

Q: Are teens or senior citizens more powerful in the marketplace?

A: A new report from AARP says that older consumers have become a “powerful economic force in America”. More than half of all consumer spending (52%) was done by people over the age of 45. One reason for the growing impact of older consumers is simply that there are more of them. Between 1984 and 2001, the U.S. population grew by 22%, but the people over the age of 45 grew by 33%. While a lot of attention has been paid on “boomers” born between 1946 and 1964, the number of consumers over the age of 75 has risen by 50% to more than 10.6 million seniors.

Older consumers are responsible for more than two-thirds (69%) of all consumer spending on health care. More than half of all consumer spending on personal insurance, transportation, health care, housing and food were made by people over the age of 45.

Although you may think of teenagers, or young adults as being the consumers with the highest average spending level, people over the age of 45 spend far more than teenagers, and just about the same as young adults. People under the age of 25 spend an average of \$23,526 annually, compared to \$38,787 for the 45+ group. Adults 45 to 54 have the highest per capita consumer spending, \$47,930 a year. People between 55 and 65 spend \$41,462 per year, and those over the age of 75 spend less than half (48%) of what the boomers spend, or \$23,099 per year.

For seniors over the age of 75, nearly eight out of ten dollars spent as consumers goes to four categories of spending: housing (35%), health care (15%), transportation (14%), and food (14%). People between the ages of 45 and 54 only spend one-third of what the elderly spend on health care. But these younger boomers pay three times more on personal insurance and pensions.

The AARP report concludes that older consumers “dominate the market in every key category of spending” and are a “growing and powerful economic force.” But the report warns that many older consumers are “often ill-equipped to shop effectively and manage their finances.” The report says the marketplace is getting more complex, and that older consumers are more affected by special circumstances like disability, poverty, living alone, or language barriers. “The AARP notes that “consumers often have disturbingly low levels of financial and consumer literacy” when it comes to dealing with financial products, like banking, credit services, investments, etc. For example, 4.4 million households age 50 and over try to manage their money without a checking account.

The AARP report contains a series of Money Management Tips about credit management, investments, housing and protecting assets. To see the full report, go to http://research.aarp.org/consume/beyond_50_cons.html, or call AARP at 1-888-OUR-AARP. Ask for report 50.04. #####