

FINANCIAL STABILITY AND HOUSING

STATE OF AGING IN CENTRAL INDIANA | RESEARCH BRIEF



Many older adults in Central Indiana face financial instability, particularly those of retirement age that live on a fixed income. Big ticket monthly budget costs such as housing and health care can place great financial pressure on older adult households. This research brief addresses housing costs and the barriers and facilitators that older adults may face when trying to obtain housing.

Key findings include:

- Household income is greatest prior to retirement age but falls by about half in Hamilton and Boone counties after retirement age.
- Downtown Indianapolis and areas to the north of Marion County, including northeast and the northwest have the least affordable housing in Central Indiana.
- The costs of homeownership among adults who no longer have a mortgage are half that of renters, which has implications for older adults who could not access or afford homeownership in their lifetimes.

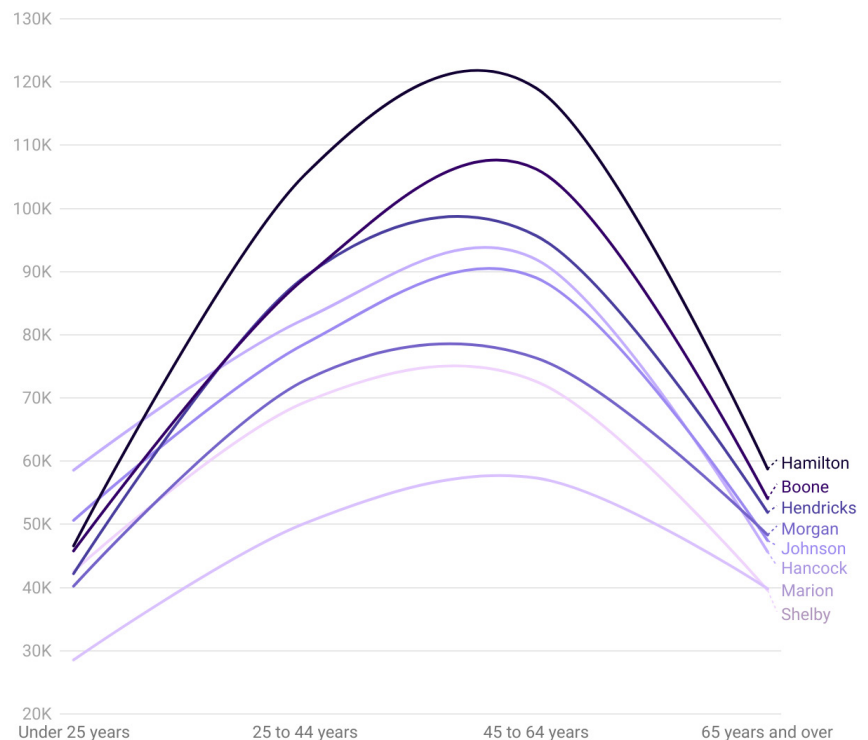
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INTRODUCTION

The wellbeing of older adults depends on their ability to meet their basic needs, including food, shelter, healthcare, and transportation, particularly their ability to pay for these services. While many older adults have saved for retirement and/or have a pension, not all older adults were able to save during their working years and receive lower amounts of social security income due to lower lifetime wages. The resulting financial instability and potentially insufficient access to basic needs during old age leads to poor health outcomes, and ultimately, [lower life expectancy](#).^{1 2}

Household income rises through adulthood, peaks before retirement, then falls to a level similar to young adults after retirement age

Median household income by county



Source: NHGIS (IPUMS) ACS 2015-2019 estimates

Income is typically greatest for the pre-retirement age group (ages 45 to 64). For the retirement age group (age 65 and older), median household income falls to a level like that of the 25 years and younger age group.³ Householders ages 65 and older who live in Hamilton County have the highest household income, while those living in Marion and Shelby counties have the lowest, at two-thirds the level of Hamilton County.⁴

According to the 2020 Survey of Household Economics and Decisionmaking (SHED), most retired adults in the United States reported

that their financial situation was similar to the prior year.⁵ Nearly one-third of recent retirees noted that COVID-19 played a role in the timing of their retirement, for reasons such as losing a job or not finding a job.

The SHED also found that among retirees aged 65 and older, 93% reported receiving Social Security income, 68% a pension, 50% interest, 25% dividends or rental income, wages, salaries, or self-employment, and 7% cash transfers that were not Social Security income.⁶

In this State of Aging Research Brief, we will define “financial stability,” and then discuss one of the largest costs that Central Indiana older adults face: The cost of housing. We also will discuss some of the challenges that older adults may face when trying to procure housing that is safe, decent, and affordable to them.

DEFINING FINANCIAL STABILITY

While the poverty level is commonly used as a proxy for lower incomes, it does not take into account the modern-day expenses that household actually face. The United for ALICE project estimates minimum monthly “survival” budgets for households that are Asset-Limited, Income-Constrained, and Employed.⁷ ALICE households have incomes that are higher than the federal poverty level, but too low to afford more than the most basic needs. There are two different survival budgets for older adult households: One for a single-person older adult household, and one for a two-person household with two older adults.

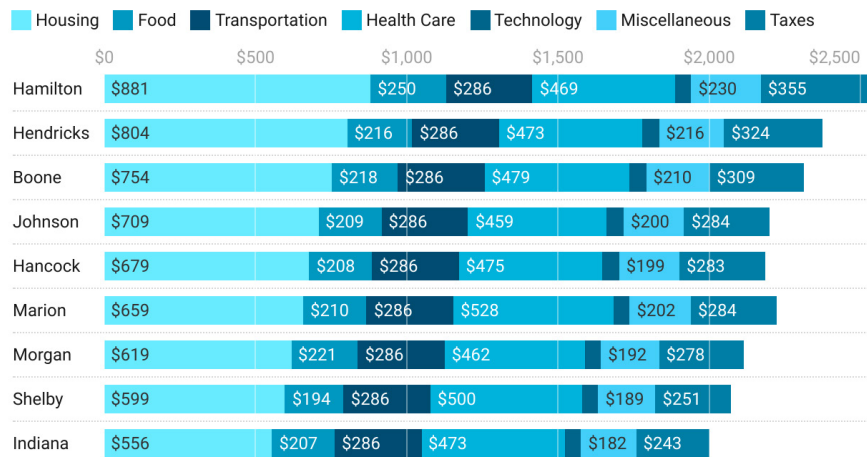
The suggested survival budgets for each type of household are based upon county-specific expenses for housing, food, transportation, health care, technology, taxes and miscellaneous items. In Central Indiana, Hamilton County has the highest ALICE monthly survival budget for older adults, at \$2,526 for single-adult and \$3,814 for two-adult households. Meanwhile, Shelby County has the lowest ALICE survival budget for older adults, at \$2,074 and \$3,234. These budgets are both higher than the statewide budget, which is \$2,002 for a single older adult, and \$3,122 for two older adults.⁸

Housing and healthcare are the two most costly survival budget line items in every Central Indiana county. Housing costs are highest in Hamilton County, costing a single older adult \$881 per month, and two older adults \$1,024. Meanwhile, health care costs are greatest in Marion County, at \$528 monthly for a single older adult household, and \$1,055 for a two older adult household.

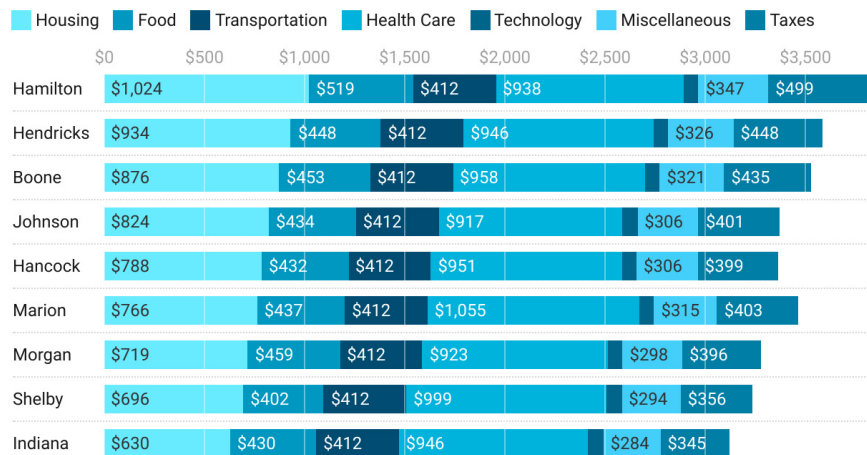
Among the costs depicted in the one- and two- older adult survival budget, housing, health care, and food are the most expensive, but also have the most policy tools and community resources available to address them. This brief will further discuss housing costs, including housing affordability, and barriers to obtaining housing. Health care and food costs will be discussed in future briefs.

Household survival budget

Single older adult



Two older adults



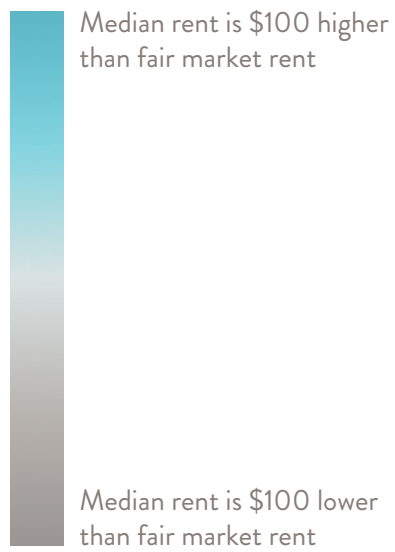
Source: 2020 ALICE Report, Indiana United Ways

The 2020 version of ALICE uses its own methodology to estimate housing costs, based on 2018 data. As a result, the updated (2015-2019) housing cost estimates discussed later in this brief will be slightly different.

HOUSING COSTS IN OUR COMMUNITIES

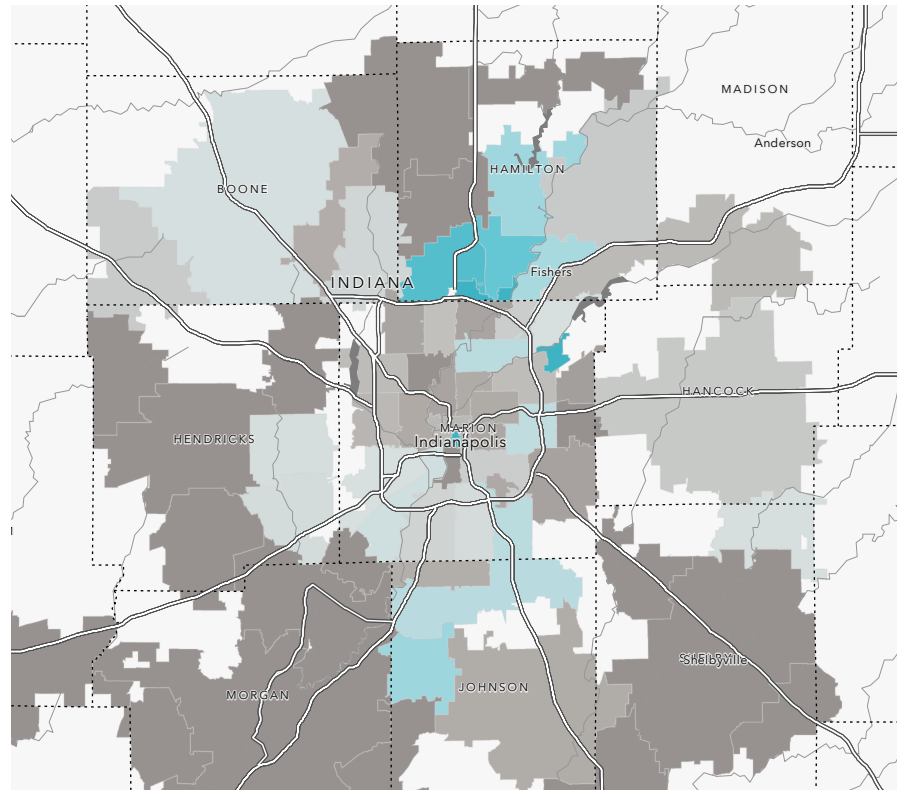
The ALICE household survival budget uses the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rent (FMR) to calculate housing costs. FMR is calculated as the 40th percentile of gross rents for a standard unit in an area,⁹ whereas median gross rent (MGR) is valued at the 50th percentile.¹⁰ MGR may be a more realistic measure of rental housing costs in a given area. Some ZIP Codes in the Indianapolis Metropolitan Statistical Area have FMRs for 2021 that fall short of typical rental housing costs.¹¹ When this occurs, older adults who wish to live in those areas may face fewer choices when looking for a home or may not be able to afford housing in those areas at all.

Gap between fair market rent and median rent



Sources: NHGIS (IPUMS) ACS 2015-2019 estimates, HUD 2021 Fair Market Rent

One-bedroom rental units



Two-bedroom rental units

One-bedroom rental units north of the Eagle Creek area (46278) and Whitestown (46075) have the greatest FMRs, at \$1,170 monthly.¹² The map below illustrates ZIP Code-level gaps between MGR and FMR for a one-bedroom apartment.¹³ Older adults may face the greatest barriers to finding affordable housing in Carmel and Zionsville, downtown Indianapolis, and the Fort Harrison State Park area.

Two-bedroom rental units are again most expensive near Eagle Creek and Whitestown, at \$1,420 monthly. However, the largest gap between MGR and FMR for a two-bedroom apartment is in downtown Indianapolis. Other areas where this gap is noteworthy include the Bargersville area, northside neighborhoods, such as Nora, and again, the area north of Fort Harrison State Park.

As for renters, housing costs can also be the major expense for homeowners. Costs can include a mortgage payment (if a homeowner has one), utilities, fuel, property taxes, homeowners insurance, and fees (such as condominium fees), and vary from county to county. These are highest in Hamilton County, where median monthly homeowner costs are \$1,442, or \$1,684 for homes with a mortgage, and \$569 for homes without. Shelby County has the lowest monthly homeowner costs, at \$846. While median monthly homeowner costs are substantial for those with a mortgage, for those without a mortgage, these are markedly lower, and are much cheaper – approximately half of the MGR for each county. This is advantageous for those who were able to purchase and pay off the mortgage on their homes when they were younger, however, those who did not could be footing a large housing bill each month, especially renters.

Homeowners also bear the cost of maintenance and repair. A general rule of thumb is that a homeowner should expect to budget one percent of the value of their home annually to cover these costs. For an owner in Marion County, the median home value was \$137,000 in 2015-2019,

Homeowner costs

By county	Total Owner Costs	With a Mortgage	Without a Mortgage	Median Gross Rent
Hamilton	\$1,442	\$1,684	\$569	\$1,176
Boone	\$1,360	\$1,640	\$567	\$1,011
Hendricks	\$1,234	\$1,405	\$491	\$1,076
Hancock	\$1,120	\$1,282	\$471	\$895
Johnson	\$1,046	\$1,226	\$444	\$955
Marion	\$978	\$1,169	\$437	\$889
Morgan	\$963	\$1,219	\$408	\$837
Shelby County, Indiana	\$846	\$1,117	\$411	\$801

adding \$114 in budgeted monthly repair costs.¹⁴ Maintenance costs are typically included in rental costs by the landlord.

BARRIERS AND SOLUTIONS TO OBTAINING AND MAINTAINING STABLE HOUSING

Financial Barriers

As suggested, the financial barriers to obtaining housing can be particularly high among those living in areas with higher housing costs, especially when they do not own their own homes outright and are still paying a mortgage or rent. State and local government agencies, as well as community organizations, offer opportunities for older adults to procure assistance necessary to obtain or maintain stable housing.

While older adult renters can access opportunities for rental assistance or affordable housing, these opportunities are limited and cannot meet demand, as evidenced by long waitlists. Some older adults can access government-funded Housing Choice (Section 8) Vouchers, or other rental assistance programs. Voucher programs limit housing costs of recipients to paying no more than 30% of their income for housing costs. Older adults may face additional challenges to obtaining assistance. For instance, it may be difficult for an older adult to find safe, quality rental housing at FMR, which caps the value of a housing choice voucher at the 40th percentile of rental housing costs in an area.

Older renters can also access affordable housing in the form of income-based housing, which limits the amount of rent that a unit costs to make it affordable to people who typically earn 60% of area median income or less. There are a variety of federally-supported affordable housing programs that can be used to build and preserve affordable rental stock. A portion of new housing is specifically set-aside for older adults and people with disabilities. These programs include entire developments through the HUD Low Income Housing Tax Credit program, and units with supportive, wrap-around services available, such as HUD Section 202 housing.

Public housing is another possibility for older adults with lower incomes, although it is typically limited to those with incomes below 30% of area median income. This housing is typically owned and managed by a local public housing authority, and residents pay no more than 30% of their income on rental housing. However, many of these units are aging and may be a hazard to residents, especially those with health and physical limitations. Because of consistent underfunding of the fund for repairs and upkeep, so many units are in poor condition that nationally 10,000 units are lost per year due to lack of maintenance. While efforts are underway to replace poor quality housing stock, such as public-private partnerships that fund rehabilitation and conversion to voucher programs, this housing

stock cannot meet demand, since 1998 legislation prohibited building new public housing.¹⁵

Homeowners can also receive assistance through programs designed to prevent mortgage foreclosures due to sudden loss of income. The Indiana Foreclosure Prevention Network operates in this manner, and dependent on available funding, its member organizations can help homeowners obtain temporary relief.¹⁶ However, this is not a long-term solution for older homeowners facing ongoing financial instability due to housing costs.

Physical Barriers

According to an analysis of 2011 American Housing Survey (AHS) data, households in the Indianapolis MSA that had a member with a disability frequently did not live in accessible housing.¹⁷ Of these households, 38% lived in housing that was potentially modifiable to meet their accessibility needs; 10% lived in a housing situation that was “livable” for their disability; and 0.39% lived in a unit that was wheelchair accessible.^{18 19} These proportions are similar to those for all 29 MSAs surveyed as a part of the AHS, among which of households with an adult with a disability who was age 65 and older, 39% lived in potentially modified housing, 9.0% lived in livable housing, and 0.43% lived in wheelchair accessible housing. These demonstrate challenges among older adults experiencing physical limitations at home, and those who will experience new or worsening limitations in the future. Home modifications can be costly. Widening an entrance door so a wheelchair can enter can cost between \$300 and \$800. Building an accessible ramp to an entrance can cost as little as \$400 for a short, prefabricated ramp placed over a few steps, to \$3,000 for a longer, custom ramp that reaches the driveway. A basic walk-in tub or shower remodel could cost between \$1,500 and \$2,000. Remodeling that requires structural changes to a home, such as widening hallways that have load-bearing walls, can cost in the tens of thousands of dollars to complete.²⁰ Older adults living on fixed incomes who do not have excess income or savings to pay for these types of modifications may be limited in terms of entering or leaving their homes, and performing activities of daily living at home.

Locational Barriers

Finally, older adults may face housing-related locational barriers. Either due to lack of affordability or physical limitations, they may not be able to own or operate their own transportation. While public transportation is an option for some, many older adults do not live near a public transit stop or the walking conditions to a stop may be dangerous. Others may live near a transit stop, but this stop may not let them easily reach their destination. Local paratransit such as IndyGo’s Open Door service in Marion County is available to pick up older adults and those with disabilities at requested locations and do so at a reasonable cost. This is a good option for many, although service may be limited or delayed based on demand or

availability. Ride-sharing services such as Uber or Lyft are also an option for some older adults, however these can be expensive for those on a limited budget. To learn more about these options, including facilitators and barriers to access, please visit the [State of Aging in Central Indiana: Transportation](#).²¹

Older adults may seek housing near areas with good public transportation or easy access to amenities such as grocery stores and health care centers. This enables them to remain mobile while growing older. It may be difficult to find adequate, affordable housing in these areas, and many of the neighborhoods in Indianapolis that have more affordable housing costs have limited access to grocery stores and other sources of healthy foods. Among those older adults who cannot pay the premium for access, being able to go out on their own or access the resources they need to remain healthy may cause them to be dependent on others or go without what they need.

CONCLUDING THOUGHTS

Income declines as adults grow older and reach retirement and beyond. While some older adults saved money for retirement and/or have pensions, others did not have access to the resources or jobs that led to these. Most older adults who rely primarily on social security income and/or supplemental security income will struggle with meeting their monthly expenses.

Adequate housing is not just having a roof over one's head; it is being located within reach of needed services. A housing unit in a desirable and easily accessible location is more costly than one in an undesirable, inaccessible location. As a result of location-related housing costs, some older adults may face barriers to accessing the amenities they need on a day-to-day or periodic basis. Others may face these because of lack of housing density in rural or exurban areas. There are a variety of policy tools that have made housing and location-related resources available to older adults; however, greater public policy advocacy and community-based solutions are needed to address areas that are underserved, or programs that are underfunded and cannot meet demand.

Endnotes

- 1 The Polis Center at IUPUI & the IU Fairbanks School of Public Health, "Gaps in Life Expectancy across the Lifespan" (2021), <https://centralindiana.stateofaging.org/2021/09/23/gaps-in-life-expectancy-across-the-lifespan/>.
- 2 The Polis Center at IUPUI & the IU Fairbanks School of Public Health, "Worlds Further Apart" (2021), <https://www.savi.org/savi-talks/worlds-apart/>.
- 3 According to the U.S. Census Bureau (2019), "total income" includes "wage or salary income; net self-employment income; interest, dividends or net rental or royalty income or income from estates and trusts; Social Security or Railroad Retirement income; Supplemental Security Income (SSI); public assistance or welfare payments; retirement, survivor, or disability pensions; and all other income."
- 4 National Geographic Historical Society (NHGIS) IPUMS, American Community Survey (ACS) 2015-2019 five-year estimates, <https://www.nhgis.org/>.
- 5 Federal Reserve, "Report on the Economic Well-Being of U.S. Households in 2020: Retirement" (May 2021), <https://www.federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-retirement.htm>.
- 6 Ibid.
- 7 United Way of Northern New Jersey, United for Alice, <https://www.unitedforalice.org>.
- 8 United Way of Northern New Jersey, Indiana Research Center: 2018 County Profiles, <https://www.unitedforalice.org/county-profiles/indiana>.
- 9 FMR includes a utility allowance.
- 10 MGR includes utility and fuel costs.
- 11 ZIP Code level Small Area Fair Market Rents (SAFMRs) are available for the majority of ZIP Codes in the Indianapolis MSA; this is less common in more rural Indiana counties. 2021 SAFMR limits are used because they correspond to the most recently available, reliable data from the American Community Survey utilized in this report: the 2015-2019 five-year estimates.
- 12 U.S. Department of Housing and Urban Development (HUD), Fair Market Rents (40th Percentile Rents), <https://www.huduser.gov/portal/datasets/fmr.html#2021>.
- 13 NHGIS ACS 2015-2019 estimates
- 14 IPUMS NHGIS, University of Minnesota, www.nhgis.org
- 15 National Low-Income Housing Coalition, "Public Housing: Where Do We Stand?" 2019, <https://nlihc.org/resource/public-housing-where-do-we-stand>.
- 16 Indiana Foreclosure Prevention Network, <https://www.877gethope.org/>.

- 17 According to HUD PDR (2015, p. 39), "'Disabled' is defined as anyone with serious difficulty walking or climbing stairs, or who uses a mobility device because of a condition other than a temporary injury."
- 18 HUD Office of Policy Development and Research, "Accessibility of America's Housing Stock: Analysis of the 2011 American Housing Survey (AHS)" (2015), <https://www.huduser.gov/portal/sites/default/files/pdf/accessibility-america-housingStock.pdf>
- 19 According to HUD PDR (2015, p. 24), "potentially modifiable" refers to units with an accessible entrance and at least one accessible bedroom and one accessible bathroom (main floor or via elevator). "Livable" refers to a level of accessibility where someone with a moderate physical disability can live there – it is both "potentially modifiable" and has bathroom grab bars and grab bars along steps (or no steps). The AHS sample size for the Indianapolis MSA is n=551.
- 20 Consumer Affairs, "The costs of aging in place remodeling" (2021), <https://www.consumeraffairs.com/homeowners/aging-in-place-remodel-costs.html>.
- 21 The Polis Center at IUPUI, IU Center for Aging Research, & IU Public Policy Institute, "The State of Aging in Central Indiana: Transportation" (2021), <https://centralindiana.stateofaging.org/report-data/transportation/>.