UCLA CENTER FOR HEALTH POLICY RESEARCH

Health Policy Brief

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Older Adults Challenged Financially When Adult Children Move Home

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SUMMARY: This policy brief looks at the financial burdens imposed on older Californians when adult children return home, often due to a crisis not of their own making, to live with their parents. The findings show that on average in California, the amount of money that older adults need in order to maintain a minimally decent standard of living while supporting one adult child in their home increases their expenses by a minimum of 50 percent. Low-income older adults are usually on fixed incomes, so helping an adult child can provide the child with a critical safety net but at the cost of the parents' own financial well-being. Policy approaches to assisting this vulnerable population of older adults include implementing reforms to increase Supplemental Security Income (SSI), improving the availability of affordable housing, assuring that all eligible nonelderly adults obtain health insurance through health care reform's expansion of Medi-Cal and subsidies, and increasing food assistance through SNAP and senior meal programs.

There are a variety of possible scenarios leading to an adult child's living in a parent's home. When an adult child loses a job, gets divorced, or has a home foreclosed on, older parents frequently offer the shelter and comfort of their own homes while the children get their lives back on track. Still other parents have the lifetime responsibility of caring for a developmentally disabled adult child in the home. Whatever the reason for the living situation, the cost of having an adult child in the home is not typically considered when policymakers plan for what older adults will need to make ends meet financially. This policy brief shows that on average in California, the amount that a single older adult needs for a minimally decent standard of living while supporting one adult child in the home increases by a minimum of 50 percent over the cost of the parent's needs alone.

In 2006, one year before the Great Recession, 340,000 older adults in California had adult children but no grandchildren living in their homes. During the job and housing crisis of 2007 and afterward, the safety net for many adults was the home of their older parents, who were most often retired. By 2011, the number of these two-generation households comprised of older adults housing their adult children had grown to 433,000.

Of these adult children living in their parents' homes, only two-fifths (42 percent) were employed. About 15 percent of the adult children living with their elderly parents had difficulty with cognition, walking, or self-care.[1] These data indicate that a high percentage of adult children living with parents were financially dependent, creating additional costs for the older adults. To identify those extra costs, this policy brief uses the Elder Economic Security Standard™ Index, a measure of basic economic security based on the actual costs of living in all 58 California counties.

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The Elder Economic Security Standard™ Index (Elder Index)

The most commonly used measure of the minimum income needed for a basic standard of living is the Federal Poverty Guideline (often referred to as the federal poverty line, or FPL). That measure, designed in the 1960s using a 1950s standard of living, does not account for the health care costs of older adults, and it also presents a single amount for the entire country that ignores the wide geographic variation in housing and other costs. The Elder Index was developed as an evidence-based measure of the income needed by retired older adults in order to have a basic, decent standard of living without relying on public assistance.[2] Calculated at the county level, it includes the cost of housing (separately for renters, owners without a mortgage, and owners with a mortgage), health care, food at home, and local transportation, as well as a modest amount for all other expenses. The Elder Index normally calculates the amounts needed only for single older adults and older couples, with no one else in the household.[3] The 2011 Elder Index in California for an older adult living alone in a rented apartment ranged from $29,438 per year in the highest-cost county (San Mateo) to $18,781 per year in the lowest-cost county (Kern). On average, the Elder Index calculation for a single elder in California is more than twice the amount of the FPL for a single elder, which was $10,890 in 2011.

Added Costs to Support an Adult Child

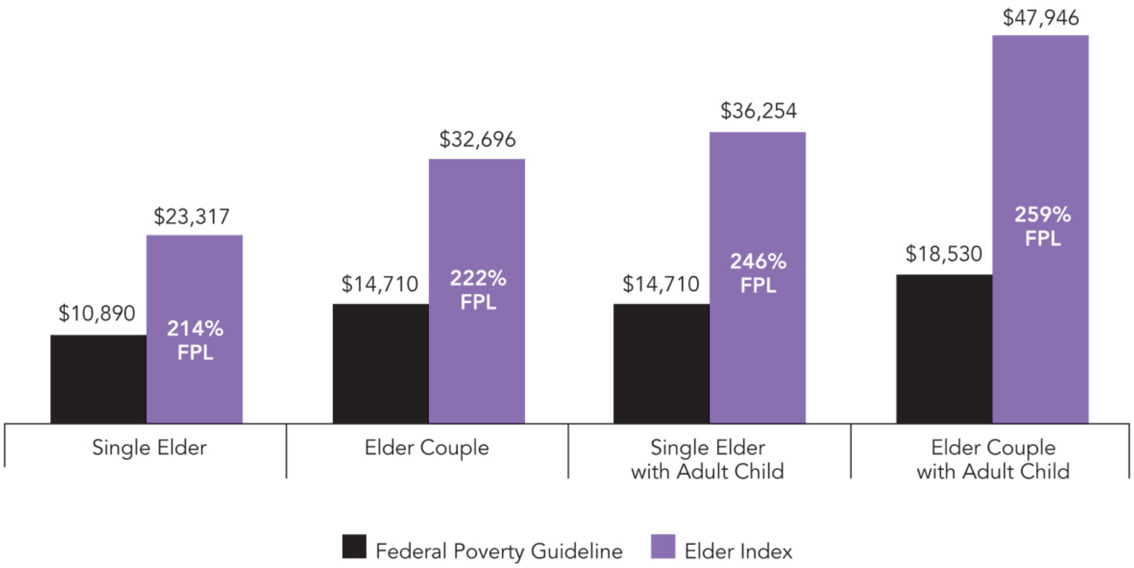
When an older adult either takes in an adult child or provides lifelong care to a disabled child, there are significant added costs that are not accounted for by the FPL. Starting with the actual costs faced by older single adults or couples in California as determined by the Elder Index, the additional extra costs of having an adult child in the household were calculated (Exhibit 1). For a single older adult in 2011, the average Elder Index in California was $1,943 per month. Having an adult child in the house required an additional $1,078 monthly, on average, resulting in a total required monthly income of $3,021 per month to maintain a decent minimum standard of living.[4]

The U.S. Department of Housing and Urban Development (HUD) generally uses a standard of two persons per bedroom when determining housing standards.[5] Using this conservative approach, the Elder Index follows this guideline strictly, while acknowledging that it is not optimal in these multiple-generation contexts. Thus, the assumption is that single older adults who have an adult child living with them will share a bedroom and have the same housing costs as an older adult living alone

Exhibit 1 **Minimum Additional Monthly Costs When One Adult Child Lives in the Rented Apartment of an Older Adult, California Average, 2011**

	Elder Index without Adult Children, Monthly	Housing	Food	Transportation	Health Care	Misc.	Taxes	Total Extra Monthly	Total Monthly Costs, Elder & Adult Children
Single Elder	$1,943	$0	$232	$256	$153	$86	$351	$1,078	$3,021
Elder Couple	$2,725	$205	$220	$256	$153	$86	$351	$1,271	$3,996

Minimum Annual Costs for Single and Couple Older Adults Who Rent, Without and With One Adult Child in Their Home, Federal Poverty Guideline (FPL) and Elder Index, California Average, 2011 **Exhibit 2**



in a one-bedroom apartment. When older couples have an adult child living with them, we calculate the additional cost required for a two-bedroom apartment. Other costs are for food, transportation, health insurance, miscellaneous (e.g., clothing and personal items), and taxes. Food costs are based on the USDA low-cost food plan, which assumes increasing economies of scale as the household size increases. Health care, transportation costs, and taxes for nonelderly adults are based on the calculations used by the Self-Sufficiency Standard provided by the University of Washington's Center for Women's Welfare.[6] Miscellaneous extra costs for nonelderly adults are 10 percent of the other additional costs and cover clothing, personal hygiene products, and similar expenses.

The Federal Poverty Level Substantially Underestimates Costs

While most public policies and programs use the Federal Poverty Guidelines (FPL) as a benchmark for eligibility or for the identification of needs in the community, the FPL is a poor measure of actual economic need.[7] In the average county in California, older adults need more than twice the FPL to have a basic standard of living as a renter in California (214 percent of the FPL for single older adults, and 222 percent of the FPL for couples) (Exhibit 2). When they add an adult child to the household, the gap between the FPL and the income needed to make ends meet grows even larger. A single older adult who rents and has an adult child at home needs 246 percent of the FPL for a basic standard of living in the average county in the state. Older couples who rent and have an adult child living with them need more than two and a half times (259 percent) what the federal government designates as adequate to make ends meet.

Costs Vary by County, Unlike the Federal Poverty Level

The Elder Index takes into account the actual cost of living in each county. Housing costs are usually the largest cause of the variations among counties, although health care costs can also vary dramatically for older adults.

Exhibit 3

Annual Elder Index for Single and Couple Older Adults Who Rent and Have One Adult Child in Their Home, California, 2011

County	Single Elder, 1 Adult Child	Elder Couple, 1 Adult Child	County	Single Elder, 1 Adult Child	Elder Couple, 1 Adult Child
Alameda	$38,200	$49,205	Orange	$42,151	$52,248
Alpine	$35,000	$47,559	Placer	$36,756	$47,576
Amador	$34,861	$46,251	Plumas	$34,000	$46,748
Butte	$34,522	$46,452	Riverside	$35,986	$45,135
Calaveras	$34,814	$46,715	Sacramento	$35,800	$46,621
Colusa	$33,666	$46,178	San Benito	$41,322	$52,959
Contra Costa	$38,233	$49,353	San Bernardino	$35,547	$44,696
Del Norte	$33,293	$45,732	San Diego	$38,657	$48,691
El Dorado	$35,774	$46,365	San Francisco	$41,442	$54,136
Fresno	$33,316	$43,310	San Joaquin	$33,264	$43,488
Glenn	$32,122	$44,449	San Luis Obispo	$39,125	$52,082
Humboldt	$34,126	$46,910	San Mateo	$44,375	$57,328
Imperial	$34,623	$47,256	Santa Barbara	$41,210	$53,312
Inyo	$32,764	$45,143	Santa Clara	$43,778	$55,357
Kern	$30,388	$39,284	Santa Cruz	$44,349	$59,179
Kings	$33,518	$45,019	Shasta	$34,032	$45,982
Lake	$34,408	$47,337	Sierra	$36,148	$49,365
Lassen	$33,811	$46,479	Siskiyou	$32,591	$44,790
City of L.A.	$39,758	$50,208	Solano	$38,328	$48,283
Los Angeles	$39,477	$49,927	Sonoma	$38,136	$49,734
Madera	$32,163	$42,569	Stanislaus	$33,186	$42,732
Marin	$45,071	$57,734	Sutter	$33,251	$45,145
Mariposa	$34,656	$47,216	Tehama	$32,402	$44,773
Mendocino	$36,156	$48,399	Trinity	$32,452	$44,868
Merced	$33,328	$45,206	Tulare	$32,081	$43,409
Modoc	$32,841	$45,308	Tuolumne	$35,466	$48,250
Mono	$38,272	$51,486	Ventura	$39,588	$50,464
Monterey	$38,890	$50,799	Yolo	$36,050	$46,934
Napa	$38,608	$50,518	Yuba	$33,062	$44,956
Nevada	$37,810	$51,224	**California Average**	**$36,254**	**$47,946**

When including the costs of a basic standard of living for older adults and one adult child who rent in different counties, the amount needed for a minimum standard of living is substantially above the FPL in *every* county (Exhibit 3). Even those living in the lowest-cost county, Kern, need more than twice the FPL to pay for basic needs. In the most expensive counties (Marin for single elders, Santa Cruz for couples), families headed by older adults with adult children at home require over three times the FPL. The almost $15,000 per year difference between the least and most expensive counties for a single elder with one adult child highlights the importance of adjusting the needed income for older adults and their families by actual county-level costs.

Policy Recommendations

Public programs exist to help low-income Californians with each of the major components of the Elder Index. Cash is the most flexible resource for meeting basic needs, but housing, health care, and food assistance target major cost components for older adults with adult children at home.

Cash assistance: Low-income older adults start with financial challenges even before they take in adult children. The maximum cash benefit through Supplemental Security Income (SSI) plus State Supplement for a single low-income elder in California was $9,965 in 2011, an amount already below the FPL and $13,352 below the Elder Index for a single older adult who rents.[8] SSI benefits are based on the income of the single older adult or couple and do not take into account the income of others in the household. If the adult child contributes more than his or her pro rata share of food when the elder is the head of household, the amount of SSI that the elder qualifies for is reduced. This further erodes the ability of older adults and their adult children to make ends meet. Raising the cash benefit closer to the need identified by the Elder Index would help the entire family unit; this is especially true if the adult child is disabled and also receives SSI because of a disability.[a] Not reducing the older adult's cash benefits when other household members contribute to household expenses if the entire household is low-income would make coresidence more feasible. Legislation introduced at the federal level (SSI Restoration Act of 2013, H.R. 1601) would accomplish this, along with other changes to modernize SSI, including:

(1) raising the SSI resource limit, which has not changed since 1974, from $2,000 ($3,000 for an eligible couple) to $10,000 ($15,000 for a couple), so that emergency needs can be dealt with,

(2) raising the general income disregard from $20 a month to $110 to account for four decades of inflation, and

(3) raising the earned income disregard.

Housing: Affordable housing is already a large challenge for older adults. When an adult child moves in, there may be little forewarning and thus little time to plan appropriately. Older adults in some senior housing may be at risk for eviction if the property has minimum age requirements. To reduce housing difficulties, policymakers could allow older parents whose adult children move in as a temporary measure a sufficient grace period in their current residence for them to find safe and affordable family housing, or for the adult children to be able to move out on their own again. The crisis in finding affordable housing for these seniors and others is likely to increase in the coming years as the number of older adults rapidly increases but the pipeline for new affordable senior housing is effectively squeezed shut due to the loss of local redevelopment funds. The state could allocate some of the former redevelopment funds for affordable housing construction, and/or local jurisdictions could establish housing trusts

a If the adult child receives SSI and pays less than his or her pro rata share of shelter and food, then the adult child's SSI benefit is reduced. This is especially serious when the parent is a homeowner in a home that has been fully paid for, since the pro rata share is calculated on the basis of the fair market value of the housing.

to support new construction funded by hotel taxes or taxes on the sales of expensive homes (as has been proposed in San Francisco).

Health care: Health care costs are a significant added expense for nonelderly adults who live with their elderly parents. The Affordable Care Act will provide assistance when it is implemented in California starting in January 2014. Nonelderly adults without minor children will be newly eligible[b] for Medi-Cal if they have very low incomes (below 138 percent FPL). These adult children will qualify for a subsidy to purchase private insurance if their income is between 138 and 400 percent FPL through Covered California (*www.coveredca.com*). The new coverage and subsidies will be a substantial benefit for these families, as long as eligible adults sign up. This income range covers all families discussed here, but it does not apply to older adults with Medicare, who may continue to need to pay the full cost out of pocket for a Medicare supplemental plan if their income exceeds the Medi-Cal eligibility level.

Food assistance: Older adults who receive SSI in California are not currently eligible for food assistance through CalFRESH/SNAP, because the $10 average cash value of food assistance was added to the California SSI benefit when it was created in 1974 (called "cashout"). But the amount of that food supplement has not increased since, while the cost of food eaten at home has increased 403 percent, and the average SNAP (formerly food stamp) benefit per person nationally has increased from $17.61 to $133.85.[9] To remedy this, the cashout supplement to SSI should be increased to reflect the current value of CalFRESH/SNAP benefits. In addition, fewer than one in five eligible low-income households with an older adult or a disabled nonelderly adult receives food assistance.[10] Recently passed legislation (AB 191) better aligns Medi-Cal and CalFresh and should help those groups' awareness of and enrollment in food assistance.[11] Adequately implementing that legislation should be a priority in order to assist older adults with adult children in their households. At the national level, the reductions to SNAP benefits being discussed have the potential to make it more difficult for those in households who already receive food benefits to pay for food and other basic expenses, making the proposed reductions unadvisable.

Other sources of food assistance are the meals provided through senior centers and the home-delivered meals supported by federal Older Americans Act funding. Funding reductions caused by the 2013 federal budget sequester are already reducing the number of meals served in several counties.[12] Fully funding senior meal programs to meet the need, whether through federal, state, or local resources, would help struggling seniors meet minimal nutritional standards and help them stay healthy.

Conclusion

There is a large need for policies that help older adults who have low incomes and take in their adult children without penalizing them for helping their children. For those who have lifelong caregiving responsibilities for developmentally disabled adult children, the need is even greater, since the coresidence is not temporary and since state funds for the developmentally disabled have also been squeezed in the past several years.[13] These needs have grown with the economic downturn but will not go away even when the economy fully recovers, and a sustained policy effort is therefore required.

b Adults who do not have children, are unable to work due to disability, and have low incomes are already mostly eligible for Medi-Cal through SSI, Aged & Disabled Federal Poverty Level Medi-Cal, and similar mechanisms.

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Endnotes

1 The economic need of adult children has been the primary driver of their coresidence with elderly parents historically—not the other way around, as is commonly believed. See: Ruggles S. The Decline of Intergenerational Coresidence in the United States, 1850 to 2000. *American Sociological Review* 72 (2007): 964-989. doi:10.1177/000312240707200606

2 Wallace SP, Padilla-Frausto DI, and Smith S. Economic Need Among Older Latinos: Applying the Elder Economic Security Standard Index. *Journal of Cross-Cultural Gerontology* 28(3) (2013):239-50. doi:10.1007/s10823-013-9201-x

3 The only exception before this current policy brief: Padilla-Frausto DI and Wallace SP. *The High Cost of Caring: Grandparents Raising Grandchildren*. Los Angeles, CA: UCLA Center for Health Policy Research, June 2013. *http://healthpolicy.ucla.edu/publications/Documents/PDF/grandparentspb-jun2013.pdf*

4 These amounts are for when just the adult child moves in. When adult children bring minor children with them, the costs go up even more. This three-generation household scenario will be the focus of an upcoming policy brief and is not considered here.

5 Federal Register 63 (245) (December 22, 1998). Notices. 70982-87.

6 See *http://www.selfsufficiencystandard.org/standard.html* and *http://www.insightcced.org/communities/cfess/ca-sss.html*.

7 Padilla-Frausto DI and Wallace SP. *The Federal Poverty Level Does Not Meet Data Needs of the California Legislature*. Los Angeles, CA: UCLA Center for Health Policy Research, May 2012. *http://healthpolicy.ucla.edu/publications/Documents/PDF/FPLBBFINAL4-30-12.pdf*

8 Elder Economic Security Standard Index, California Counties 2011. *http://healthpolicy.ucla.edu/programs/health-disparities/elder-health/EIRD2011/Pages/ei2011.aspx*

9 July 1974 to July 2011 calculated from U.S. Bureau of Labor Statistics, Consumer Price Index-Urban Wage Earners and Clerical Workers (*http://data.bls.gov/cgi-bin/dsrv?cw*) and U.S. Department of Agriculture, Supplemental Nutrition Assistance Program Participation and Costs (*http://www.fns.usda.gov/pd/snapsummary.htm*).

10 *http://cfpa.net/CalFresh/CFPAPublications/CalFresh-Characteristics-FullReport-2012.pdf*. The unenrolled but eligible are most likely people with incomes that are above the SSI eligibility amount but below the CalFRESH maximum of 130 percent FPL.

11 *http://cfpa.net/calfresh/ab-191-signed-governor-brown#more-2921*

12 See, for example, "Senior Meal Cuts a Larger Problem." *Imperial Valley Press*, November 22, 2013.

13 Gans D, Davis A, Kinane CM, and Kominski GF. *Challenges to Sustaining California's Developmental Disability Services System*. Los Angeles, CA: UCLA Center for Health Policy Research, March 2011. *http://healthpolicy.ucla.edu/publications/search/pages/detail.aspx?PubID=25*

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