

WSJ Print Edition

image



Over Age 65? You Own the Economy

CAPITAL ACCOUNT

By Greg Ip

Demographics, rising profits and soaring asset values have wrought a quiet transformation in the American economy. Much of it is now in the hands of the elderly.

As of the third quarter of last year, people 70 and over controlled roughly 39% of all equities and mutual funds owned by households, compared with 22% in 2007, according to Federal Reserve data. Their share of net worth—assets minus debts—was 32%, up from 20% two decades earlier.

There has never been a better time in America to be old. Yet it also exposes our disjointed national priorities. We keep pouring resources into making the elderly comfortable and happy when the economy's pressure points lie elsewhere.

The elderly are mostly out of the job market so need not worry about being replaced by artificial intelligence. The vast majority own their homes, often debt-free. It's very different for young generations.

Wealth accumulates with age, so people at retirement tend to have much more than younger generations, a pattern seen in Fed surveys back to 1989. In that time, rising asset prices have benefited all savers, but especially those who bought their first homes and stocks in the 1980s, according to research by New York University economist Edward Wolff.

The average net worth of a --person 65 to 74 was \$1.8 million in 2022, up 178% from the same age group in 1989, adjusted for inflation.

What makes the wealth of today's retirees truly formidable is their numbers. Since the first baby boomers qualified for Social Security in 2008, the share of the U.S. population 65 and over has risen to 18% from 13%.

You can have wealth without feeling wealthy. Averages are skewed by the likes of Warren Buffett and his fellow billionaires. The median wealth of a 65to-74-year-old in 2022 was \$410,000, less than a quarter of the average. And many people reach 65 with little or no financial assets.

Yet even they have wealth, holistically measured. If you translate Social Security benefits into present value terms, the average retiree at 65 had an annuity worth \$305,000 in 2019, according to research by Yale economist Natasha Sarin and two co-authors. That was 160% more than in 1989, adjusted for inflation.

Retirees, of course, have much lower incomes than people with paychecks. But thanks to programs such as Social Security and Medicare, elderly poverty is much lower than for the overall population. Nearly 80% of people 65 and over

own their homes, according to the Census Bureau, a rate that has remained roughly steady for two decades even as homeownership dropped for 35to-64-year-olds.

The average 65-year-old is also healthier than her counterpart from a generation earlier. Life expectancy at 65 plummeted during the Covid pandemic but by 2024 reached a record of 19.7 years. The incidence of dementia among the elderly has fallen sharply, several studies have found.

In short, the elderly are financially and physically healthier than ever. No wonder that in a nation of pessimists, they are the optimists.

As the elderly share of the population and wealth grows, their priorities and preferences shape the economy. They represent a growing share of consumer spending. Healthcare accounted for all the net job growth in the past 12 months, reflecting the needs of an aging society.

The problem is that while retiree wealth can clearly finance a lot of consumption, workers have to produce what retirees consume. And relative to retirees, workers' numbers are dwindling.

One solution would be for everyone to work longer. In 1983, Congress modified Social Security to gradually raise the full retirement age from 65 to 67. The share of people 65 and over participating in the labor force crept higher until 2020. With Covid, labor-force participation plunged for every age group. It soon rebounded for those under 65, but not 65 and over. That's one reason a smaller share of the population works today than in 2019. Plummeting immigration will intensify the trend since immigrants are more likely to work than the native-born.

Last year, GOP Sen. Ted Cruz proposed giving every newborn a stake in capitalism with a federally funded \$1,000 stock account. The proposal made it into last year's GOP megabill as "Trump Accounts." It is a step toward addressing the wealth gap between young and old.

Still, it's a tiny step. In 2019 the federal government spent more than \$29,000 on everyone 65 and over through Social Security, Medicare, civil service and military and retirement benefits, five times what it spent on everyone under 18. That's according to a study by economists Melissa Kearney and Luke Pardue of the Aspen Economic Strategy Group, of which I am a member. By 2023, spending on each elderly person had risen 19% after inflation; on each child, just 2%.

Both parties keep enriching benefits for older Americans. In 2022, veterans' benefits were expanded at a 10-year cost of \$277 billion. In 2024, Social Security benefits were extended to some municipal employees at a 10-year price tag of nearly \$200 billion. At President Trump's behest, last year's megabill included a tax deduction of up to \$6,000 for people 65 and over.

Federal spending on elderly programs has risen from 6.9% of gross domestic product in 2007 to 9.4% last year and will reach 11.3% in a decade, the Congressional Budget Office projects.

Elderly programs, plus interest, are the primary driver of the gaping budget deficit. By 2032, Social Security will no longer be able to pay full benefits. Fixing the deficit and Social Security requires some combination of higher taxes or lower future benefits, both of which will largely spare today's elderly. If you think the young are anxious now, just wait.

[Copyright \(c\)2026 Dow Jones & Company, Inc. All Rights Reserved. 2/19/2026](#)

[Powered by TECNAVIA](#)

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit djreprints.com.
