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NONEARNINGS INCOME MIGRATION IN THE UNITED STATES: ANTICIPATING THE GEOGRAPHICAL IMPACTS OF BABY BOOM RETIREMENT

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The United States has a distinct geography to the distribution of Social Security and investment income (collectively termed nonearnings income), yet this geography is not static. Rather, migration redistributes these sources of income across space. Certain destination regions are positioned to benefit greatly from such income migration at the expense of origin regions. Between 1995 and 2000, $30 billion in Social Security and $53.4 billion in investment income changed locations due to migration. With the baby boomers entering a period in their lives characterized by heightened levels of pre-retirement and retirement migration, these geographic shifts in nonearnings income will likely increase in the future.

Using the Public Use Microdata Sample from the 2000 Census, this paper employs two sets of methodologies to provide a better understanding of these income dynamics. First, migration efficiencies highlight which regions are gaining or losing Social Security and investment income through migration. Second, decomposition techniques developed by Plane (1999) provide a more refined understanding of the forces behind regional income gain or loss. These decomposition techniques answer the "quantity vs. quality" question behind regional income migration. Is regional income changing the result of the sheer volume of migrants (quantity), or is regional income change resulting from differential per capita income levels of in-migrants compared with out-migrants (quality)? These techniques are applied separately to the income migration flows associated with the baby boomers and those flows associated with their predecessors in order to anticipate how these income streams may change in the future.

Nonearnings income migration associated with the population over age 55 varies considerably depending on one's scale of analysis. In the aggregate, migration of this age group contributes to a regional shift of both Social Security and investment income from the northeastern parts of the United States to the south and west. These aggregate regional trends, however, mask significant intra-regional variation. All nonmetropolitan regions are enjoying net gains in Social Security income through migration of those 55 and older. Even the nonmetropolitan Plains, which have historically lost population through out-migration, are now enjoying net gains of Social Security income. These nonmetropolitan Social Security gains come at the expense of the northeastern metropolitan core. The spatial shifts of investment income within regions are considerably more varied. The nonmetropolitan Plains and Great Lakes regions are struggling to hold onto investment income, while the rural Rocky Mountain region is enjoying dramatic income gains. The decomposition analysis illustrates that these three regions are dominated by differential effects meaning the Rockies are gaining disproportionately well-off individuals while the Great Lakes and Plains are losing those with resources and gaining those with lower levels of nonearnings income. Such processes are particularly problematic for the Plains and Great Lakes, as they are now left with an aging population characterized by lower levels of economic resources. In essence, these migration systems create regional income inequalities for the population over age 55.

While the overall regional patterns of income shifts associated with baby boomer migration are quite similar to those of their predecessors. The intra-regional shifts are rather distinct. In contrast with the population over age 55, boomer migration is contributing to overall investment income gains for nonmetropolitan territory in all regions. Even the nonmetropolitan Plains is enjoying investment income gains resulting from baby boomer migration. Furthermore, these gains are driven primarily by differential effects suggesting that higher levels of investment income may enable migration to nonmetropolitan destinations for the boomers. If the boomers continue to generate these distinct income migration systems favoring nonmetropolitan destinations regardless of region, some of the regional income inequalities stemming from their predecessors' migration will be mitigated. If, however, the boomers' migration systems begin to mirror those of their parents, the regional inequalities will become more pronounced.

Finally, migration of both the baby boomers and their parents tends to draw income away from metropolitan territory in most regions. In essence, migration provides an income subsidy for nonmetropolitan regions. As the population ages, these nonearnings income sources will become increasingly important components of total personal income, and it appears that metropolitan regions are at a distinct disadvantage when it comes to holding onto these highly mobile sources of income.

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