Retirees and Local Economies

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Questions I was sent

- Retirement destination community—social and economic impacts
  - Second homes
  - School funding and property tax
- Part time jobs and self-employ
- Entrepreneurship
  - What will aging boomers want?
Outline

- An overview of aging in the US and Northeast
- Retiree gender, race and ethnicity
- Retirement destination communities
  - Types of retirees
  - Types of communities
  - Combination of retirees and communities
- Economic, fiscal and social Impacts of retirees
- Entrepreneurship
Population

- Rural counties are older than urban (15% versus 12% of population)
  - In-migration of retirees
  - Outmigration of the young and aging-in-place

- High Elderly Rural Counties
  - 536 (about 25%) of nonmetro counties have elderly population above 18%
  - 288 out of 536 have been loosing population since 1980.
    Among the remaining high-elderly counties, more than half (141) are classified by ERS as retirement-destination counties.

Source: USDA, ERS using data from the U.S. Census Bureau and ERS County Typologies.

http://www.ers.usda.gov/Briefing/Population/Challenges.htm

On Tuesday morning a story on NPR said that the Census Bureau announced that in ¼ of all US counties deaths exceeded births.

The implication is that the number of elderly in these counties may be declining.
What Will Boomers Do?

- Baby boomers moved to rural areas during the dot.com boom of 1990s, so more may move to rural areas at retirement.

- If the current rural population were to remain, growth rates of the rural elderly from aging-in-place alone would triple. The growth rates would rise from 6 percent this decade to 18 percent in the 2010s as the baby-boom ages.

Baby Boomers: % of Population:

Top 5 States
- Vermont: 30.1
- Maine: 29.8
- New Hampshire: 29.7
- Montana: 28.7
- Connecticut: 28.1

Lighter colors indicate higher out-migration

Source: U.S. Census Bureau, July 1, 2006 Population Estimates.

http://www.census.gov/population/www/socdemo/age/
Population Projections of Percentage of Older Americans: US and NE

- US 65
- NE 65
- US 85
- NE 85

Percent Change in Baby Boomer Population by County: 2000 to 2006

Suggests do not prefer rural as much

Top Boomer Growth Counties
Flagler County, Florida 53.5
Lyon County, Nevada 31.8
Pinal County, Arizona 31.1
Sumter County, Florida 29.1--Rural
Pasco County, Florida 27.1

http://www.census.gov/population/www/socdemo/age/
Projections of Percentage of Population 65 and older*  
*Scale begins at 10%
Projections of Percentage of Population 85 and Older*

* Scale begins at 1%

Projections for various states and years from 2000 to 2030P.
Retirees are not homogeneous

- Age
  - Early and young retirees (up to age 75)
  - Older (75-85)
  - Very old (over 85)

- Women and men

- Movers versus stayers
  - Types of movers—Assistance vs amenity

- Income/wealth

- Fully retired/working part time
Sex Ratios by Year of Age: 2006

“In 2006, the sex ratio for Baby Boomers was 96.4. This means that there were approximately 96 male Baby Boomers per 100 female Baby Boomers.” The M/F ratio gets more skewed with age. At age 75 it is about 76 and at age 85 it is nearly 50.

Source: U.S. Census Bureau, Population Estimates as of July 1, 2006
http://www.census.gov/population/www/socdemo/age/
## Baby Boomers

<table>
<thead>
<tr>
<th>Year</th>
<th>Both Sexes</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>72,376,007</td>
<td>36,369,345</td>
<td>36,006,662</td>
</tr>
<tr>
<td>2000</td>
<td>78,310,361</td>
<td>38,679,407</td>
<td>39,630,954</td>
</tr>
<tr>
<td>2006</td>
<td>77,980,296</td>
<td>38,275,051</td>
<td>39,705,245</td>
</tr>
<tr>
<td>2030</td>
<td>57,793,135</td>
<td>26,054,999</td>
<td>31,738,136</td>
</tr>
</tbody>
</table>

Racial Composition: 2006

Source: U.S. Census Bureau, Population Estimates as of July 1, 2006
http://www.census.gov/population/www/socdemo/age/
Retiree Characteristics and Retirement Community Characteristics
Retirees and life cycle decision making at or near retirement

- Move vs. stay (or move very close by)

- Movers
  - Places they have enjoyed
  - Visit places once retired to “shop” for a location

- Either group may make a 2nd or 3rd later decision to move for assistance

- Assistance
  - Older
  - Lower income
  - Poorer health

- Amenity
  - Younger
  - Higher income
  - Active
## Communities and retirees

<table>
<thead>
<tr>
<th>Retirement Communities</th>
<th>Retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Stayers”</td>
<td></td>
</tr>
<tr>
<td>Aging in place</td>
<td>Amenity &amp; assistance</td>
</tr>
<tr>
<td>Regional retirement (close by)</td>
<td>Amenity &amp; assistance</td>
</tr>
<tr>
<td>Movers</td>
<td></td>
</tr>
<tr>
<td>Old home town</td>
<td>Amenity &amp; assistance</td>
</tr>
<tr>
<td>Seasonal &amp; weekend 2(^{nd}) home</td>
<td>Amenity</td>
</tr>
<tr>
<td>Amenity</td>
<td>Amenity</td>
</tr>
<tr>
<td>Planned retirement</td>
<td>Amenity</td>
</tr>
</tbody>
</table>

Retirement Destination County

- Rural “[c]ounties with 15 percent or more in-migration of persons aged 60 and over” from one census period to the next.*
- These are the amenity retirees
- The communities are:
  - Amenity
  - Planned
  - Seasonal and 2nd home

Economic and Fiscal Impacts
Economic and Fiscal Impacts

- Flurry of studies in 1980s-1990s with little since.
  - County level: Deller, Shields and Stallmann
    the most comprehensive set (Serow, 2003)
  - State level: Deller--Maine; Sastry--Florida

- Renewed research interest with Boomers
  starting to retire, especially social impacts
What affects economic and fiscal impacts?

- Accounting stance—impacts vary by geographic size and jurisdictional level
  - Most studies are at county level
    - Economic and fiscal impacts 1980s-1990s
  - A few at state level
  - National or federal
    - An aging population is less productive and needs more assistance
    - US is not aging as rapidly as Japan, S. Korea, Taiwan and most European countries because of immigration
Scenario

- 3 counties around a lake in Wisconsin
- 2\textsuperscript{nd} homes converting to retirement homes
- Input-Output model for economic impacts
- Econometric models for population, fiscal, housing, etc.
- Baseline is community as was at that time
- Separate runs for 500 households of varying types to simulate types of retirees
- Comparison to baseline and to each other

## Definitions

<table>
<thead>
<tr>
<th>Retiree type and after tax income in 1990</th>
<th>Proxy for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average retiree ($21,000)</td>
<td>“Homogeneous” retiree of other studies</td>
</tr>
<tr>
<td>Comparison group</td>
<td></td>
</tr>
<tr>
<td>Low income ($10,000)</td>
<td>Low income and aging in place</td>
</tr>
<tr>
<td>High income ($83,000)</td>
<td>Amenity movers</td>
</tr>
<tr>
<td>Young ($24,000)</td>
<td>Young</td>
</tr>
<tr>
<td>Older (&gt;75) ($17,000)</td>
<td>Aging</td>
</tr>
</tbody>
</table>
## Retirees work

<table>
<thead>
<tr>
<th>Retiree type and after tax income: 1994-1995</th>
<th>Average number in labor force of total in household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree average ($21,000) Comparison group</td>
<td>0.4 of 1.7</td>
</tr>
<tr>
<td>Low income ($10,000)</td>
<td>0.2 of 1.5</td>
</tr>
<tr>
<td>High income ($83,000)</td>
<td>1.2 of 2.3</td>
</tr>
<tr>
<td>Young ($24,000)</td>
<td>0.6 of 1.9</td>
</tr>
<tr>
<td>Older (&gt;75) ($17,000)</td>
<td>0.2 of 1.5</td>
</tr>
</tbody>
</table>

Employment

- Number of jobs per retiree ranges from 0.58 to 0.34\(^1\)
  - Do not know if part-time or full-time
  - Some will be held by the retirees
  - Some taken by local unemployed

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Employment and population

- The low-income and older retirees scenarios have lower population impacts than the comparison group.
- Due to smaller household size in these groups,
- Some part is due to less employment creation under these two scenarios, resulting in lower in-migration of workers.

Earnings: Lower than county average

- Major employment impacts are in the trade and services sectors.
  - Are always lower than average
  - Have a lot of part-time workers.
- Government and construction also show employment impacts.
- Employment impacts in other sectors are minor.
- Part-time workers in retiree-households
- Wages are higher in the low-income and older-retiree scenarios than for the comparison group and for the younger and higher income groups. Likely because of medical care.

Retail Sales

- Total retail sales increase,
  - Per capita retail sales increase $136 dollars in the high-income scenario relative to the baseline
  - Per capita retail sales fall $39 in the low-income scenario.

- The younger and older retirees contrast in retail purchases. If per capita retail sales increase relative to the comparison group under one scenario they fall under the other.
  - Older: furniture, food stores, eating and drinking establishments, miscellaneous retail, and gasoline stations.
  - Younger: automobiles, building supplies, apparel, drug stores, and general merchandise.

- High income scenario per capita apparel sales decrease even though BLS expenditure data show the highest per capita apparel expenditures. Do local retailers meet their preferences?

Assisted Living

Henderson compared expenditures of independent-living and assisted-living retirees in an Ohio community of 5,000 and found that the assisted living residents had higher economic impacts.

- Less mobile so spend locally and
- The facility spent locally.

Taxes

- Residential property tax revenues increase for several reasons:
  1. New homes built by retirees or by residents who sell their existing homes to retirees and other in-migrants,
  2. Conversion of recreational homes to year-round homes, and
  3. A general increase in demand for housing, which increases housing prices.

Social impact concern about pricing people out of the market
Fiscal general

- All groups of retirees have positive fiscal impacts—revenues increase more than expenditures.
- Low-income and older retirees have lowest increase in total expenditures.
- High-income retirees demand more government services. Government services are a normal good.
  - The largest increases in per capita spending are roads, waste, and amenities.
- Safety expenditures per capita decrease for all scenarios. Commonly thought that the elderly demand more safety protection. Are the group least likely to commit crimes, so a higher percentage of elderly may reduce public safety costs.
- Per capita expenditures on waste and general government rise relative to the baseline, perhaps indicating a need to increase capacity in these areas.
Cost shifting

- Retirees in a subdivision in the county working to get county to take over the private roads in the subdivision
- Is this different than other Home-owner Associations?

Tennessee and Pennsylvania
Fiscal—health expenditures

- Per capita health expenditures fall under all scenarios relative to the baseline.
  - Accounting stance: state and federal governments, not the local government, shoulder most health-care costs of the elderly.

- Relative to the comparison group of retirees, only older retirees increase total local government expenditures on health care.
Summary

- All groups of the elderly have positive economic and fiscal impacts on the local economy.
- Magnitude and nature of impacts are in proportion to household size and income level.
- Retirees may provide the additional demand needed to keep some businesses open for everyone to use (also a social impact).
- Longer run the number of retirees may become large enough to attract businesses
  - (Hendersonville, NC, medical services)
Accounting stance

- Most of the impact studies are at county level
  - Medical expenses of retirees paid by federal and state
- Deller did one for state of Maine and Sastry for Florida.
- As policies change so will the impacts
  - Medicaid for the low-income elderly
  - Medicare
Social impacts of retirees
Social Integration of in-migrants

- Higher educated more locally involved
- Over time become more involved
- % overtime similar to locals, but in different types of clubs and organizations.
- Professional services they offer may decrease demand for paid professionals
- Are more growth management than anti-growth

Educational funding

- Cross-section analysis of 9,000 school districts.
  - Greater numbers of longstanding older residents correlated with higher educational expenditures,
  - Greater numbers of elderly in-migrants correlated with lower spending.
- Correlation is not causation

**Tennessee Survey**

- Support for a hypothetical increase in education funding in a rural, retirement destination county.
- Residents who migrated to the county at or after retirement were more supportive of tax increase than other residents.
  - + If moved for house price
  - + Felt welcomed by community
  - + Length of time in community
  - + Volunteered in the community
  - + Higher education/capita spending in origin state

- Support due to both altruism and self-interest.
  - In-migrants less satisfied with the local school system
- Not supportive if moved for lower tax rates
Survey compared with actual tax referenda

- Survey 58.4 % support
- 1998 sales did not pass
- 1999 property tax passed with higher % support
  - Relocated from areas with higher property but lower sales taxes (TN is highest in nation)
- 2008 wheel tax did not pass
- Precinct with highest in-migrants did not support first two, but supported 3rd
  - Information may have played a role in 3rd.

Summary of literature

- Support for public services decreases with age.
  - Evidence from surveys over several decades suggests effect is due to differences among generations.

- Any negative correlation between age and support for education funding may be countered by other in-migrant characteristics that are positively associated with such support, such as higher levels of education and income.

- In-migrants may be more receptive to increased funding levels if they were accustomed to higher levels of taxes and public services in their origin communities.

Summary of literature

- More growth management than anti-growth
- May have different expectations of government and how it functions
  - Residents used to informal structures and in-migrants used to more formal
  - May not understand the informal
  - With change informal may break down
- In some smaller area provide an array of professional services for local governments
  - May lower paying demand for such services

Business Opportunities
What they buy

- Level of aggregation used in most economic studies will not provide the details that marketing studies provide.

- Changes as they age
  - Fewer cars
  - Medical supplies
  - Health differences among different gender, racial and ethnic populations
  - Modifications in homes

- The details are important
  - Food preferences (did they change or society change?)
  - More supplements*
  - Clothing modifications

Business opportunities

- Modifications: limited arm movement, finger use. Tailoring common items to needs—buttons, front closures.
- Can existing business expand product lines?
- Think about serving the institutions that serve retirees.
What are they able and willing to pay?

- Boomers may be more willing to pay than earlier generations—we like convenience—fast food empires grew because of boomers

- Lower income may need goods and services but cannot afford them
  - Is there a way to offer it in a different manner?
Is there sufficient demand?

- Problematic in rural areas with small populations—raises individual costs
  - Transportation
  - Recreation center
  - Full range of living options
    - Home services
    - Adult day care

- Combine services rather than focusing on just one. Choose carefully…
  - While adult and child day care sounds like a good idea, children have a lot of illnesses that can be transmitted to the elderly.
Business Opportunities

- How you do business
  - Hire retirees
- Combine services or add to existing lines
- Modify to fit needs
Thank You

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