

# WORKING PAPER

## *Executive Summary*

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## LIVING ARRANGEMENTS AND SUPPLEMENTAL SECURITY INCOME RECEIPT AMONG THE AGED

BY MELISSA M. FAVREAU AND DOUGLAS A. WOLF

For the most vulnerable of the aged, coresidence and the Supplemental Security Income (SSI) program are vital sources of support. Older Americans experiencing declines in health and financial resources often move in with their children or other relatives to cut down on their expenses and/or to give or receive personal assistance. This private mechanism for transferring resources has an enormous impact on aged well-being. SSI, in contrast, provides public transfers to vulnerable elderly and disabled persons. Known as the “program of last resort,” it grants means-tested benefits to those individuals who do not receive Social Security or private pension benefits or whose benefits are very low.

Recognizing their importance to the aged most at risk of poverty, scholars have described and explained both coresidence choices and SSI participation in a growing literature. Little research, however, has examined the intersection of these two decisions. This paper seeks to fill this important gap. Because the SSI program both reduces the benefits of those who share a residence and provides recipients with access to Medicaid, the program effectively alters both the necessity of and the incentives for coresidence. Understanding interactions between SSI and living arrangements may thus be necessary for estimating the true fiscal and distributional impacts of changes to Social Security and SSI, especially in cases of fundamental structural reform.

We explore interactions between SSI participation and living arrangements by developing two joint models of the two decisions for members of the SSI-eligible population. The models predict SSI receipt and living arrangements and joint SSI-living arrangement states as functions of individual and family attributes. We estimate model parameters using the 1990 to 1993 panels of the Survey of Income and Program Participation (SIPP) matched to administrative records on earnings and program participation.

Our analyses support findings from many of the previous studies of SSI and living arrangements. We find aged SSI take-up rates of about sixty percent, with program take-up increasing when need increases. We also find that individuals respond to SSI incentives, increasing participation when benefits are higher. Further, we confirm the strong relationship between coresidence and kin availability found in the literature on living arrangements. We find modest evidence that living arrangements and SSI receipt choices are connected for low-income individuals and couples. SSI participation appears to depress levels of coresidence, and coresidence appears to mute SSI participation.

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**CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE**

Fulton Hall 550, 140 Commonwealth Avenue, Chestnut Hill, MA 02467-3808  
phone 617.552.1762 fax 617.552.1750 crr@bc.edu www.bc.edu/crr