

NO PLACE LIKE HOME: OLDER ADULTS AND THEIR HOUSING

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ABSTRACT

Objectives. The home is both older Americans' largest asset and their largest consumption good. This article employs new data on the consumption and assets of older Americans to investigate what role the home plays in the economic lives of older adults.

Methods. We used 20 years of data from the Consumer Expenditure Survey to examine the asset and consumption trends of four cohorts of older Americans. We compared the data with other survey results.

Results. Older Americans' homeownership rates were stable until age 80. The homes were increasingly mortgage free; home equity increased with age, and relatively few older adults took out home equity loans or reverse annuity mortgages. Housing consumption flows increased with age; nonhousing consumption flows declined after age 60 at a rate of approximately 1.4% per year.

Discussion. The results suggest that the consumption of cohorts of older Americans does not decrease dramatically over a 20-year period and that they are also not converting their housing asset: into other types of income or consumption, at least up to age 80. A number of reasons, including the bequest motive and the life cycle hypothesis, might explain this behavior.

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