JPMorgan Chase Institute

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Economic Contributions by Seniors: Where does your city rank? Spending by Consumers 65 and Older

Seniors are increasingly important to the health of local economies. Over 10,000 baby boomers retire each day and longer lifespans and a switch to defined contribution plans strain resources for those who are retired. In response, seniors are working longer or returning to part-time work. Those who do retire can be an important source of consumption and spur demand for health care and home assistance services, but also can draw on the provision of social services.

This shifting landscape makes it even more important to understand seniors' contributions to the economy. Given the shift from the Census Long Form to the American Community Survey[1], new data sources are needed to shed light on this topic. Building off of 12.4 billion anonymized credit and debit card transactions in 15 metropolitan areas, the JPMorgan Chase Institute's recently released Profiles of Local Consumer Commerce can help better understand how older consumers impact local economies.

In which cities do seniors spend the most? The table below shows the share of total spending in each metro area by consumers 65 and over. Not surprisingly, cities known as retirement destinations such as Miami and Phoenix have a higher percent of local spend by consumers 65 years and older than the average for 15 metro areas (21.5% and 22.7% respectively versus an average of 18%). More surprisingly, San Francisco tops the list at nearly 23.8%, and Seattle, at 21.8%, is higher than Miami—likely reflecting the high cost of living and availability of amenities in both cities that are attractive to more affluent, higher-spending retirees.

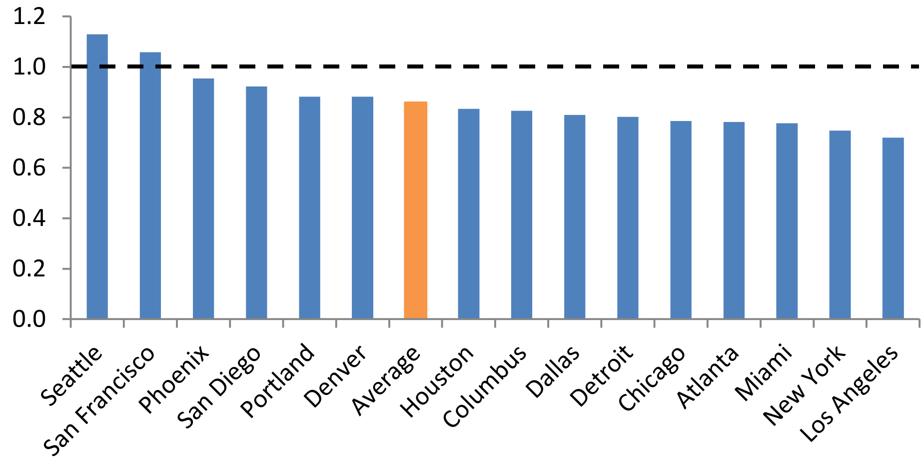
[1] While the American Community Survey (ACS) provides timely data as it is conducted every year instead of every ten years, it samples less than 1 percent of the population whereas the Census long form previously sampled one in six households. In addition to differences in the questions asked, the smaller sample size can make it difficult to accurately study certain subpopulations such as seniors within a geographic area.

Which metro area has the largest share of spending by consumers 65 and older?		
Rank	Metro Area	Share of Spending
1	San Francisco-Oakland-Hayward, CA	23.8%
2	Phoenix-Mesa-Scottsdale, AZ	22.7%
3	Seattle-Tacoma-Bellevue, WA	21.8%
4	Miami-Fort Lauderdale-West Palm Beach, FL	21.5%
5	Detroit-Warren-Dearborn, MI	19.7%
6	San Diego-Carlsbad, CA	19.6%
7	Portland-Vancouver-Hillsboro, OR-WA	18.8%
	Fifteen City Average	**18.2%**
8	New York-Newark-Jersey City, NY-NJ-PA	17.7%
9	Chicago-Naperville-Elgin, IL-IN-WI	16.9%
10	Denver-Aurora-Lakewood, CO	16.6%
11	Columbus, OH	16.0%
12	Los Angeles-Long Beach-Anaheim, CA	15.3%
13	Houston-The Woodlands-Sugar Land, TX	14.2%
14	Atlanta-Sandy Springs-Roswell, GA	14.0%
15	Dallas-Fort Worth-Arlington, TX	13.9%

Source: JPMorgan Chase Institute.

More generally, how closely does the share of seniors in a city track their share of spend? It is well known that older, retired consumers tend to spend less than younger, working consumers. More free time leads to more home production, such as cooking instead of eating out and spending more time shopping to take advantage of discounts. There is often also a reduction in work expenses such as commuting or dry cleaning. We see this pattern clearly in our data, where on average the ratio of seniors' spending share to population share is below 1, at 0.86. There is, however, wide variation in that ratio across cities. As we saw earlier, Seattle and San Francisco seniors spend a greater share than seniors in other cities, and more than their share of the population (ratios of 1.16 and 1.06, respectively). Senior Angelenos and New Yorkers, on the other hand, spend the least relative to their share of the population, with ratios of spending to population of only 0.72 and 0.75 respectively.

Consumption by Seniors: Ratio of Spending to Population



Source: JPMorgan Chase Institute and Census Bureau.

As seniors become a larger share of the population, they will be responsible for an increasing amount of consumption in local economies. At the same time, seniors tend to consume less than younger cohorts. Taken together, these two trends could contribute to an overall slowdown in everyday spending but will play out very differently across cities. Further research and new data sources will help decision makers better appreciate the opportunities and challenges these trends pose for the economy.

The JPMorgan Chase Institute is committed to delivering data-rich analyses and expert insights for the public good. Our recently released report Profiles of Local Consumer Commerce tells the story of the decline in everyday retail spending across fifteen metro areas. Over the next five weeks, the JPMC Institute will explore the differences between the metro areas through a series of blog posts ranking the cities across select dimensions from the report. Last week we looked at Consumption Inequality and the share of spending by the top income quintile.