

# \$1.5 Billion A Year and Growing: Economic Contribution of Older Alaskans

By Scott Goldsmith and Jane Angvik

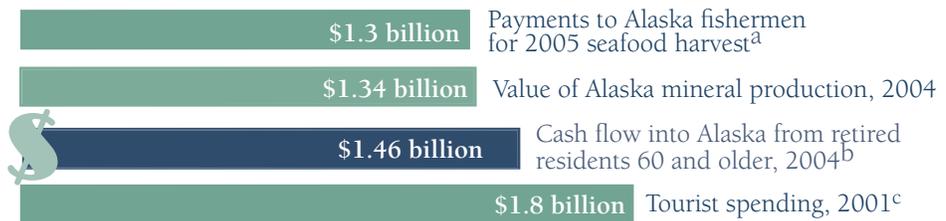
Nearly \$1.5 billion a year flows into Alaska from a source that doesn't depend on oil or fish or gold, isn't influenced by world markets, and isn't seasonal.

That cash flow roughly equals what fishermen were paid in 2005 for their Alaska seafood harvests, or the value of zinc, gold, and other metals mined in Alaska in 2004. It's close to what tourists spend here every summer.

What's the source? Retired Alaskans. The 52,000 retirees age 60 or older brought an estimated \$1.46 billion into the state in 2004. About 75% is from Social Security and pensions. Most of the rest is spending by governments and private insurers for health-care costs of retired Alaskans.

ISER estimates that spending by retirees supports about 11,700 jobs—or nearly 4% of Alaska's wage and salary jobs.

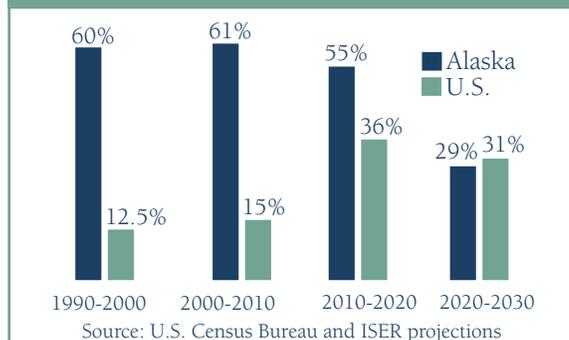
Figure 1. How Does Cash Flow from Retired Alaskans Compare?



<sup>a</sup> The seafood industry also generates a similar amount in value added when the harvest is processed.  
<sup>b</sup> ISER estimate of cash flow that would disappear if all the retired Alaskans (60 and older) left the state.  
<sup>c</sup> The most recent comprehensive estimate available.

Sources: Alaska Department of Fish and Game; *Alaska's Mineral Industry 2005*; ISER; Alaska Visitor Statistics program

Figure 2. Historical and Projected Growth, People 65 and Older, Alaska and U.S.



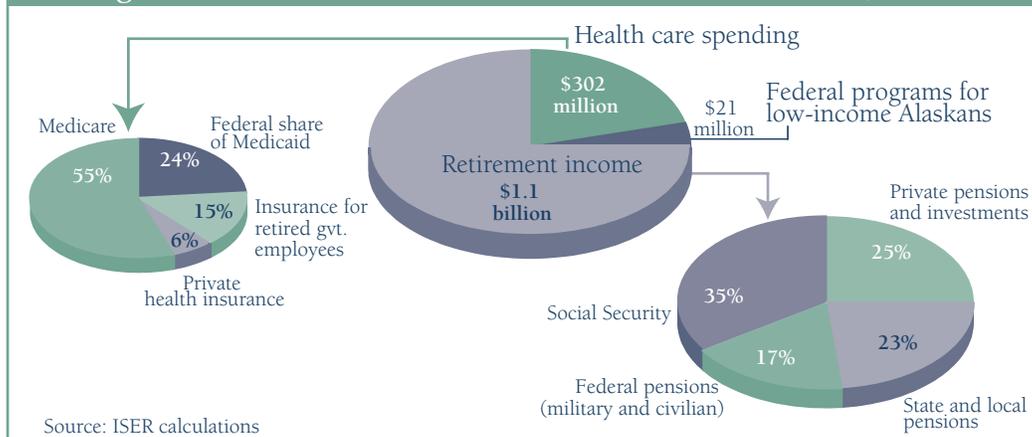
Historically most retirees left Alaska, and many still do. Only 6% of Alaskans are over 65, compared with 12% nationwide. But their numbers have been growing phenomenally. More are staying on, more are moving here, and the population is aging.

Between 1990 and 2000 the number of Alaskans 65 and older was up 60%. Similar growth is expected in this decade and the next. That's four to five times faster than the U.S. average. Even when baby boomers—the huge generation born after World War II—start reaching 65 in 2011, growth among older people will still be much faster in Alaska than elsewhere, because Alaska has the highest percentage of baby boomers.

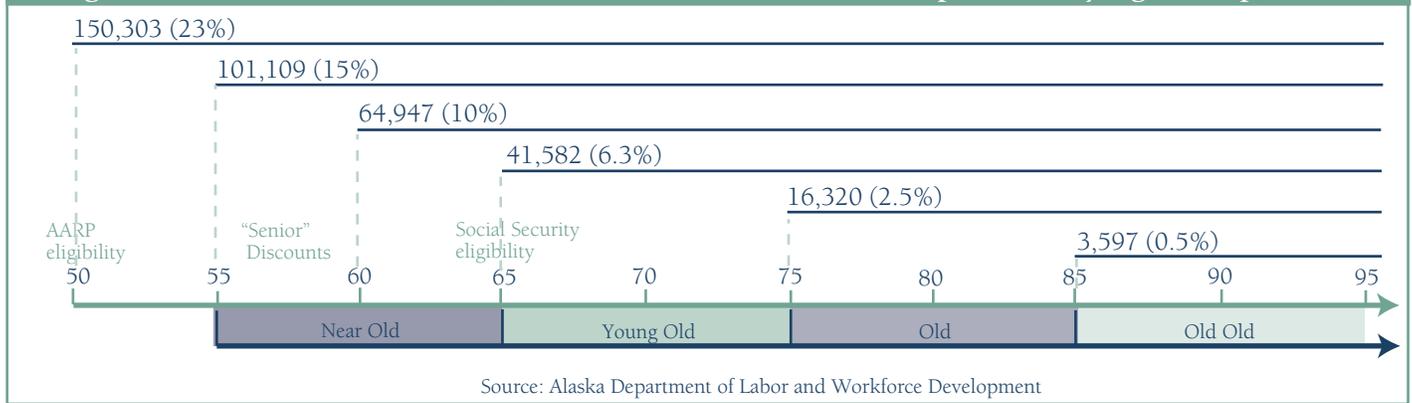
The fast-growing number of older residents is a significant but often unrecognized economic and social force in Alaska. ISER recently examined issues affecting the well-being of older Alaskans for the Alaska Commission on Aging, which plans to publish a full report based on ISER's data.

This summary reports ISER's findings about the economic contributions of older Alaskans, describes who they are, and estimates how their numbers are likely to grow.

Figure 3. Sources of \$1.46 Billion From Retired Alaskans, 2004



**Figure 4. Alaskans 50 and Older, Numbers and Share of State Population, by Age Group, 2004**



**Figure 5. How Do Retired Alaskans Contribute to Alaska’s Economy?**

- Generate 11,700 jobs, because they spend most of their income locally
- Create many kinds of jobs, from low-wage jobs in trade and services to high-paying jobs in health care
- Sustain year-round jobs, because the spending isn’t just seasonal
- Create jobs throughout the state
- Diversify and stabilize the economy and broaden the state tax base
- Foster economies of scale, by making the economic bigger
- Provide formal and informal volunteer work worth an estimated \$13 million to \$52 million annually and caregiving valued at \$47 million\*

\*ISER estimate, based on assuming older Alaskans volunteer and provide care at the same levels as older Americans nationwide. Lower estimate based on formal volunteer work; upper level includes formal and informal volunteer work.

**Figure 6. What Are Some State Costs for Older Alaskans?**

- Increased demand for benefits and services. Any time the population gets bigger—from older Alaskans or other residents—demand for services goes up. On average adult Alaskans, including those over and under 60, pay about \$400 a year in state taxes and fees and receive about \$5,000 worth of general state services.
- Costs of General Fund programs targeting older Alaskans—\$141 million, or about 6% of the General Fund in 2004.

## OVERVIEW

Older Americans contribute to their communities in many ways, economic and otherwise. As a group they are healthier and wealthier than ever before, and their numbers are growing fast. Businesses and governments around the country are recognizing the benefits of having older residents. Some states have strategies to attract them.

Still, drawing broad conclusions about how older people contribute to regional economies is difficult. Older people—like Americans of all ages—not only make economic contributions but also create costs for governments, because they need public services and programs. Weighing relative costs and contributions is tricky, because those change as people age from what analysts call “near” old to “old” old (Figure 4).

We often think of 65—the age at which most people start getting Social Security payments—as the gateway to old age. But some organizations set the bar much lower, so “older” Americans can include anyone from 50 to 90 and beyond—an age span of more than four decades. People in their 50s and 60s are generally healthier, have much smaller medical costs, and are less likely to need special services than those in their 80s.

We haven’t tried to fully analyze how much older residents contribute to the economy, versus state costs for them. Figures 5 and 6 above show some of their contributions and some of the costs they generate.

Keep in mind that Alaskans of all ages receive much more in services than they pay in state taxes. That’s also true for most economic enterprises—because oil revenues pay the lion’s share of costs for state general government services.

Also, assigning “benefits” from government services is not clear-cut. For instance, people over 65 typically don’t have kids in the public school system, but everyone benefits from an educated population. Likewise, young people don’t benefit directly from disability services the state provides for older Alaskans—but society as a whole benefits when people of all ages have access to care.

Many of Alaska’s older residents are relatively young—in the broad spectrum from “near” old to “old” old—and well off. Waiting in the wings are thousands of baby boomers approaching their 60s. Baby boomers are the state’s best educated and wealthiest group. Whether they stay or go when they retire will have a major influence on the future profile of older Alaskans.

## WHO ARE OLDER ALASKANS?

- The number of Alaskans 65 and older quadrupled in just 25 years (Figure 7). Nearly 42,000 Alaskans were at least 65 in 2004, and if we include those at least age 60, the number jumps to 65,000. And another 85,000 Alaskans in their 50s—the baby boomers—will be reaching their 60s in the next decade.

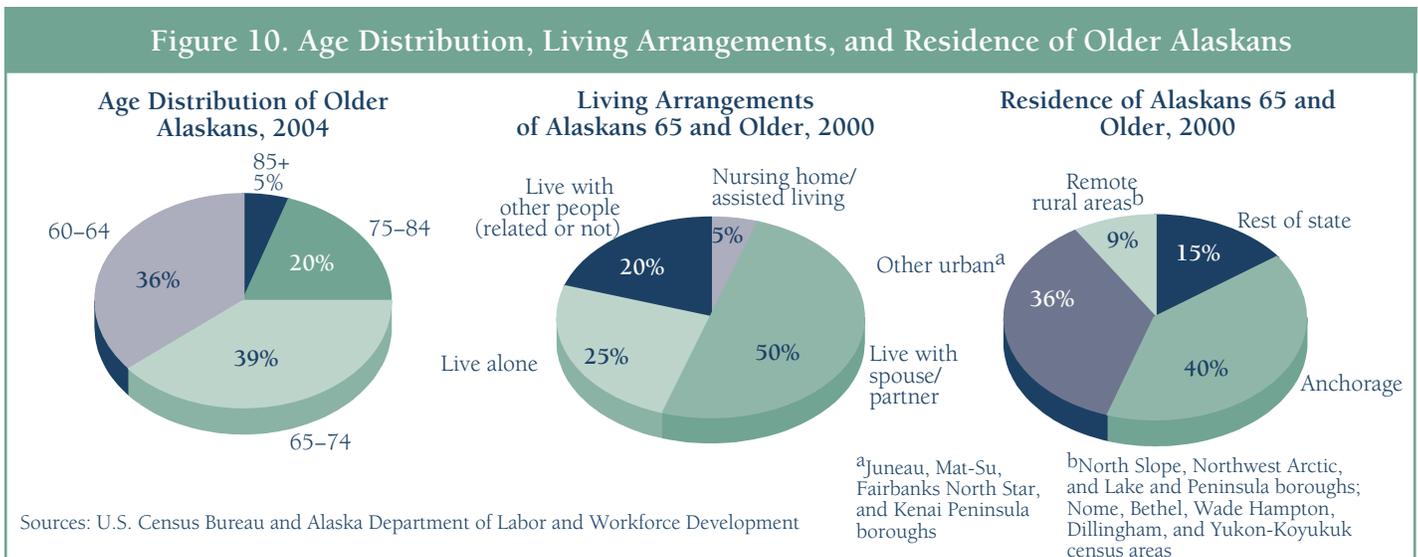
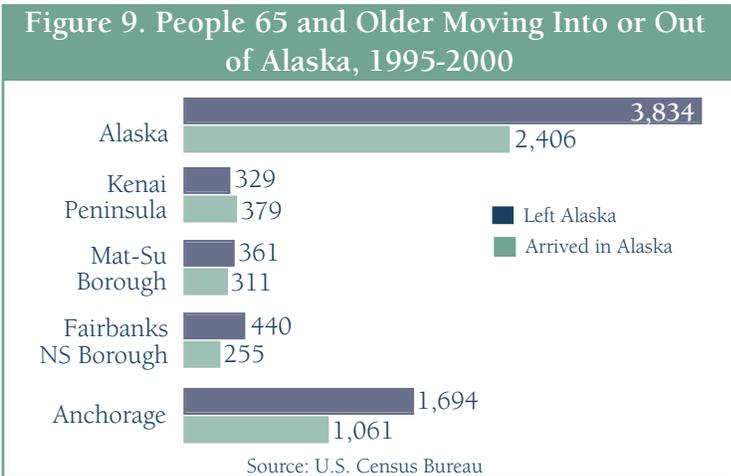
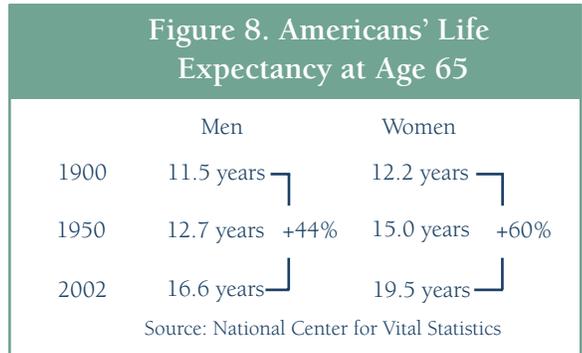
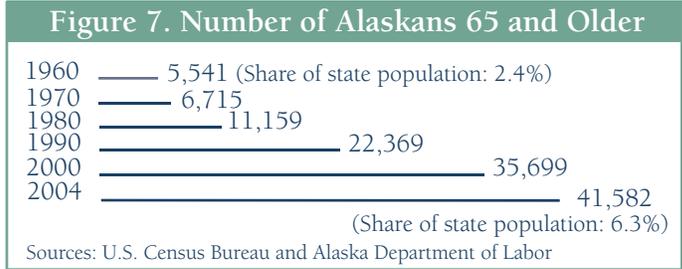
- The growing number of older Alaskans will be living longer. In the past century, life expectancy at age 65 for Americans increased 60% for women and 44% for men (Figure 8). Just since the 1950s the number of years Americans can expect to live after 65 has increased 30% for both men and women. However, women at 65 can still expect on average to outlive men by three years.

- More people over 65 are still leaving Alaska than moving in, but that difference is a lot smaller than it used to be. The most recent figures, from 1995 to 2000, show that a third more older people left the state than arrived during that period (Figure 9). But in the Kenai Peninsula Borough, south of Anchorage, more older people moved in than out in the late 1990s, and in the Mat-Su Borough to the north almost as many moved in as out.

- Older Alaskans are younger than the U.S. average. More than a third are in their early 60s, three-quarters are under 75, and only about 5% are 85 or older (Figure 10). Nationally, only about one-quarter of older Americans are in their early 60s, and nearly 10% are 85 or older.

- Half of Alaskans over 65 are in married couples, but one quarter live alone. Only 5% are in nursing homes or have assisted-living arrangements.

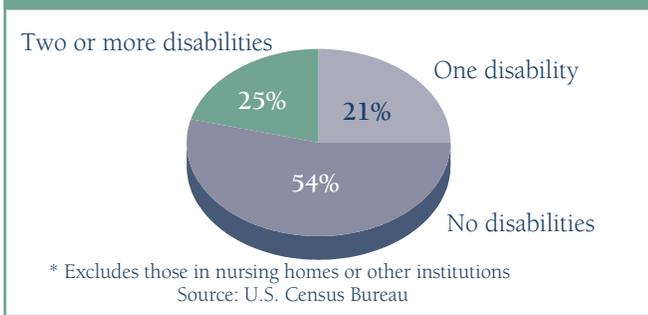
- Older Alaskans are distributed across the state in about the same proportions as the general population, with more than 75% in Anchorage or other urban areas, 9% in remote rural places, and 15% in less remote rural areas.



**Figure 11. Share of Older Alaskans, by Age Group and Sex, 2004**



**Figure 12. Disabilities Among Alaskans 65 and Older\*, 2000**



## CHANGING CONDITIONS WITH AGE

By many measures, older Americans are healthier than ever. But men still die earlier than women, and women are more likely to end up alone and in nursing homes. Illness and disability increase sharply as people age into their 80s.

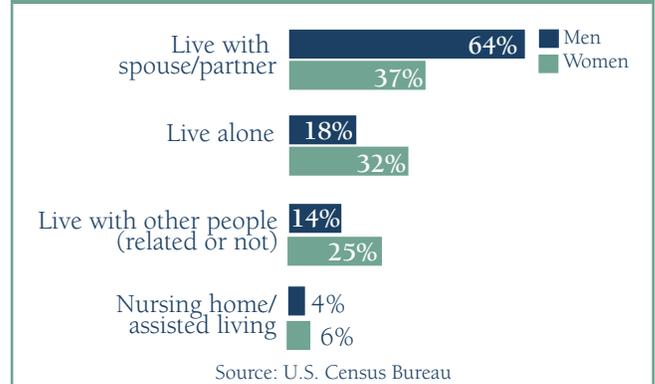
- Before age 75, older men in Alaska outnumber women, but that shifts dramatically in the next decade—and among those 85 or older, two out of three are women (Figure 11).
- Nearly half of all Alaskans 65 and older have one or more disabilities (Figure 12). That share is higher among the oldest.
- Older women are almost twice as likely as men to live alone and also much more likely to live with other people who may or may not be related (Figure 13). That's mostly because women live longer than men.
- Two-thirds of Alaskans in their early 60s live with spouses, but among people 85 or older that share drops to about one-fifth. The oldest of the old are almost as likely to live in nursing homes as with spouses (Figure 14).

## INCOME AND POVERTY

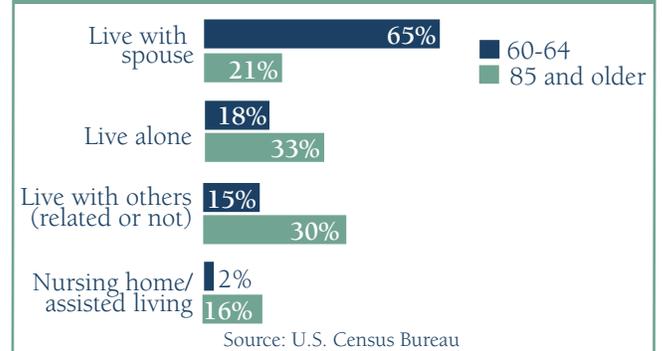
The finances of older Americans have improved in the past few decades. Incomes of older people, in Alaska and nationwide, grew much faster than incomes of younger Americans between 1980 and 2000. Poverty among older people dropped sharply. And government programs, Medicare and Medicaid, help pay health-care costs.

Higher incomes of older people can be traced broadly to bigger Social Security checks. But some older people also have more investment income now, and a bigger share of those over 65 are continuing to work—out of choice or necessity.

**Figure 13. Living Arrangements of Alaska Men and Women 65 and Older, 2000**



**Figure 14. Differences in Living Arrangements Among Alaskans in Their 60s and 80s, 2000**



On average, older Alaskans have higher incomes and are less likely to be poor than other older Americans. Several things help explain why. A big share of older Alaskans are still in their 60s—meaning they are more likely to hold jobs, and to have higher average incomes, than those in their 80s. Many older Alaskans have private or government pensions, and Alaska's higher wages allowed some to build substantial retirement assets. The state government also makes annual cash payments—Permanent Fund dividends—to residents of all ages.

Still, income levels and poverty rates for older Alaskans (and older Americans in general) are not straightforward or complete measures of well-being, for several reasons.

Incomes of most older people are more or less fixed, so they are vulnerable when living costs go up. Soaring health-care costs are a big worry. Medicare doesn't pay for some important items—and in Alaska, many doctors say Medicare payments are too low, so they no longer accept Medicare patients. Also, Medicare and Medicaid are taking a growing share of state and federal budgets and creating pressure on governments to cut those programs, even as the number of older Americans grows.

Alaska living costs are not as high as they used to be, relative to other places, but they're still higher—statewide, around 20% above the U.S. average. Taking those higher costs into account puts incomes of older Alaskans closer to the U.S. average. Also, health care in Alaska is particularly expensive. For example, hospital costs are more than 40% above the U.S. average.

Also, people with the same income level can have very different living costs. For example, those with disabilities or chronic sicknesses have higher health-care costs than healthy people. Homeowners who have paid off their mortgages have lower costs than those making monthly payments.

Still, given these special conditions that affect the finances of older Alaskans, Figures 15 through 19 show useful information.

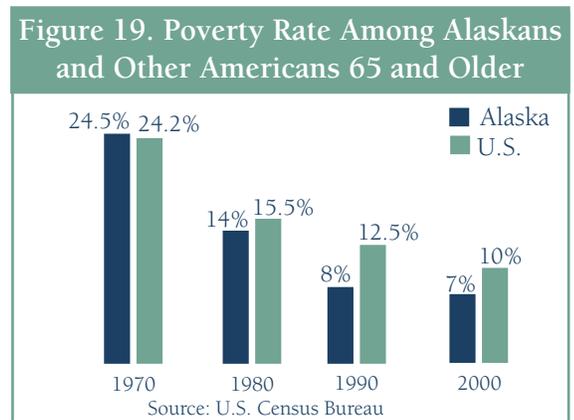
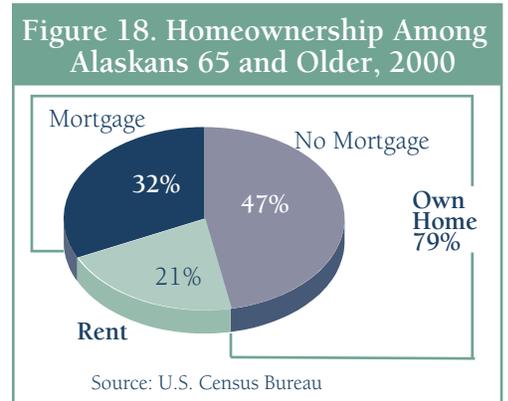
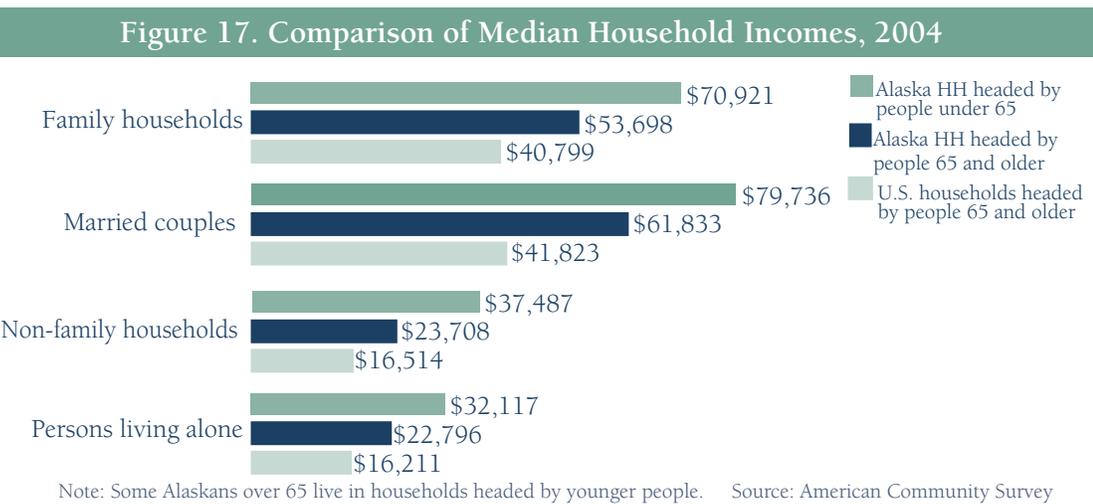
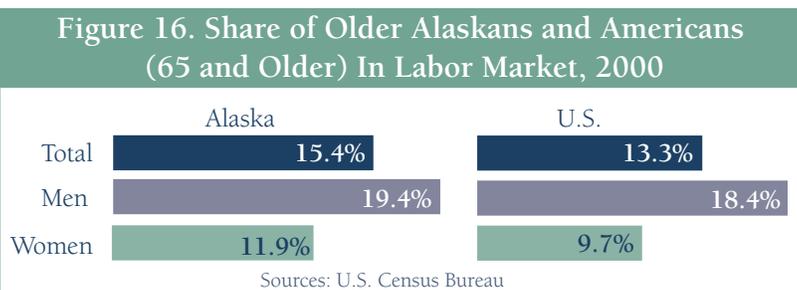
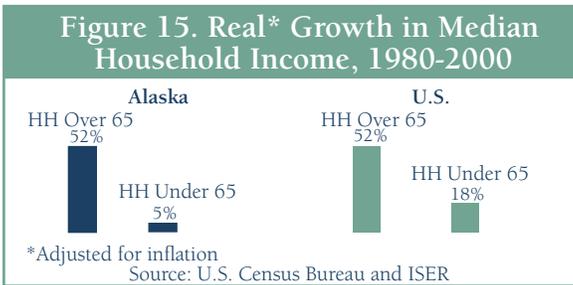
- Real income (adjusted for inflation) among households headed by people over 65 in both Alaska and the U.S. increased 50% from 1980 to 2000—much faster than among households headed by younger people (Figure 15).
- Both men and women over 65—but especially women—are more likely to work in Alaska than in the U.S. as a whole. Nearly 20% of Alaska men and 12% of women over 65 still work, as Figure 16 shows.
- Alaska’s older married couples have household incomes close to \$62,000 a year—about 23% less than among Alaska households headed by younger people, but 50% more than the U.S. average for older couples (Figure 17).

- Older Alaskans living alone have average incomes of less than \$23,000 a year—only a third the income of older married couples in Alaska, but 40% more than the U.S. average for people over 65 living alone.

- About 47% of Alaska householders over 65 have paid off the mortgages on their homes (Figure 18). That’s considerably less than the U.S. average of 55%. Nationwide, half the net worth of older people is in their homes.

- Poverty among older Alaskans dropped two-thirds from 1970 to 2000, as measured by federal thresholds (Figure 19).

Most analysts today believe federal methods for measuring poverty are outdated and don’t actually reflect poverty among either older or younger Americans. Still, the federal figures do show trends over time—and the trend in poverty among older people is definitely down.



## THE FUTURE

Historically, long cold winters and high living costs have been incentives for most people to leave Alaska when they retired. The state still has only half the U.S. average share of older residents.

But Alaska is more attractive to older people now. Relative costs aren't as high as they once were; more people think of Alaska as a permanent home; there are no state sales or income taxes; and the state government makes annual payments—from the earnings of the Permanent Fund—to all residents.

The number of Americans 65 and older grew modestly nationwide in the 1990s, just over 12%. In Alaska, the number was up 60% in that decade, and ISER projects that the number will grow just as fast in the current decade (Figure 2).

And in 2011, baby boomers—members of the huge generation born after World War II—will start reaching 65. Aging baby boomers will sharply increase the number of older Americans. The U.S. Census Bureau projects that the number of Americans 65 or older will increase 36% between 2010 and 2020.

In Alaska the effects of the baby boomers will be even bigger, because Alaska has the highest share of baby boomers in the country. Taking into account the size of the baby-boomer population, as well as historical trends in migration and longevity, ISER projects that the number of older Alaskans will increase more than 50% between 2010 and 2020.

After 2020, growth in the number of older Alaskans will likely slow, but still be about 30% between 2020 and 2030. Alaska could have about 115,000 residents over 65 by 2030 (Figure 20). Also, the average age of older Alaskans will increase, as the large number of baby boomers move into their 70s and 80s.

Despite all this expected growth, Alaska's older population will still lag the national average 25 years from now. ISER projects that people over 65 will make up about 13% of Alaskans by 2030, while the U.S. Census Bureau expects older Americans to make up nearly 20% of the U.S. population by 2030.

The growing numbers of older people in Alaska and across the country will raise many public policy issues. For instance, growing numbers of people who are less

**Table 1. Projected Growth in Numbers of Older Alaskans, by Age Group**

	65-74		75-84		85 and Older	
	Number	Growth 2005-30	Number	Growth 2005-30	Number	Growth 2005-30
2005	26,453	140%	14,005	162%	4,412	219%
2010	35,186		16,094		6,196	
2020	55,015		24,536		9,288	
2030	63,723		36,739		14,089	

Source: ISER projection model

mobile or disabled will need need different types of housing and transportation systems. But by far the most prominent issue will be health care—both its availability and cost.

Health-care spending per person for older Alaskans could nearly double by 2030, if current trends continue (Figure 21). In Alaska, growth in the older population is expected to be fastest among those over 85 (as Table 1 shows)—and spending for people over 85 is much higher than for those under 75.

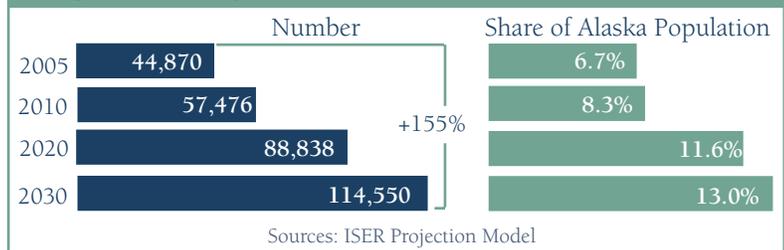
Also, a particular problem for older people in Alaska (as we noted earlier) is that many doctors say Medicare payments are too low, and they won't see Medicare patients. That problem will worsen as the number of older Alaskans keeps increasing.

In a future *Understanding Alaska* Research Summary, we'll report on health-care and other issues older Alaskans face.

*Understanding Alaska* is a special series of ISER research studies examining economic development issues in Alaska. The work is funded by the University of Alaska Foundation. See previous studies at [www.alaskanconomy.uaa.alaska.edu](http://www.alaskanconomy.uaa.alaska.edu)

**Editor: Linda Leask • Graphics: Clemencia Amaya-Merrill**

**Figure 20. Projected Growth, Alaskans 65 and Older**



**Figure 21. Projected Health Care Costs, for Older Alaskans, Per Capita\***

