in which their actual income fell.

The findings reflect, and are simply another way of pointing out, the established fact that asset holdings are larger at the higher income levels than at the lower. The inequalities in the distributions of income are greater for potential than for actual income.