

# Beyond 50.04 A Report to the Nation on Consumers in the Marketplace

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[http://research.aarp.org/consume/beyond\\_50\\_cons.html](http://research.aarp.org/consume/beyond_50_cons.html)

This report is the fourth in a series focusing on persons age 50 and over that cover economic security (2001), trends in health security (2002), and independent living and disability (2003). Like its predecessors, *Consumers in the Marketplace* brings data from a number of sources to bear on the topics of market share, expenditures, decision making, money management, financial literacy, and consumer choice. Each section generates recommendations for policy makers, organizations, educational institutions, and other stakeholders. The report includes special analyses on expenditures on food, housing, health care, transportation, and personal insurance and pensions (those readers familiar with the Consumer Expenditure Surveys will realize the rationale for these categories). It also has information on adoption of electronic technologies, from ATMs to Internet services. There are two “sector studies” on mortgage lending and accessing information through the Internet. The appendices include tips on money management and a brief list of Internet resources for consumers.

For financial counselors and financial educators who work with older audiences, this report should be helpful in providing insights from national-level data. Those who need to cite a statistic or build a case for an initiative as part of a proposal will find *Beyond 50.04* a useful tool. But it still pays to know your local audience, economy, and marketplace, because many of these national-level results blur some regional and local differences.

The report is very descriptive in nature, and this approach has both pros and cons. On the positive side, the figures and charts are easy to understand. However, like many descriptive studies, the simple numbers often mask the complex nature of some issues. Take the case of health care expenditures, for example. If the AARP staff had been able to control for whether or not a household had health insurance coverage, then the analysis of out-of-pocket health care expenses would have been more interesting, and perhaps more meaningful.

### *Expenditure Data*

Data from the 1984 and 2001 Consumer Expenditure Survey show the effect that older generations have on the marketplace: in 1984, consumers age 45 and over held a 47% market share; by 2001 that share was up to 52%. Over the same time, the proportion of the population age 45 and over went from 49% to 53.3%. Some of the data reinforce what many know – or suspect. For example, although persons age 75 and over account for 9.6% of the population, they account for 15% out-of-pocket health care expenses.

Other data may be a bit more surprising – for example, after converting everything into 2001 dollars, average annual expenditures have remained relatively stable across all age groups between 1984 and 2001. Furthermore, the percentage of household spending on food, housing, health care, transportation, personal insurance and pensions, and “other” expenditures was relatively unchanged between 1984 and 2001. This

<sup>1</sup>*The analysis and conclusions set forth in this review represent the work of the author and do not indicate concurrence of the Federal Reserve Board, the Federal Reserve Banks, or their staff.*

finding seems counterintuitive given the rise in housing and energy prices (which, admittedly, happened more recently). Even when divided into various demographic segments, there was little variation in spending patterns with one exception – consumers who were classified as a single non-earner spent higher proportions of their budget on housing and health care and lower proportions on transportation and personal insurance and pensions.

In addition to providing information on budget share, Beyond 50.04 presents data on the dollar value of expenditures. Here again there are few surprises: 2001 expenditures peak among the 45 to 54 year old group. Among the races, Asians and Pacific Islanders spent the most, followed by Whites, Hispanics, Blacks, and Native Americans.

#### *Financial Decision Making*

The marketplace in the early 21<sup>st</sup> century is increasingly complex. One element in this complexity is just the sheer number of products and services to choose from. For example, figures in Beyond 50.04 indicate that the number of telecommunications carriers rose from 2,709 in 1993 to 6,436 in 2002 and the number of mutual funds more than doubled between 1990 and 2002, from 3,079 to 8,256.

Another element is the technological and informational sophistication needed to make an informed choice. Whether it's choosing a cell phone and phone service provider or choosing a mortgage, consumers need good information and good decision-making skills to make optimum choices.

In this section of Beyond 50.04, AARP staff use data from the Surveys of Consumers to analyze some of the money management behaviors of older households. Using the same classification strategy as Hogarth, Hilgert, and Schuchardt (2002), households were ranked as high or low on ownership of various financial products and they were ranked high or low on the number of financial management behaviors they reported. This two by two ranking created four categories of respondents, labeled as *very good* (ranking high on both products and behaviors), *good* (ranking high on behaviors but low on products), *lost* (ranking low on both products and behaviors), and *bad* (ranking high on products but low on behaviors).

While households aged 50 and over were no different from the general population, households age 65 and over were more likely to be *good* or *lost* than the general population. In descriptive two-way analyses among households age 50 and over, higher proportions of minority households, those in the lowest third of the income distribution, and those with a high school education or less were in the *lost* category. Attitudes also seemed to be related to the four categories of money manager: higher proportions of *very good* managers reported that they felt better off than they were a year ago and expected to be better off in one more year. Beyond 50.04 also includes information on preferences for effective ways to learn about financial matters: in general, media and brochures were the most highly-rated.

#### *Recommendations*

The recommendations included in the report fall into the categories of improving the quality of consumer information, increasing financial literacy, and increasing consumer choice. Specific recommendations are targeted to consumer organizations; universities; federal, state, and local governments; foundations; financial institutions; and private sector product and service providers. The recommendations contain no surprises -- for example, "increase the quality and integrity of advice to consumers," "focus on outcomes that lead to improved money management," and "eliminate predatory financial practices." However, the recommendations may help educators and counselors make their case for programs with funding organizations and other stakeholders. Beyond 50.04 is a worthwhile contribution to the bookshelf of those working in the financial counseling and planning field.

#### **Reference**

- Hogarth, J.M., Hilgert M.A., & Schuchardt, J. (2002) Money managers – The good, the bad, and the lost. Proceedings of the Association for Financial Counseling and Planning Education, 12-23.