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The Adequacy of Retirement Income for the Episcopal Clergy and Their Surviving Spouses

A Report by The Urban Institute

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CHURCH PENSION GROUP
Serving the Episcopal Church and Its People

The Adequacy of Retirement Income for the Episcopal Clergy and Their Surviving Spouses

A Report to the Church Pension Fund

Richard W. Johnson*

October 2002

This report examines the adequacy of pension benefits provided by the Church Pension Fund. It first compares pension benefits and total income received by retired Episcopal clergy and their surviving spouses with those received by the general population of older Americans. It then considers how much income adults need to live comfortably in retirement, and computes the share of church pension recipients whose incomes fall short.

The analysis focuses on retirement outcomes for those with 30 or more years of credited service (although it also considers pension benefits received by clergy with as few as 10 years of service). The Church Pension Fund is committed to ensuring a comfortable retirement for those who spent most of their working lives serving the church. Since the church did not begin ordaining women until 1974, all of the long-serving clergy who have already retired are men.

The report also devotes special attention to the surviving spouses of retired clergy with at least 30 years of credited service. Many of these women served the church alongside their husbands, while receiving no pay themselves. Although the Episcopal Church provides more generous survivor benefits than most other employers, many widows receive only limited pension income because their husbands retired many years ago when clergy pay was relatively low.

Comparing Pensions For Retired Episcopal Clergy and Other Americans

Like retired Episcopal clergy, many older Americans receive retirement income from past employers. In 1998, 63 percent of adults aged 65 and older with at least some past work experience received employer-sponsored pension benefits (see exhibit 1). (The box on p. 4 describes the data sources used in this report.) However, almost four in ten older Americans who worked for pay earlier in their lives do not receive any pension income from their past employers. Pension receipt is even less common among women, those who did not attend college, and those aged 80 and older. But pension benefits are the norm among well-educated men, a group that includes today's retired Episcopal clergy. More than four out of five men aged 65 and older with college degrees received pension income in 1998.

The share of workers with pension coverage has remained steady over the past 20 years. Among all age groups combined, about 45 percent of workers participate in employer-sponsored pension plans on the current job (Copeland 2002). This figure falls short of the share of older adults with pension income because some retirees had pension coverage for only part of their working lives.

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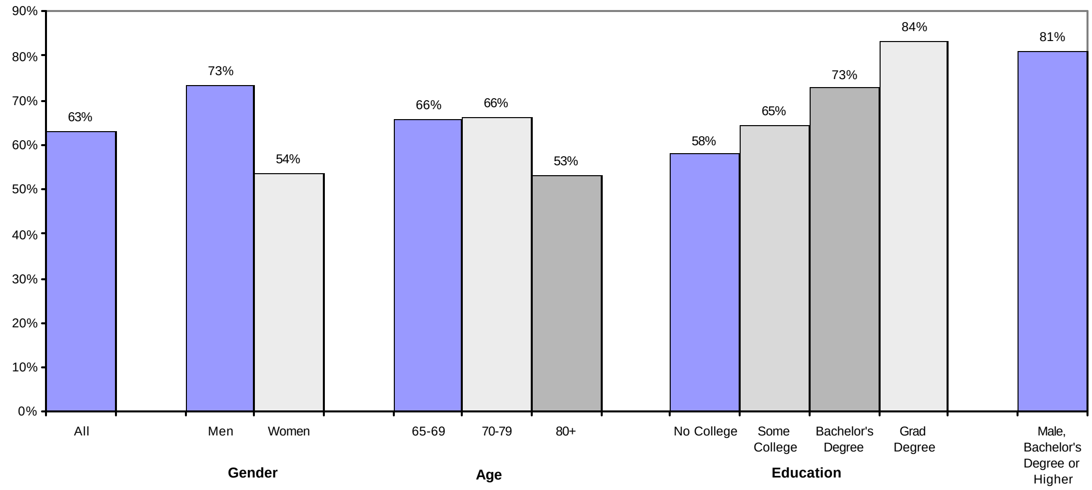
EXHIBIT 1: Share of Americans Aged 65 and Older with Pension Income, 1998, Among Those with Work Experience



Source: Author's calculations from the 1998 Health and Retirement Study.

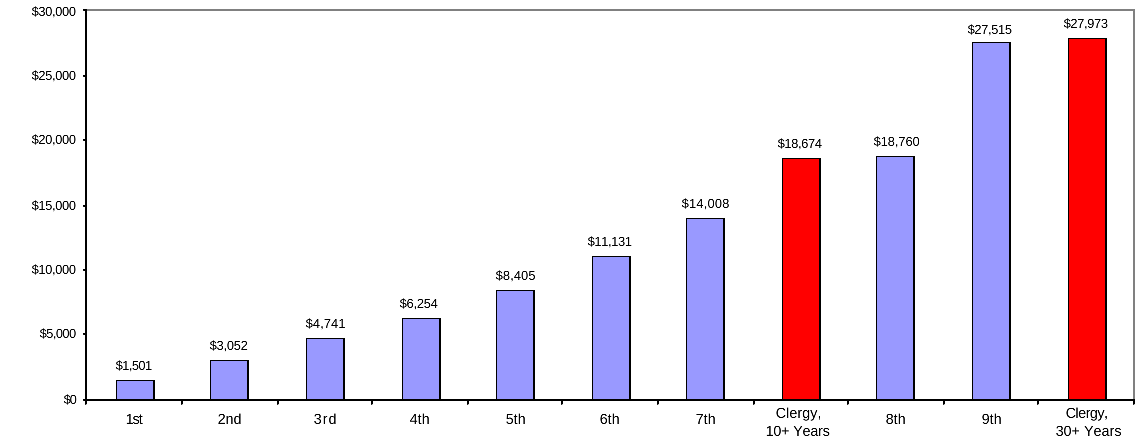
The type of coverage, however, has changed dramatically during the 1990s. In the past, most covered workers had traditional defined benefit pension plans – the type offered to Episcopal clergy. These plans guarantee workers set retirement benefits, depending on their years of service and earnings. Today, by contrast, most covered workers participate in defined contribution plans, which provide tax-deferred savings accounts, such as 401(k)s. Both the employer and employee typically contribute to these accounts, and employees are often free to choose how to invest their money. Participants can then use their account balances to fund their retirement.

Although 401(k) balances can be quite substantial, they depend in part on uncertain investment returns. When the stock market declines, as it has over the past few years, workers can lose a sizable portion of their retirement savings. Workers who do not adequately diversify their pension assets can be hit especially hard, as became apparent after the Enron and WorldCom bankruptcies. By contrast, the traditional pension plan that the Episcopal clergy receives protects participants from investment risk. However, fewer and fewer employers are offering these types of plans. In 1998, just 36 percent of workers with pension coverage secured primary coverage through defined benefit plans, down from 69 percent a decade earlier (Copeland 2002). The pension benefits offered to Episcopal clergy, then, are more secure than those received by many other workers.[1]

Regardless of plan type, many older Americans with pension benefits receive only a modest amount of pension income (see exhibit 2). For example, half of aged pension recipients receive less than $8,405 (denoted as the fifth decile in exhibit 2) in annual pension income in 2002, and 30 percent of recipients receive less than $4,741 (the third decile).

Compared to benefits received by aged pensioners overall, the retirement benefits offered to Episcopal clergy are quite generous, at least for those who devoted a substantial amount of time to the service of the church. The average annual pension benefit in 2002 for retired clergy aged 65 and older with at least 10 years of credited service is $18,674, more than twice as high as the average benefit received by all aged Americans with pension income. Put another way, the average pension received by an Episcopal cleric with 10 or more years of credited service exceeds the pension received by more than 70 percent of aged pensioners in the general population.

EXHIBIT 2: Deciles of Pension Income for Adults Aged 65+ with Pensions, and Average Pension Income for Retired Episcopal Clergy with 10+ and 30+ Years of Credited Service, 2002



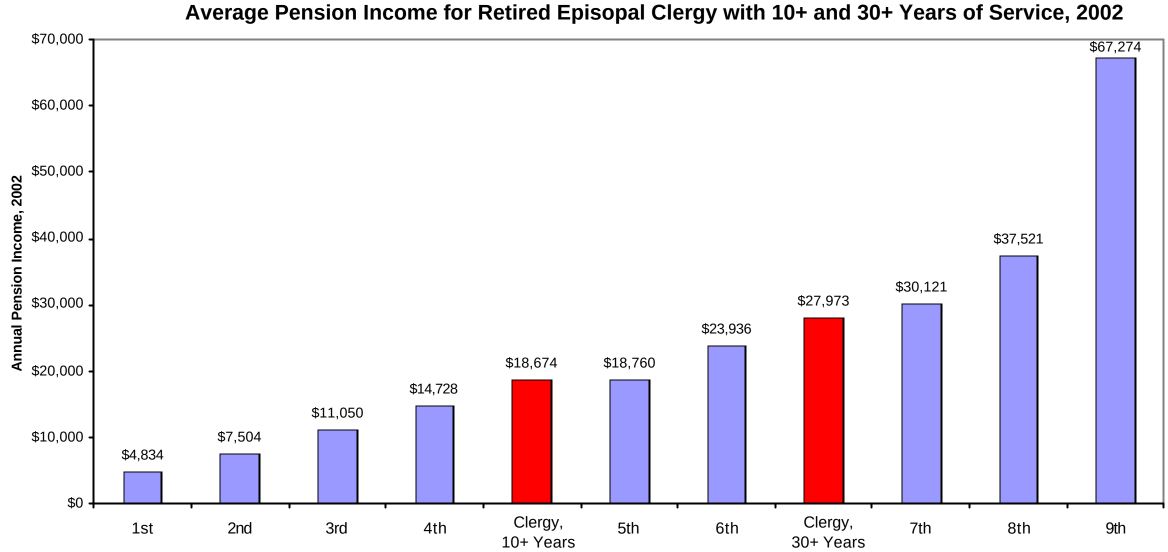
Source: Author's calculations from the March 2001 Current Population Survey (CPS) and CPF administrative data.

Note: The analysis inflates CPS income data by the change in Consumer Price Index to express CPS pension amounts in 2002 dollars. Pension income for clergy excludes any non-CPF income. Average income is the mean amount between the 45th and 55th percentiles of the distribution.

Pensions are especially high for those who served the church for 30 or more years. Their average annual benefit in 2002 is almost $28,000, exceeding the pensions received by more than nine out of ten older Americans with pension income.

Comparing clergy pensions to those received by all older Americans may be somewhat misleading, because the clergy are better educated than many older adults. Men who completed at least four years of college, as the clergy have, may be a more appropriate comparison group. Pension income is much higher for this

EXHIBIT 3: Deciles of Pension Income for Men Aged 65+ with Pensions who Completed 4+ Years of College; Average Pension Income for Retired Episopal Clergy with 10+ and 30+ Years of Service, 2002



Source: Author's calculations from the March 2001 Current Population Survey (CPS) and CPF administrative data.

Note: The analysis inflates CPS income data by the change in Consumer Price Index to express CPS pension amounts in 2002 dollars. Pension income for clergy excludes any non-CPF income. Average income is the mean amount between the 45th and 55th percentiles of the distribution.

group than for the general population. In 2002, half of college-educated men with pension income receive annual benefits in excess of $18,760, slightly more than the average pension income received by retired Episcopal clergy with 10 or more years of credited service (see exhibit 3).

However, clergy with at least 30 years of credited service receive pensions that on average are about 50 percent larger than those received by the typical college-educated man with pension benefits. The average pension for these long-serving priests exceeds pension income received by more than 60 percent of retired men with college degrees. The pension benefits provided by the Episcopal Church still appear to be quite generous, at least for clergy who devoted most of their working lives to the church, even when compared to benefits received by other well-educated men.

Comparing Retirement Income For Retired Episcopal Clergy, Their Surviving Spouses, and Other Americans

The adequacy of pension income, and its capacity to enable recipients to achieve a middle-class lifestyle, depends on how much other income retirees receive. In addition to pension benefits, most older Americans receive income from Social Security and their own savings. Some choose to work, especially at part-time jobs, and continue to receive earnings after they leave their career jobs. And those who are married, as most are, pool income with their spouses, who may receive their own pension and Social Security benefits and earnings. To assess whether retirees have enough resources to live comfortably, estimates of total family income

Sources of Data

The analysis described in this report uses data from a number of different sources. Administrative data from the Church Pension Fund form the basis of estimates of pension income for the retired clergy and their surviving spouses.

Estimates of pension coverage in the general population come from the Health and Retirement Study (HRS), a nationally representative survey of more than 22,000 Americans aged 51 and older in 1998. Conducted by the University of Michigan for the National Institute on Aging, the study paints an emerging portrait of an aging America's physical and mental health, insurance coverage, financial status, family support systems, labor market status, and retirement planning.

The report uses data from the March 2001 Current Population Survey (CPS) to examine income for older Americans. The CPS is a monthly survey of about 50,000 households conducted by the Bureau of the Census for the Bureau of Labor Statistics. It is the primary source of information on the labor force characteristics of the U.S. population. It also collects detailed data on income, and includes reports from about 4,700 adults aged 65 and older.

The Consumer Expenditure Survey is the preeminent source of household expenditure data in the country. Every year it surveys about 7,500 households across the country, collecting detailed information on how much households spend on a wide variety of goods and services. We used information from the 1999 survey, the most current data available when we conducted our study, to estimate middle-class consumption needs.

Estimates of replacement rates for pension and Social Security benefits, described in exhibit 5, use data from the 1991 New Beneficiary Survey. The Social Security Administration interviewed a sample of more than 6,000 retirees in 1982 who recently began receiving Social Security benefits. It then re-interviewed them ten years later, in 1992. Because survey participants permitted researchers to link their responses to their Social Security earnings records, this survey is one of the very few that allows analysts to compare pre-retirement earnings levels to retirement benefits.

Pension benefits for the retired clergy and their surviving spouses refer to income received in 2002. The data from the national surveys, however, are a few years older. To make the data comparable, we express all dollar amounts in constant 2002 dollars by inflating amounts from earlier years by the change in the Consumer Price Index.

are essential.

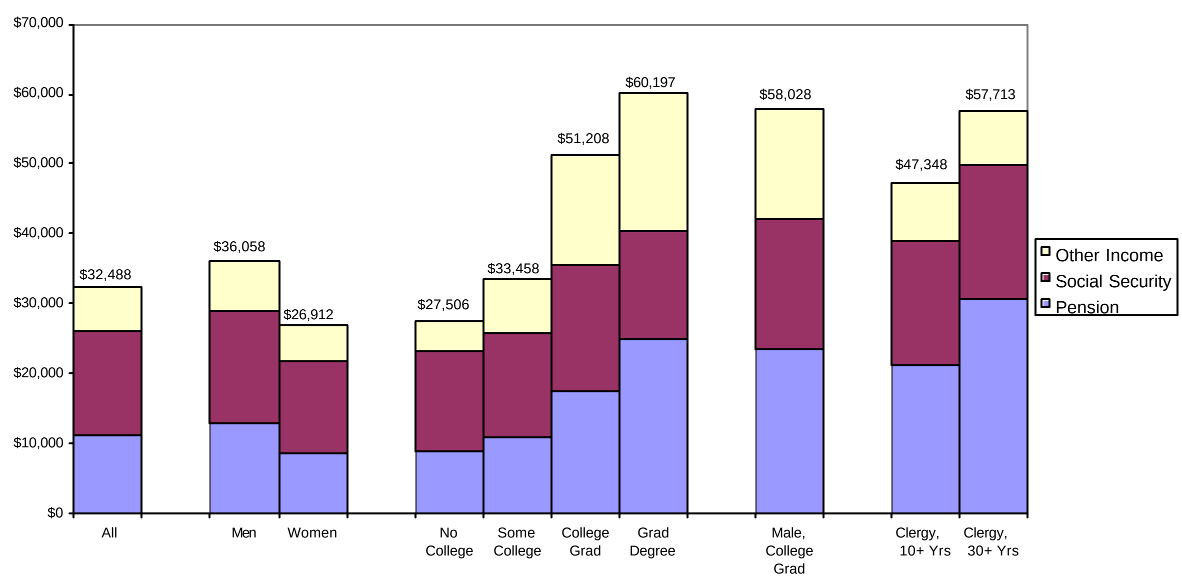
While national household surveys collect detailed information about all types of income for nationally representative samples of Americans, data limitations preclude precise estimates of total family income for Episcopal clergy. Administrative records at the Church Pension Fund provide accurate information about the level of pension income clergy receive from the church, but the records do not indicate how much income, if any, they receive from other sources. And the national surveys do not include enough Episcopal clergy to generate reliable estimates.

The analysis relies on our best guess about other types of income received by retired clergy. Social Security benefits depend on lifetime earnings, the age at which the recipient starts collecting benefits, and year of birth, as determined by a complex set of rules and regulations. Using church pension benefits (which are tied to final earnings) and plausible assumptions about earnings growth, we can simulate lifetime earnings and hence annual Social Security income with reasonable accuracy. The analysis uses a standard statistical technique to estimate other types of income (including earnings, income from assets – such as interest and dividends – and spousal earnings and pension benefits), by randomly assigning to each cleric income received by similar men in a national survey. This technique generates reliable estimates of average income, although the amount assigned to any given clergy member will not necessarily equal the amount of income they actually received.

For all adults aged 65 and older with pension income, average family income in 2002 is $32,488 (see exhibit 4). About 34 percent of income comes from employer-sponsored pensions, another 46 percent comes from Social Security benefits (including those received by the spouse), and the remaining 20 percent comes from other sources, including earnings, income from assets, and spousal pensions and earnings. Family income increases with education and is higher for men than for women, primarily because more women than men are widowed (and thus cannot draw upon spousal income).

Compared to other men with similar levels of education, Episcopal clergy who spent most of their working lives with the church do reasonably well in retirement. On average, those

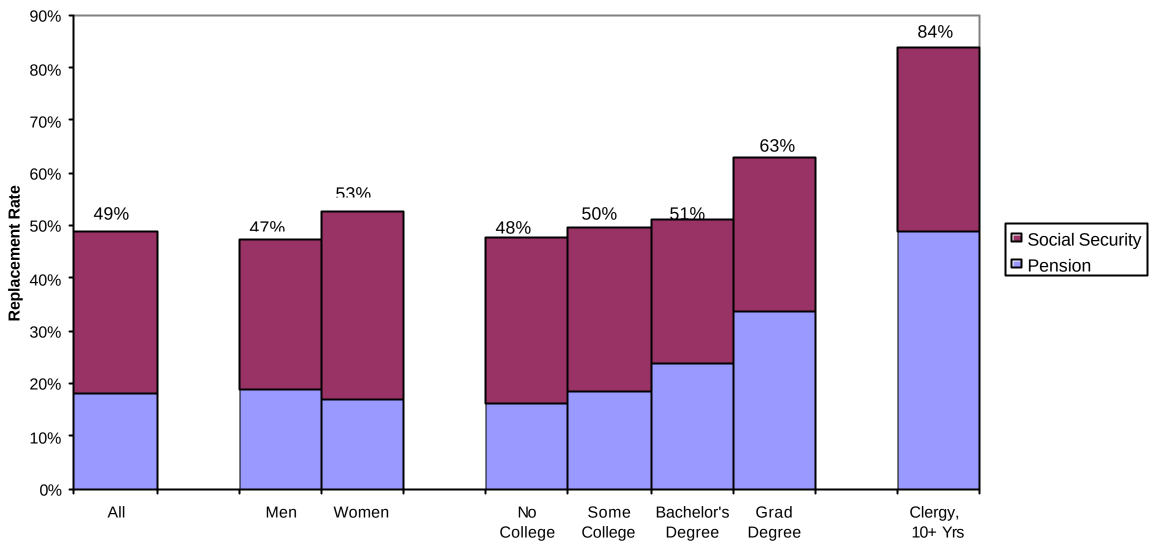
EXHIBIT 4: Average Family Income for Adults Aged 65+ with Pensions and for Retired Episcopal Clergy with 10+ and 30+ Years of Credited Service, 2002



Source: Author's calculations from the March 2001 Current Population Survey (CPS) and CPF administrative data.

Note: The analysis inflates CPS income data by the change in the Consumer Price Index to express CPS amounts in 2002 dollars. Pension income for clergy excludes any non-CPF income. Average income is the mean amount between the 45th and 55th percentiles of the distribution.

EXHIBIT 5: Median Share of Pre-Retirement Earnings Replaced by Pension and Social Security Benefits at Ages 70 to 79, for all Americans with Pensions and Retired Episcopal Clergy with 10+ Years of Service, 2000



Source: Author's calculations from the New Beneficiary Survey and CPF administrative data.
Note: Replacements rates are defined here as the ratio of pension and Social Security income to mean earnings received during the highest five years on the longest job. Past earnings are expressed in 2000 dollars by adjusting by changes in the Consumer Price Index.

with 30 or more years of credited service receive almost as much income in retirement ($57,713 in 2002) as all older college-educated men with pensions taken together ($58,028). Because of the generosity of the church's retirement plan, pensions make up a larger share of average retirement income for the clergy (about 50 percent) than for all men with college degrees in the general population (40 percent).

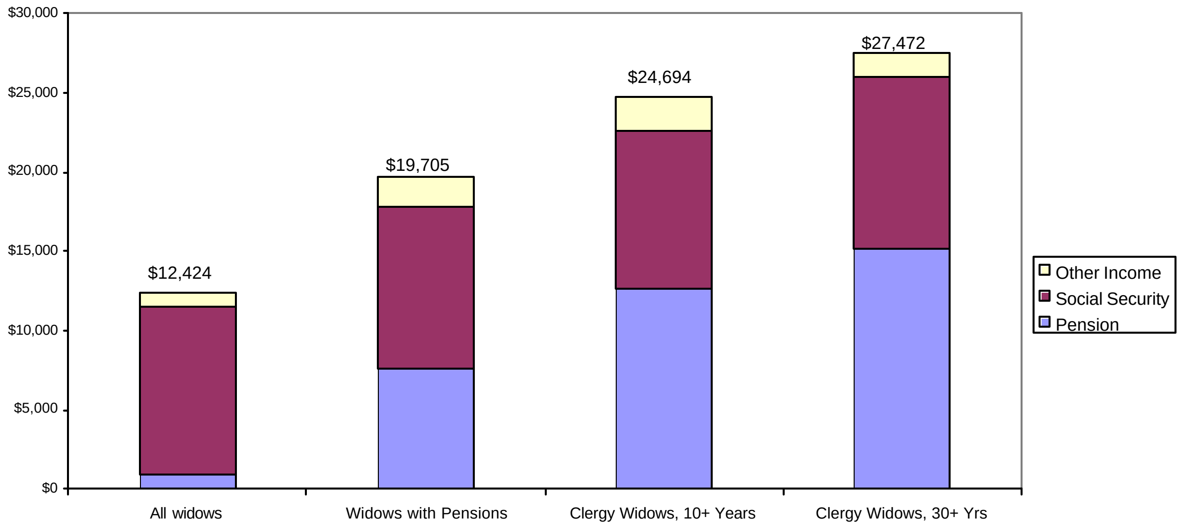
Those who spent fewer years serving the church do less well, however, because they receive less pension income from the church. Average income in retirement for all Episcopal clergy with 10 or more years of service is about $10,000 lower than the average for those with 30 or more years and for all older college-educated men with pension income in the country (see exhibit 4).

It is important to note that these estimates may understate income for retired clergy, especially those who spent relatively few years with the church, because they exclude any pension benefits from other jobs. Retirees who held multiple jobs over their working lives sometimes earn pensions from more than one employer. Clergy with 30 or more years of service could not have worked outside of the church for many years. As a result, they cannot receive much non-church pension income, since benefits are tied to years of service. Other sources of pensions could be more important for clergy who spent less time with the church and more time with other employers. Thus, actual retirement income for clergy with fewer than 30 years of service (and especially fewer than 20 years) may exceed our estimates.[2]

Another way of considering the generosity of pension and Social Security benefits is to measure them as a share of pre-retirement earnings. The higher the replacement rate, as it is known, the higher the likelihood that retirees can maintain the standard of living they enjoyed while working.

We estimate that pensions and Social Security benefits replace 84 percent of pre-retirement earnings for the typical retired Episcopal cleric with at least 10 years of credited service (see exhibit 5). Pensions replace 49 percent of earnings, on average, while Social Security replaces another 35 percent. The average replacement

EXHIBIT 6: Average Family Income for All Widows Aged 65+ and for Widows of Retired Episcopal Clergy with 10+ and 30+ Years of Credited Service, 2002



Source: Author's calculations from the March 2001 Current Population Survey (CPS) and CPF administrative data.

Note: The analysis inflates CPS income data by the change in the Consumer Price Index to express CPS amounts in 2002 dollars. Pension income for clergy widows excludes any non-CPF income. Average income is the mean amount between the 45th and 55th percentiles of the distribution.

rate for clergy exceeds the average overall rate for older Americans with pensions, for whom pension and Social Security benefits combined typically account for just less than half of pre-retirement earnings. The clergy enjoy high replacement rates because most receive generous pensions and, more importantly, earn relatively low salaries while working.

Surviving spouses of the clergy may merit special attention, because many older widows face serious economic hardship. In the general population, older widows have higher poverty rates than just about any other demographic group, in part because they lose much of their retirement income when their husband dies.[3] For example, Social Security benefits drop by one-third for most women who become widowed. Some also lose their husband's employer-sponsored pension benefits when he dies, unless he opted to receive his benefits as a joint and survivor annuity, which continues to make payments to the surviving widow after his death. In 2000, the overall poverty rate for widows was 16.5 percent (Social Security Administration 2002). By contrast, only 4.4 percent of married women were living in poverty.

In 2002, average income for all widowed women in the country aged 65 and older is $12,424, consisting almost entirely of Social Security benefits (see exhibit 6). Few widows receive pension benefits or income from other sources. The situation is better for widows fortunate enough to have pension income, like those who had been married to Episcopal clergy. Average 2002 income in the general population for these women is $19,705, almost 40 percent of which comes from pension benefits.

The Episcopal Church provides all eligible surviving spouses with pension benefits. Unlike most plans, the pension fund does not require clergy to accept less pension income while alive to guarantee benefits to their spouses if they should outlive them. As a result, the clergy's surviving spouses fare better than older widows overall, and even better than typical widows with pension income. In 2002, average pension income for surviving spouses of clergy with at least 10 years of credited service amounts to about $12,600, while average total income reaches about $24,700. Widows of clergy who served the church for at least 30 years fare even better, with average incomes of about $27,500.

The good news, then, is that the surviving spouses of the Episcopal clergy receive much more income than widows overall. But the bad news is that, on average, they only receive about half as much income as retired clergy.

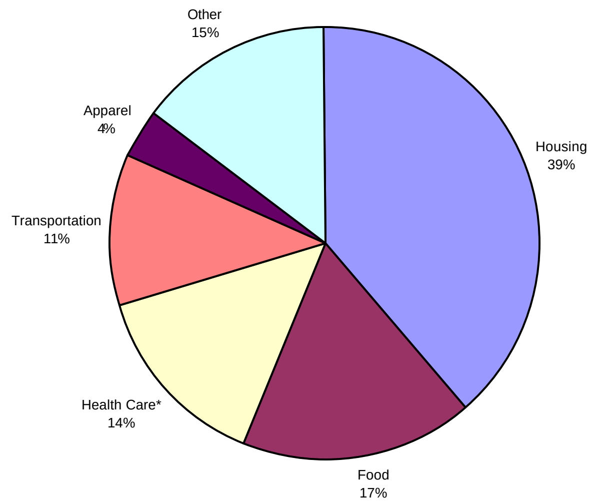
Consumption Needs for Middle-Class Americans at Older Ages

In addition to comparing average income received by retired Episcopal clergy and their surviving spouses to the average amount received by other retired adults, we can assess the adequacy of church-sponsored pensions by considering whether they enable recipients to lead a middle-class lifestyle. Objective estimates of how much a middle-class lifestyle costs older Americans are not available. Instead, the analysis defines middle-class consumption needs as average spending by older American households.

Estimates of average spending are based on detailed consumption data collected by a government survey of households from around the country. (The survey is described in the box on p. 4). The analysis restricts estimates to households headed by those aged 65 and older with at least four years of college education. We consider married couples and single adults separately, because couples together consume more goods and services than a single individual living alone. It is important to bear in mind, of course, that these estimates reflect average consumption needs, and do not capture special circumstances that can raise (or lower) consumption needs for certain individuals.

Housing, food, health care, and transportation combined account for about four-fifths of total spending by older Americans (see exhibit 7). Out-of-pocket medical expenses for the retired clergy are somewhat lower than the national average for the elderly population, because many retired clergy continue to receive health insurance from the Church Pension Fund. By contrast, only about one-third of retirees in the general population receive retiree health benefits from their former employers (Murray and Eppig 2002). Nonetheless, we estimate that health care costs account for 14 percent of the

EXHIBIT 7: Components of Consumption, for Households Headed by Adults Aged 65+ with Four or More Years of College, 1999

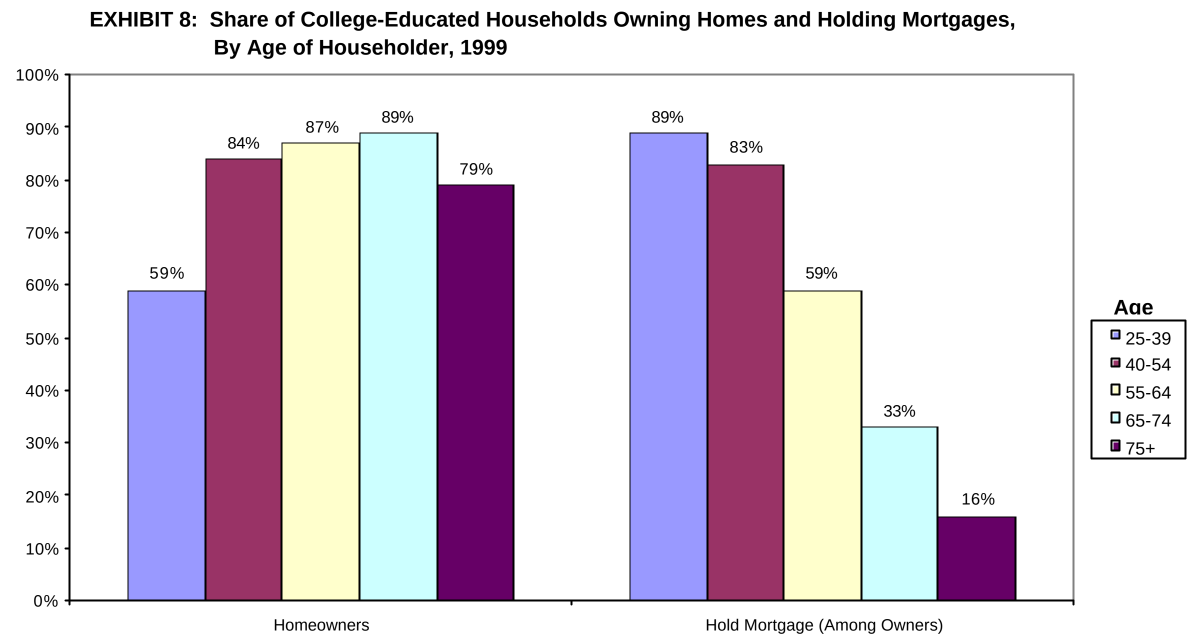


Source: Author's calculations from the 1999 Consumer Expenditure Survey.
Note: Health Care costs are based on average medical expenses of church pension recipients who do not receive assistance with Medicare Part B premiums, as computed by Hewitt Associates.

clergy's total consumption needs, based on calculations of their average medical expenses by Hewitt Associates, a benefits consulting firm that advises the Church Pension Fund.

Housing is the largest component of spending for older Americans. It consumes almost 4 out of every 10 dollars spent by older American households headed by college graduates, even though many own their homes and have paid off their mortgages (see exhibit 8). For example, 89 percent of American households headed by an adult aged 65 to 74 own their homes, and only one-third of them hold mortgages. By contrast, 89 percent of home owners aged 25 to 39 hold mortgages.

Rates of homeownership may be lower for the retired clergy than for the general older population, because many of the retired clergy lived in church-provided housing before they retired and never had an opportunity to purchase a home. However, homeownership is less important to retirement security than many assume. The costs of homeownership – which include property taxes, maintenance, insurance, utilities, and furnishings, in addition to any mortgage payments – are nearly as high as rental costs, on average. While growth in housing equity is a common way of accumulating wealth, other tax-



Source: Author's calculations from the 1999 Consumer Expenditure Survey.

advantaged savings vehicles are available. And few older adults actually sell their homes to finance retirement spending (Venti and Wise 2001).

Comparing Consumption Needs to Income for Church Pension Recipients

For retired Episcopal clergy who spent most of their working lives serving the church and their surviving spouses, average 2002 income exceeds our estimates of the amount needed for a middle-class lifestyle. We estimate that a married member of the clergy today needs about $32,900 to live comfortably in retirement with his spouse, while average income for married retired clergy aged 65 and older with at least 30 years of credited service exceeds $60,000 (see exhibit 9).[4] Even when we exclude from our estimates income derived from non-pension, non-Social Security sources, which is quite speculative, we find that average income for married retired clergy substantially exceeds typical consumption needs.

The typical retired cleric who is not married also appears able to live comfortably in retirement. According to our estimates, in 2002 average income for single retired clergy aged 65 and older with 30 years or more of credited service totals $43,100, far exceeding consumption needs of $21,000. Average income is significantly lower for surviving spouses ($27,500), but still higher than consumption needs.[5]

Although retirement income on average appears adequate for Episcopal clergy and their surviving spouses, a small number of church pension recipients with below-average incomes do not appear able to afford a comfortable retirement. We estimate that 3.9 percent of retired clergy aged 65 and older with at least 30 years of credited service (or 86 individuals) have inadequate income in 2002 (see exhibit 10). Almost all of them are married. The situation is worse among the surviving spouses of clergy who served the church for at least 30 years. Among these women aged 65 and older, 11.6 percent have incomes in 2002 that fall below the amount needed to sustain a middle-class lifestyle in retirement.

The problem of insufficient income among the long-serving retired clergy is concentrated at

EXHIBIT 9: Average Consumption Needs and Income by Marital Status, 2002 (Ages 65+ with College Education)

	Married Couples	Single Adults
Components of Consumption Needs		
Housing	$11,981	$9,456
Food	5,928	3,359
Health Care	4,680	2,340
Transportation	3,931	2,530
Apparel	1,223	835
Other	5,168	2,470
Total	$32,911	$20,990

	Married Retired Clergy	Single Retired Clergy	Surviving Spouses
Average Family Income (30+ Years of Service)			
Church Pension	$31,246	$27,919	$15,113
Social Security	20,316	12,839	10,940
Subtotal	$51,562	$40,758	$26,053
Other Income	8,812	2,349	1,419
Total	$60,374	$43,107	$27,472

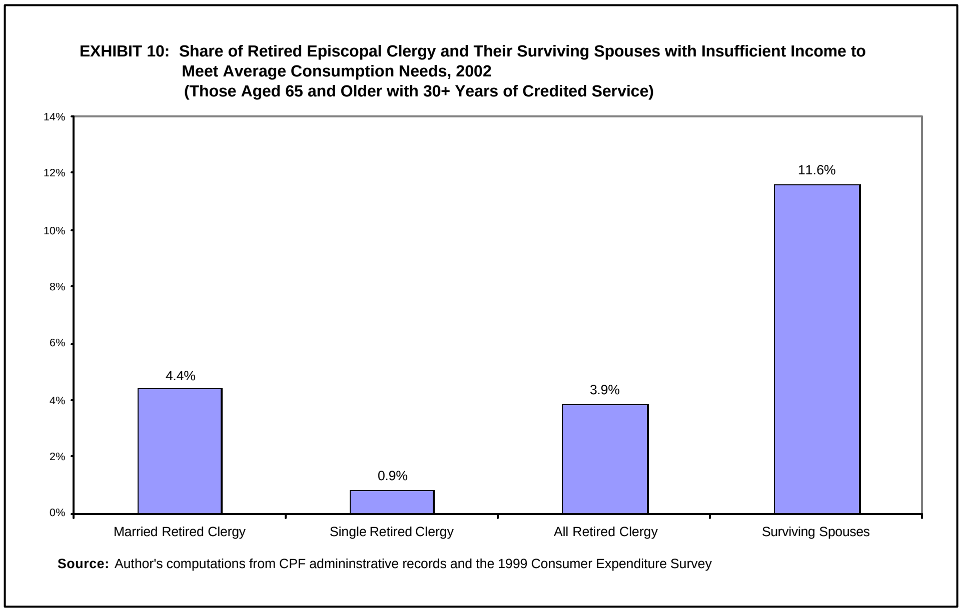
Source: Author's computations from the 1999 Consumer Expenditure Survey, 2001 Current Population Survey, and CPF administrative data.

Note: Estimates are restricted to those aged 65 and older with four or more years of college. Average health care expenditures are based on the medical expenses of church pension recipients who do not receive assistance with Medicare Part B (from Hewitt Associates analysis). Average income is the mean amount between the 45^{th} and 55^{th} percentiles of the distribution.

ages 85 and older, because the oldest retirees generally earned less income than younger retirees. Despite generous cost-of-living adjustments pension income is lower among those who retired many years ago because benefits are tied to pre-retirement earnings, which increase over time. For the same reason, Social Security benefits are lower at older ages. In addition, the oldest old are less likely to receive other sources of income, such as earnings from post-retirement employment. As a result, among married retired clergy with 30 or more years of credited service, almost 16 percent of those aged 85 and older have inadequate income in 2002, compared with only 2 percent of those aged 65 to 74 (see exhibit 11).

Conclusions

Our analysis suggests that most retired clergy and their surviving spouses who spent much of their working lives serving the church can afford a comfortable retirement. The average pension received by retired clergy with 30 years or more of credited service exceeds the typical pension received by older college-educated men with pension benefits. And average total family income, according to our estimates, is almost as high for these long-serving retired clergy members as for college-educated male pension recipients in the general population, who are much better off than many Americans. With this level of income, most retired clergy can easily sustain a comfortable middle-class lifestyle in retirement.



Incomes for the surviving spouses of long-serving clergy are quite a bit lower, on average, than those received by the clergy themselves, but most widows appear to have adequate resources to live reasonably well, according to our estimates. Because the Church Pension Fund provides generous survivor benefits, widows of retired clergy fare much better than older widows in the general population.

Despite the generally good news in this report, however, the analysis suggests that some retired clergy and their surviving spouses lack

EXHIBIT 11: Average Income for Retired Episcopal Cle rgy and Surviving Spouses, and Share with Insufficient Income to Meet Consumption Needs, by Age, 2002 (Those Aged 65+ with 30+ Years of Credited Service)

	No. of Cases	Average Pension	Average Total Income	Percentage with Inadequate Income
Married Retired Clergy				
Ages 65 – 74	903	$33,477	$65,705	2.3%
Ages 75 – 84	742	29,167	56,632	3.4
Ages 85+	234	25,275	48,289	15.8
Single Retired Clergy				
Ages 65 – 74	167	30,604	49,189	1.2
Ages 75 – 84	128	25,398	39,685	0.0
Ages 85+	56	20,077	33,305	1.8
Surviving Spouses				
Ages 65 – 74	292	14,916	29,686	9.6
Ages 75 – 84	474	14,946	27,764	9.7
Ages 85+	431	14,521	26,003	15.1

Source: Author's computations from CPF administrative records and the 1999 Consumer Expenditure Survey.

Note: Average income is the mean amount between the 45th and 55th percentiles of the distribution. The analysis includes clergy who retired before age 65.

sufficient income to live comfortably at older ages, after devoting most of their working lives to the church. We estimate that about 4 percent of retired clergy with at least 30 years of credited service and almost 12 percent of their surviving spouses receive incomes that fall below the minimal level needed to pursue a middle-class lifestyle. Targeting additional resources to this group by improving benefits for the oldest retired clergy and their surviving spouses could significantly improve their financial security.

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Endnotes

[1] An important drawback of traditional defined benefit plans, however, is that they are not well suited to workers who change jobs frequently. Because defined benefit pensions depend on years of service and final salary, they tend to provide generous benefits to workers who spend most of their careers with one employer, an increasingly rare occurrence among today's highly mobile workforce. Traditional plans provide only limited pension benefits to job changers. Defined contribution plans are better designed for short-term workers, because they can take their retirement accounts with them when they leave. Cash balance pension plans, a special type of defined benefit plan that includes features of defined contribution plans, also provide more portable benefits than traditional plans and are growing rapidly.

[2] However, many retired clergy who follow the typical employment pattern of ending their careers with the church and working elsewhere at younger ages will receive only limited outside pension income, even if they spend as few as 10 years serving the church. Because traditional pension plans tie benefits to final earnings, employment at young ages, when salaries tend to be low, does not usually lead to sizable pension benefits. Participation in 401(k) plans at younger ages could generate substantial pension wealth, but these plans did not exist before the 1980s. As a result, most clerics retired now do not receive substantial pension income from other sources.

[3] Relatively high mortality rates for low-income men also contribute to high poverty rates for widows. Because men with low incomes tend to die at younger ages than those with higher incomes, a disproportionate number of widowed women were married to men with limited pension and Social Security benefits and little savings. For many, then, poverty in widowhood is an extension of the low incomes they received while married.

[4] When computing consumption needs, we estimate housing costs separately for owners and renters. Although homeowners do not face higher housing prices than renters, they often spend more on housing, because they tend to have higher incomes and purchase more housing services. We account for this by computing average costs for owners and renters only for those whose housing costs fall within the 45th and 55th percentiles of the distribution of housing costs for owners and renters combined. We then assume that the retired clergy are just as likely to own their homes as older college-educated adults in the general population.

[5] The estimates of total income presented here for the retired clergy and their surviving spouses differ somewhat from earlier Urban Institute estimates reported in the May 2002 Stewardship of Abundance newsletter. The differences arise from technical changes in the method of computing Social Security and other non-pension income.