



# Older Adults and Debt: Trends, Trade-offs, and Tools to Help



**D**ebt is a major obstacle to the financial well-being of older adults in the United States, particularly those who experience poor health or economic insecurity. Living on a fixed income can make it difficult to budget adequately to leave a cushion for emergencies. As such, unexpected costs—an unforeseen hospitalization, a vehicle requiring repair, or even emergency veterinary care for a sick pet—can plunge seniors into unmanageable debt.

## Sources of debt

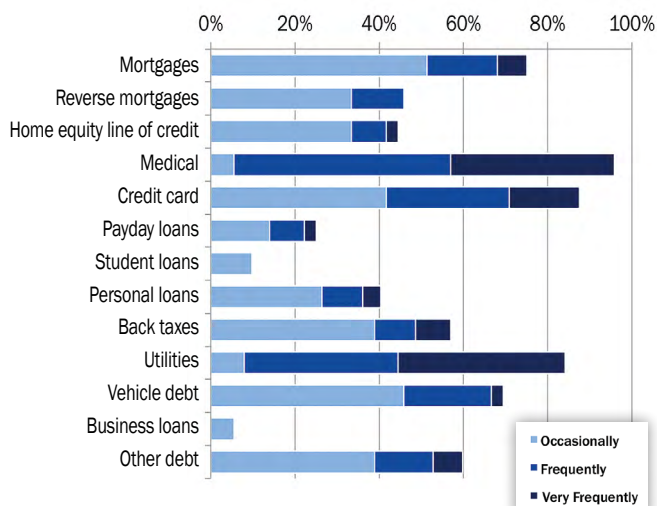
In May 2015, the National Council on Aging (NCOA) surveyed aging network professionals on their clients' debt, and how it impacts these clients' economic

security. These professionals represented a cross-section of state and community organizations that serve older adults, including senior centers, State Health Insurance Assistance Programs, Area Agencies on Aging, and housing counseling agencies, among others. Seventy-two professionals responded to the survey.

The survey respondents indicated that they most frequently encounter clients with significant or unmanageable medical, credit card, mortgage, and utility debt or missed payments (Figure 1). Over half indicated that medical debt was the most significant barrier to the economic well-being of seniors, while nearly 20% said that missed utility payments were the biggest problem.

## Figure 1

**Frequency that professionals encounter clients with debt that they feel is unmanageable or significantly impacts their clients' financial security, by type of debt**



Source: NCOA Survey, Spring 2015 (n=72)

### Debt in perspective

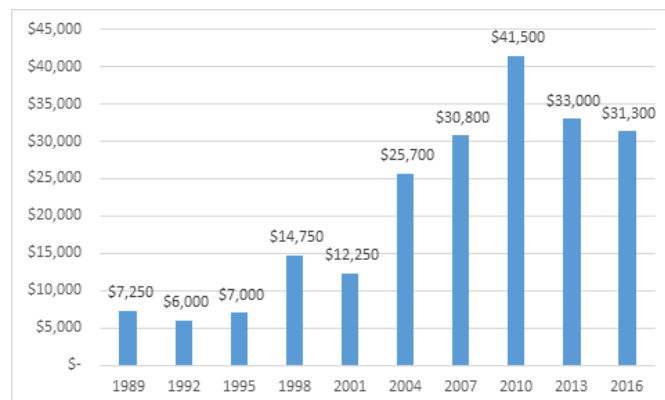
Household borrowing in the United States has increased exponentially in the past few decades, while real compensation has remained stagnant. Senior households have been far from immune to this alarming trend.<sup>1</sup> According to the Survey of Consumer Finances—a cross-sectional survey of U.S. families conducted by the Federal Reserve Board—the percentage of households headed by an adult age 65 or over with any debt increased from 41.5% in 1992 to 51.9% in 2010 to 60% in 2016. The oldest households headed by an adult aged 75 or over saw the greatest increases in the share of households with debt (29.2% in 2001 to 49.8% in 2016).

Among older adult households with debt, the survey found that:

- Median total debt increased from \$7,250 in 1989 (in 2016 dollars) to \$25,700 in 2004, peaking at \$41,500 in 2010, and decreasing to \$33,000 in 2013 and \$31,300 in 2016 (Figure 2).

## Figure 2

**Total median debt for senior (65+) households 1989 - 2016**



Source: Survey of Consumer Finances 1989–2016

- In 2016, about 1 in 33 senior households (or nearly 3%) had a negative net worth.

Revolving consumer debt burdens also have risen considerably in the past 10–15 years. In 2001, only 24.2% of senior households held credit card balances. By 2016, 34.2% did. At the same time, the median balance held by these households increased from \$1,150 to \$2,300 (2016 dollars).

## Housing Payments

In 2016, according to the U.S. Census American Community Survey, 22.1% of senior households were renters, for whom the median rent was \$814.<sup>2</sup> The remaining seniors owned their homes either free and clear or with a mortgage.

According to the Survey of Consumer Finances, 29.2% of senior households owed money on a mortgage, home equity line of credit, or both. Of these, the median money owed was \$68,500 in 2016.

In 2016, 1.6% of senior households reported taking payday loans. Numerous studies have found that payday loans are often used by families with very low incomes and can trap families in circles of debt with exorbitant fees.<sup>3</sup> Though households headed by adults younger than age 60 have payday loan rates three times higher than older adult-headed households, the data reveal a growing and disturbing trend in predatory lending practices to older adults.

Rates of delinquency on debt payments are high. In 2016, 5.9% of older adult households missed a payment, and 2.4% (40.5% of all who missed a payment) were more than 60 days late at least once.

### Making trade-offs to manage debt

In order to make ends meet when dealing with debt, seniors often make trade-offs that may save money in the short term but can also be harmful to their health or finances. In its survey of aging network professionals, NCOA asked whether these professionals encounter older adults who make certain kinds of trade-offs to manage their debt. In their regular (more than once per month) encounters with older clients:

- 23.4% regularly encounter seniors forgoing needed home or vehicle repairs
- 14.9% regularly encounter seniors cutting pills
- 14.9% regularly encounter seniors avoiding social engagements
- 14.5% regularly encounter seniors skipping medical appointments
- 14.5% regularly encounter seniors missing rent or mortgage payments
- 13.7% regularly encounter seniors skipping meals

In the long term, resorting to these trade-offs is likely to have a harmful effect upon seniors' physical and financial well-being. For instance, time-release pills are no longer effective after they are split, and for some medications, small deviations in dosage can have serious consequences.<sup>4</sup>

Skipping meals can lead to nutrient deficiencies and may lower the efficacy of medications.<sup>5</sup>

Forgoing needed repairs to homes or vehicles may increase the risk of accidents or falls—the leading cause of fatal and non-fatal injuries among seniors<sup>6</sup>—and missing rent or mortgage payments may lead to eviction or foreclosure and homelessness.

### Tools to help older adults with debt

People whose financial circumstances lead them to make these kinds of debilitating trade-offs may not be aware of the wide range of tools available to assist them.

NCOA's **EconomicCheckUp**<sup>®</sup> is a free online service to help older adults improve their economic security. The site helps older adults reduce debt, find work, cut spending, and learn about using their home equity. Learn more at [EconomicCheckUp.org](http://EconomicCheckUp.org).

Numerous public and private benefits programs can help low-income older adults pay for health care, housing, food, transportation, and other expenses, thereby freeing up income that can be used to pay down debt. Among the most common public benefits available to this population are the Medicare Savings Programs, Part D Low Income Subsidy (Extra Help), Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and Low Income Home Energy Assistance Program (LIHEAP). These programs remain undersubscribed by older adults, and yet collectively are estimated to offer savings worth more than \$12,000 (in 2016), an amount that would double the income of a person living at the federal poverty level.

Other federal, state, and local benefits are available, including those run by pharmaceutical companies, transportation authorities, and energy companies. NCOA's **BenefitsCheckUp**<sup>®</sup> is the nation's most comprehensive free, online service to screen seniors with limited income for benefits. It includes more than 2,500 public and private benefits programs from all 50 states and the District of Columbia. Learn more at [BenefitsCheckUp.org](http://BenefitsCheckUp.org).



A critical element of managing one's financial life is learning how not to be the victim of financial exploitation. As part of its comprehensive economic casework with older adults, NCOA has developed tips on how to avoid scams and fraud, and what to do if you or someone you know suspects they have been a victim of financial abuse. Professionals working with older adults can use the **Savvy Saving Seniors®** educational program to help older adults learn how to budget, avoid scams, apply for benefits, and manage prepaid debit cards, so they can stay secure and independent. Learn more at [ncoa.org/SavvySeniors](http://ncoa.org/SavvySeniors).

For those older adults who want or need to remain in the workforce, finding a new job may be challenging, especially if they have been out of the labor force. The **Senior Community Service Employment Program (SCSEP)**, funded through the U.S. Department of Labor, can help provide some extra income to build

assets and pay off debts. SCSEP matches low-income older adults aged 55+ with job training, employment search services, and on-the-job experience working in community service organizations; for most, it leads to permanent employment. Learn more at [ncoa.org/SCSEP](http://ncoa.org/SCSEP).

Debt counseling, pro bono legal services, and other forms of financial assistance may be available to older adults in your area. Find out more about these resources by contacting your local Area Agency on Aging or Aging and Disability Resource Center. The **Eldercare Locator** ([www.eldercare.gov](http://www.eldercare.gov)) is a free tool from the United States Administration for Community Living which provides contact information for these services based on geographical location.



## Endnotes

- <sup>1</sup> Federal Reserve Board. "2016 Survey of Consumer Finances." Accessed April 2018. <http://www.federalreserve.gov/econres/scfindex.htm>
- <sup>2</sup> United States Census Bureau. "American FactFinder." Accessed July 2015. <http://factfinder.census.gov/>
- <sup>3</sup> See, for example, Federal Deposit Insurance Commission. "2011 FDIC National Survey of Unbanked and Underbanked Households." FDIC, September 2012 and National Consumer Law Center. "Payday Lender, Prepaid Cards: Overdraft and Junk Fees Hit Cash-Strapped Families Coming and Going." NCLC, July 2015.
- <sup>4</sup> Verrue, C. et al. "Tablet-splitting: a common yet not so innocent practice." *Journal of Advanced Nursing* 67:1 (January 2011), 26-32.
- <sup>5</sup> Ziliak, J. and Gundersen, C. "The Health Consequences of Senior Hunger in the United States: Evidence from the 1999-2010 NHANES." National Foundation to End Senior Hunger, February 2014.
- <sup>6</sup> National Council on Aging. "Falls Prevention Facts." Accessed July 2015. <https://www.ncoa.org/news/resources-for-reporters/get-the-facts/falls-prevention-facts/>