

# ANTICIPATING DRAMATIC GROWTH IN THE NUMBER OF OLDER CALIFORNIANS

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with research support from Shalini Mustala

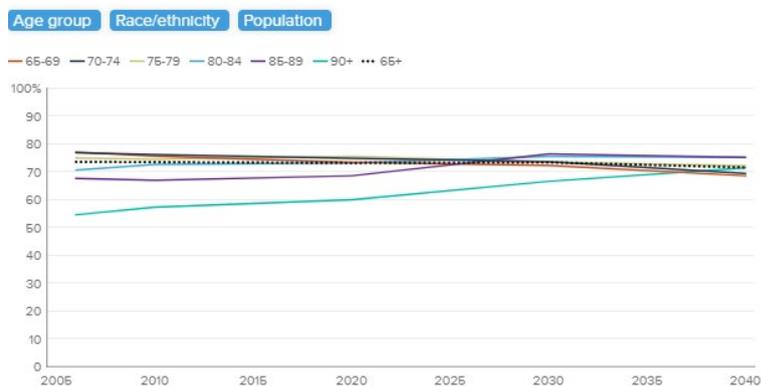


doesn't necessarily translate to overall financial security. Further, many who age in their homes are likely to need modifications; navigating stairs is the most common daily activity that older adults need help with (Maresova et al. 2019). About 35 percent of older California homeowners in 2022 owned their homes outright and may be "housing rich, income poor"—that is, they may have significant home equity but limited liquid assets or income. Another third have mortgages and may struggle to make payments as their incomes decline during retirement.

However, the 30 percent of older adults who are projected to be renters in 2040 are likely to face greater financial challenges. Renters are much more likely to be financially burdened by a combination of low incomes and rising housing costs. This group may face greater challenges in maintaining stable housing as they age. While adults over 65 make up only a small share of Californians experiencing homelessness, this group has experienced the largest growth in homelessness over the past five years (see Technical Appendix C for more details).

Figure 7

**Homeownership rates will decline slightly but remain high among older adults**  
Percent living in owned home by age group



SOURCE: ACS to 2020, PPIC projections from 2020 to 2040  
NOTES: Includes people who own homes with and without mortgages.

**BY 2040, THE VAST MAJORITY OF OLDER ADULTS ARE PROJECTED TO BE HOMEOWNERS**

## OLDER CALIFORNIANS' ECONOMIC CIRCUMSTANCES

Economic security for older adults hinges on a number of factors, including housing stability and financial well-being. As incomes decline, many older adults face a decline in their standard of living and struggle to make ends meet, especially given the state's high cost of living. The PPIC Statewide Survey finds that more than a quarter of adults worry every day or almost every day about having sufficient funds for retirement.(4) Lower-income workers are especially anxious, with 40 percent of those in households with incomes of less than \$20,000 per year reporting worrying every day or nearly every day.(5)

Economic conditions among California's older adults in 2040 will be complex and varied. While many will enjoy the stability of homeownership, a significant portion will face financial challenges that could impact their ability to age in place and maintain a good quality of life. Black and Latino older residents will face even greater challenges, with higher shares projected to be renters with low incomes.

## HOMEOWNERSHIP IS KEY TO HOUSING STABILITY

By 2040, the vast majority (70%) of older adults are projected to be homeowners, down only slightly from 73 percent in 2020 (Figure 7).(6) Most of these homeowners are likely to have accumulated substantial equity in their homes.(7) This high rate of homeownership provides a degree of housing stability for many older adults, but it

Our models suggest that homeownership will rise relatively steeply among older Asian Californians while stagnating or declining among older Californians in other racial/ethnic groups. Renting will continue to be especially common among older Black (45% in 2020 and 43% in 2040) and Latino (34% in 2020 and 37% in 2040) residents.

## MORE OLDER ADULTS WILL REMAIN IN THE WORKFORCE

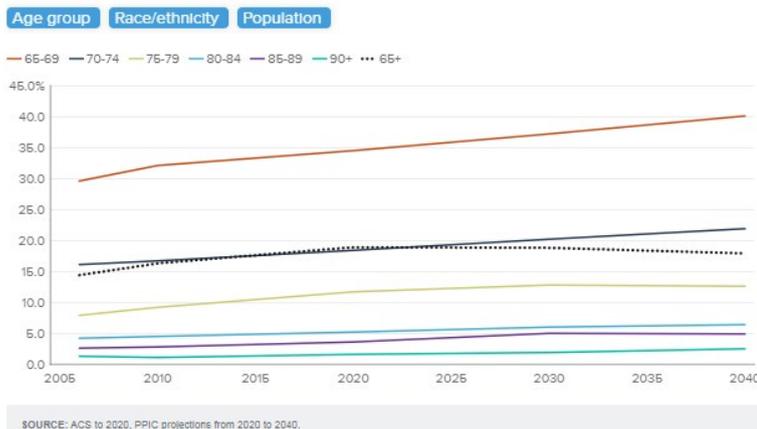
Labor force participation rates for 65- to 74-year-olds are projected to increase over the next 15 years. The largest gains in participation will be among those aged 65 to 69, driven at least in part by the age at which people are eligible for full social security benefits being raised to 67. This suggests that more older adults may be working out of necessity rather than choice, particularly those with lower levels of education and perhaps lower lifetime earnings. These increases in

labor force participation will be mostly offset by increasing shares of adults 75 and over who will not be working (Figure 8).

Figure 8

**Larger shares of adults ages 65 to 74 will be working in 2040**

Labor force participation rate by age group



**WE SEE ONLY MINIMAL SHIFTS IN LABOR FORCE PARTICIPATION RATES BY RACE/ETHNICITY**

We see only minimal shifts in labor force participation rates by race/ethnicity (Figure 8). While older white and Black adults had higher rates of labor force participation in 2020, our models suggest a narrowing of the racial/ethnic gap. By 2040, about 18 percent of older adults across all racial/ethnic groups will be in the labor force. This likely reflects the older age structure of white Californians relative to Latinos and Asians.

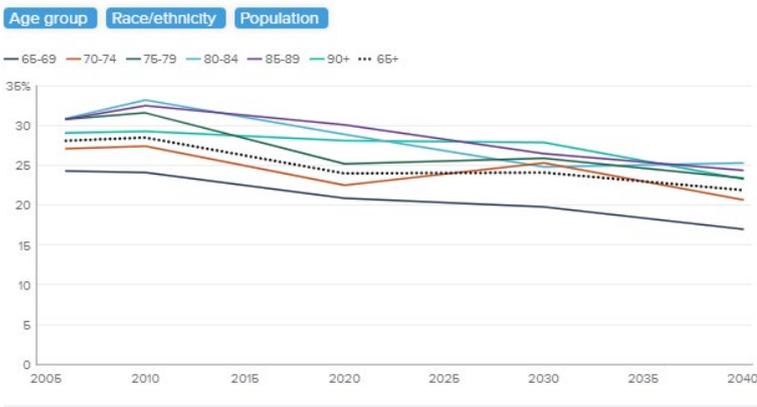
**LARGE NUMBERS OF OLDER CALIFORNIANS WILL HAVE LOW INCOMES**

The variation in income as people age makes projections challenging. Nonetheless, an assessment of poverty levels is important in understanding economic well-being among older adults, especially as it relates to eligibility for Medi-Cal, California’s Medicaid program, which covers the cost of long-term services and supports.(8) Our model suggests a modest decline in poverty and near-poverty rates among older adults (Figure 9). The share of older adults with incomes less than two times the federal poverty level (about \$19,700 for a two-person household in 2023) is expected to decrease from 24 percent in 2020 to 22 percent in 2040. The oldest age groups will remain especially likely to live in low-income households, with about one in four adults aged 80 to 89 living in or near poverty. Overall, the number of older Californians with low incomes is expected to grow from about 1.4 million in 2020 to nearly 2 million in 2040.

Figure 9

**Substantial shares of older Californians will be poor or near-poor**

Percent low-income by age group



**THERE WILL BE MANY LOW-INCOME OLDER ADULTS ACROSS ALL RACIAL ETHNIC GROUPS**

Because the population of older adults will be growing, there will be many more low-income older adults across all racial ethnic groups. Our projections suggest that Black and Latino older adults will continue to have higher rates of poverty or near poverty than white and Asian older adults. While we project relatively large declines for Latino older adults and moderate declines for white and Asian older adults, the increasing trend in poverty among older Black adults is cause for concern (Figure 9). Projected declines in poverty rates among older adults are consistent with supplemental poverty measures, which provide a more holistic accounting of poverty by factoring in items such as housing costs and medical expenses (refer to Technical Appendix A for more details). SPM poverty rose among older adults in 2022; it will be important to monitor this trend.

**LIVING ARRANGEMENTS AND WELL-BEING ARE KEY CONCERNS**

As California’s population ages, living arrangements and well-being become increasingly important considerations for policymakers and service providers. Recent trends and projections highlight several key issues related to the way older Californians will manage their daily lives in the coming decades. Older adults overwhelmingly express a desire to stay in their homes and communities as they age—or to “age in place.” Policies such as in-home supportive services aim to support older adults in maintaining their independence and quality of life within familiar surroundings. At the same time, improvements in health have lowered age-specific rates of difficulty with self-care and independent living.(9) In other words, older Californians begin to experience difficulties caring for themselves later in life than they used to. However, the dramatic increases in the 85-plus population over the coming decades will lead to large increases in older Californians who need help.

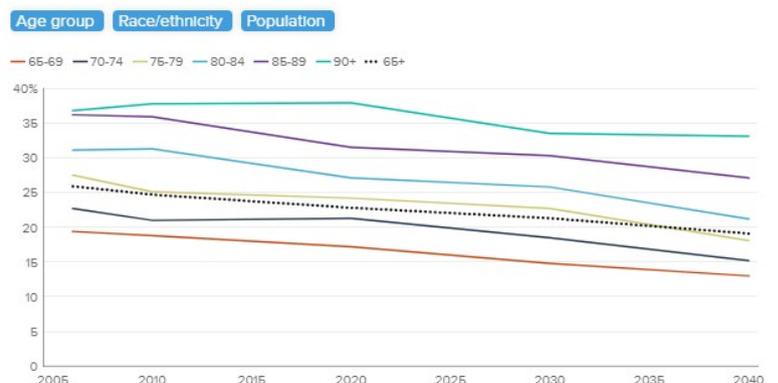
Family connections will continue to play a crucial role in the living arrangements of older adults. By 2040, the majority of older Californians are projected to be living with family members, with 59 percent residing with a spouse and a significant portion living with other family members. Multigenerational family households, especially common in older Latino and Asian communities, are important and growing.

The share of older adults living alone is expected to decrease from 22 percent to 19 percent; this shift is partly attributable to increased life expectancy among men, which will mitigate the number of women living alone in their later years. However, gender disparities in longevity will persist, with older women aged 80 and over remaining the most likely to live alone (28%). Owing to a greater prevalence of multigenerational households, Asian and Latino older adults will remain much less likely to live alone than their white or Black peers (Figure 10).

Figure 10

**The share of older Californians who live alone will decline**

Percent living alone by age group



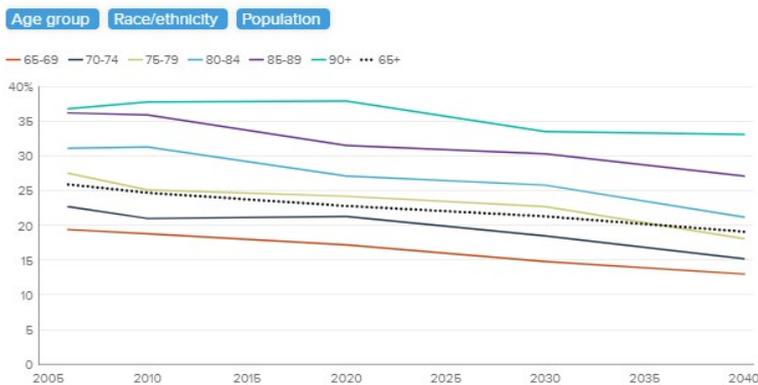
**ASIAN AND LATINO OLDER ADULTS WILL REMAIN MUCH LESS LIKELY TO LIVE ALONE**

Aging in place will be challenging for many older adults. Key reasons why older adults lose independence include the onset of disabilities; psychological and cognitive problems; mobility challenges; falls, wounds, or injuries; nutritional issues; and communication difficulties (Maresova et al. 2019). Among adults over 80, one in three will have difficulties living independently (i.e., staying in their homes without assistance and caregiving services), while one in five will struggle with basic self-care activities such as dressing and bathing. Even though rates of self-care limitations are projected to decline, the large increase in older adults, especially those age 80-plus, will swamp these improvements in rates. We project that more than 914,000 older adults will have self-care limitations in 2040, compared to 668,000 in 2020. Similarly, we project a sharp increase in the number of older adults with independent living difficulties, from 1.1 million in 2020 to 1.9 million in 2040. Independent living difficulties will rise dramatically among older Black and white adults, largely because higher shares will be age 80 and over (Figure 11).

Figure 11

**The share of older Californians who live alone will decline**

Percent living alone by age group



SOURCE: ACS to 2020, PPIC projections from 2020 to 2040.

**ASIAN AND LATINO OLDER ADULTS WILL REMAIN MUCH LESS LIKELY TO LIVE ALONE**

Despite the prioritization of aging in place, some older adults will need institutional care. The number of older adults in institutional group quarters is projected to increase by 51 percent by 2040, primarily driven by the doubling of the oldest old population (80 and over). Finding appropriate living situations for those needing institutional care will likely require additional capacity in nursing homes, a notable challenge given the lack of new spaces in the recent past. However, even with this increase, only 3 percent of older adults are expected to live in institutions, underscoring the continued preference for home-based living arrangements.

Source:

1. <https://www.ppic.org/publication/californias-aging-population/>
2. <https://aging.ca.gov/download.ashx?1E0rcNUV0zavKPgbEICWaQ%3d%3d>
3. <https://mpa.aging.ca.gov/DashBoard/#dashboard-county-profiles>
4. <https://www.youtube.com/embed/Ch0wDJEIOM>
5. <https://mpa.aging.ca.gov/UpdatesAndAnnualReports/>
6. <https://mpa.aging.ca.gov/DashBoard/#dashboard-county-profiles>