

The Material Well-being of Disabled Retirees: Evidence from the PSID

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Key Findings and Policy Implications

This paper analyzes the material wellbeing in later life of people who develop a functional disability during their working years, compared with those who do not. To explore these long-term effects over the life course, the study uses data from the Panel Study of Income Dynamics over the extended period from 1968 to 2013. The paper finds that:

- About 55 percent of our sample had some type of disability prior to age 65, and about 17 percent had a disability classified as “Chronic Severe.” Among those identified with a disability, most did not report receiving SSA benefits before age 62. Even in the Chronic-Severe group, only about 43 percent received SSA benefits prior to age 62.
- Chronic and severe disability reduces an individual’s economic well-being over an extended period of later life. For example, average family income drops by almost 50 percent by the time a non-disabled retiree reaches age 75, compared with their income at ages 50 to 54. For disabled retirees, however, family income drops by an additional 10 percent between ages 58 and 61, 14 percent between ages 62 to 64, and 10-12 percent thereafter.
- The effect of disability on economic wellbeing is evident in consumption measures, as well as income measures. For example, we observe a post-retirement drop in food expenditures for non-disabled retirees ranging from 5.8 percent to 15.3 percent. For retirees with disabilities, however, there is an additional decline in food expenditures by 5 percent between ages 58 and 61, 3 percent between ages 62 and 64, and 5-6 percent thereafter.
- Those who were disabled at a young age appear to fare worse than those with a late onset of disability. Being a SSA benefit recipient is associated with a smaller decline in material wellbeing, but this group suffers from an overall higher poverty rate during retirement years.

By providing data on the long-term implications of disability onset for the material wellbeing of people as they age into later life, the study provides a better understanding of old-age poverty and the impact of public policies that insure against disability.

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