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NOTES

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Executive Summary:

Debt of the Elderly and Near Elderly, 1992–2004

- ***Elderly debt levels rising***—Families near or in retirement are getting more in debt:
  - The *percentage* of American families with heads age 55 or older that had debt increased from 1992–2004, reaching 61 percent, almost 5 percentage points higher than in 2001.
  - The *average total debt* level also rose, from $29,309 in 1992 to $51,791 in 2004. The *median debt* level (half above, half below) of those with debt rose from $14,498 to $32,000. This represented a real increase in average and median debt levels of about 77 and 121 percent, respectively, from 1992.
- ***Oldest elderly incurred sharply higher debt***—Families with a head age 75 or older with debt increased substantially in 2004, to 40.3 percent from 29.0 percent in 2001. The increase in the 75 or older group accounted for most of the overall increase in incidence of debt among families with a head age 55 or older.
  - The *average debt* with a family head age 75 or older rose to $20,234 in 2004 from $7,769 in 1992, up 160 percent.
  - The *median debt* (half above, half below) rose to $14,800 in 2004 from $4,218 in 1992, up more than 250 percent.
- ***Housing debt a big factor***—Families with a head age 55 or older with housing debt increased steadily, from 24 percent in 1992 to 36 percent in 2004. This was due mainly to homeowners refinancing their mortgages, cashing out equity in their home, or facing rapidly increasing home values during 2001–2004 when buying a home. The largest increases in debt were among families with the oldest (age 75 or older) heads, but this group's growth in debt was from both housing and non-housing debt.
- ***Debt growing fastest among the poor***—Debt increases with a family's income, although debt is growing fastest among lower-income families. In 2004, 47 percent of families in the lowest income quartile were in debt, compared with 75 percent of those in the top income quartile. Families in the lowest income quartiles had the largest percentage point increases in debt from 2001 to 2004 (from 38 percent to 47 percent).
- ***Implications***—The changing nature and level of family debt has obvious implications for the future retirement security of many Americans, chiefly that more families have at risk their most important asset—their home.

Debt of the Elderly and Near Elderly, 1992–2004

by Craig Copeland, EBRI

Introduction

When predicting the future income security of retirees, researchers typically focus on measures concerned with retirees' accumulated financial assets, particularly within tax-qualified retirement plans (e.g., 401(k) plans and individual retirement accounts (IRAs)), and coverage by supplemental health insurance to Medicare provided through a former employer. However, any debt that a near-elderly or elderly family has accrued going into retirement or during retirement is likely to offset its asset accumulations, resulting in a lower level of retirement income security.

As described in more detail below, debt levels of the elderly and near-elderly are heading up: Among elderly families—and especially among the oldest elderly—both housing debt and consumer debt levels are rising, for some cohorts to levels beyond the threshold considered perilous. Although rising debt levels are not necessarily a sign of danger for all elderly or near-elderly families (especially if they are also high-income), rising housing debt is of particular concern, since housing typically is the major asset elderly families have, and leveraging it at this point in their lives may leave them without a major resource to finance an adequate retirement. The increasing level of debt among the oldest families could be the first sign that the oldest Americans, in fact, are not able to maintain their standard of living, and are having to take on debt to do so, which will leave them in an even worse situation as they continue to age. The changing nature and level of family debt has obvious implications for the future retirement security of many Americans, chiefly that more families have at risk their most important asset—their home.

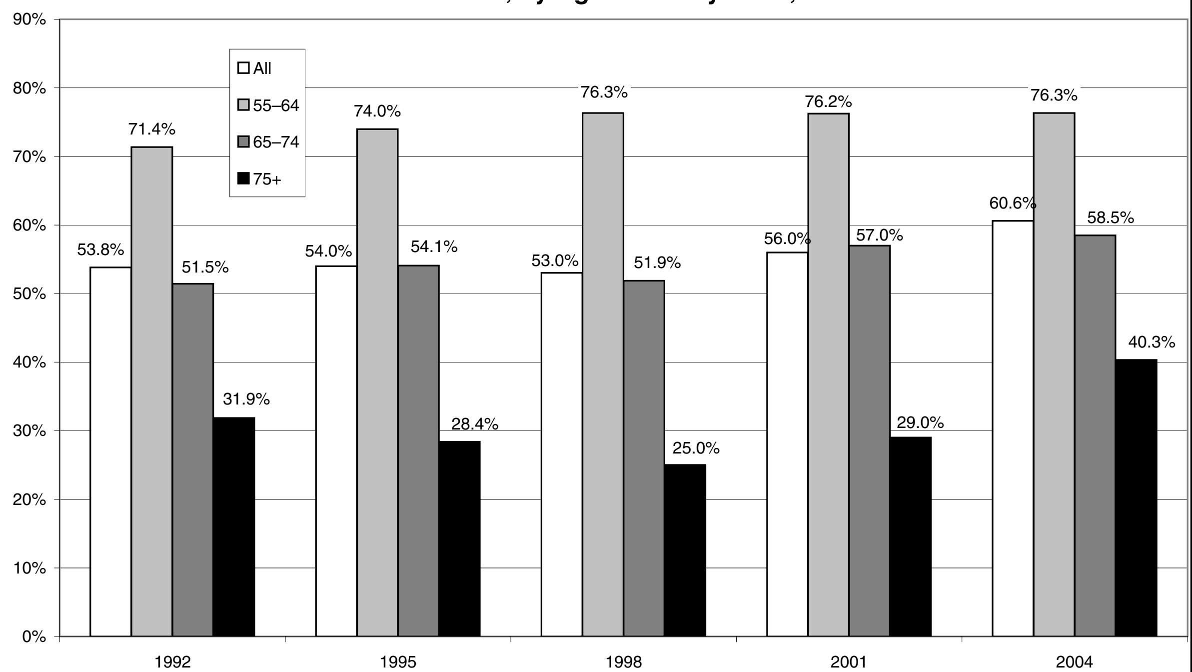
This article focuses on the trends in the levels of debt among those ages 55 or older, those who are approaching retirement or are in retirement, as financial liabilities are a vital but often ignored component of retirement income security.[1] The Federal Reserve's Survey of Consumer Finances (SCF) is used to determine the level of debt in this article.[2] Debt is examined in two ways: 1) debt payments relative to income, and 2) debt relative to assets.[3] Each measure provides some insight into the ability of these families to cover this debt before or during retirement. For example, higher debt-to-income ratios may be acceptable for younger families with long working careers ahead of them, since their incomes are likely to rise and their debt (related to housing or children) is likely to fall in the future. A higher debt-to-income ratio may be more serious for older families, as they could be forced to reduce their accumulated assets to service the debt when their earning years are ending. However, if these high debt-to-income older families have low debt-to-asset ratios, the effect of paying off the debts may not be as financially difficult as it would be for those with high debt-to-income and debt-to-asset ratios.

Percentage With Debt

More older families in America are incurring debt, and debt levels are growing significantly among the oldest families. The percentage of American families with a head age 55 or older who have some level of debt was 60.6 percent in 2004 (Figure 1), almost 5 percentage points higher than the 2001 level of 56.0 percent and up nearly 7 percentage points from the 1992 level of 53.8 percent. Overall, the incidence of debt decreases significantly as the family head ages; i.e., in 2004, 76.3 percent of families with heads ages 55–64 held debt, compared with 40.3 percent of those with heads ages 75 or older. However, the percentage of those families with a head age 75 or older with debt increased substantially in 2004 (40.3 percent) from the 29.0 percent level recorded in 2001. The increase in this age group (75 or older) accounted for most of the overall increase in the incidence of debt among families with a head age 55 or older.

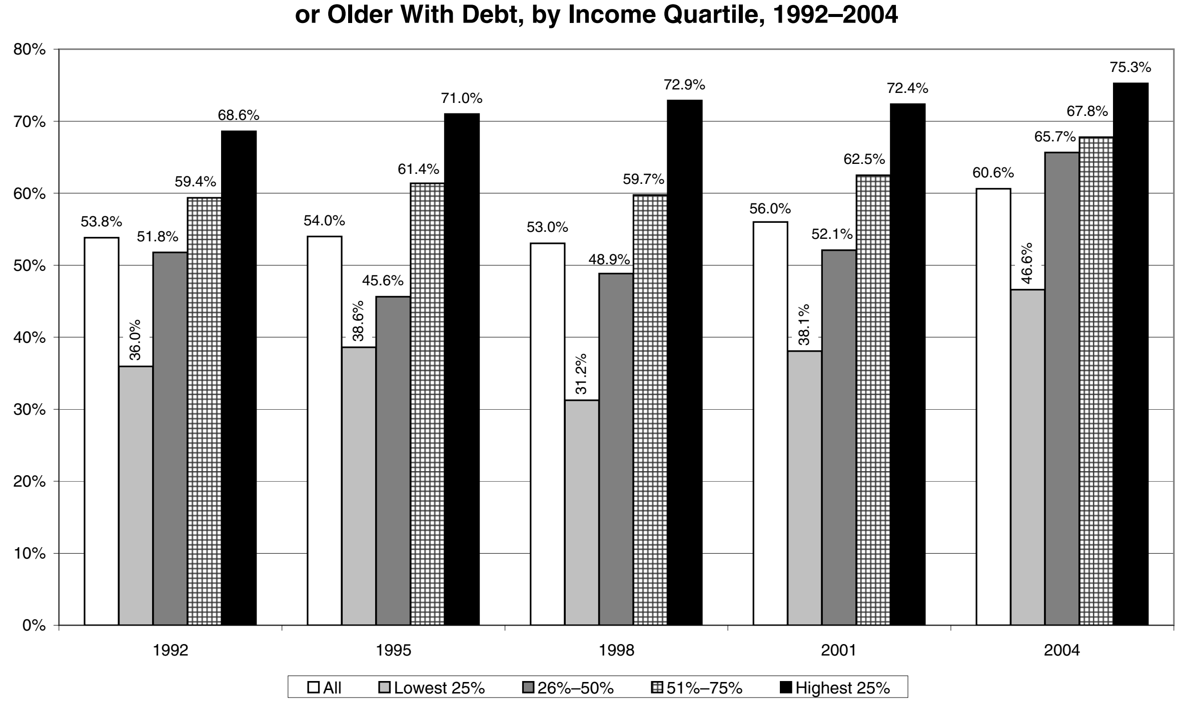
The presence of debt also increases with the family's income, although debt is growing fastest among lower income families. In 2004, 46.6 percent of families in the lowest income quartile had debt, compared with 75.3 percent of those in the top income quartiles (Figure 2). Families in the lowest income quartiles had the largest percentage point increases in the incidence of debt from 2001 to 2004. Prior to the increases in 2004 for families with the lowest income quartiles, the relative percentages with debt across income quartiles had been stable from 1992 to 2001. This was also the case across age categories until the relatively large increase in the incidence of debt occurred for families with a head age 75 or older in 2004.

Figure 1
Percentage of American Families With Head Age 55 or Older With Debt, by Age of Family Head, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 2
Percentage of American Families With Head Age 55 or Older With Debt, by Income Quartile, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 3
Average Total Debt and Median Total Debt for Those With Debt For Families With Head Age 55 or Older, by Various Characteristics, 1992–2004

Category	1992		1995		1998		2001		2004	
	Average	Median With Debt	Average	Median With Debt	Average	Median With Debt	Average	Median With Debt	Average	Median With Debt
All	$29,309	$14,498	$31,010	$13,542	$40,234	$25,760	$41,294	$24,497	$51,791	$32,000
Age of Family Head										
55–64	50,944	26,360	56,789	25,915	71,839	40,691	69,405	37,279	84,477	47,000
65–74	22,289	6,590	25,024	9,356	32,420	13,912	37,187	13,953	36,508	25,000
75 or older	7,769	4,218	5,515	2,339	9,058	9,367	9,549	5,326	20,234	14,800
Race of Family Head										
White, nonHispanic	29,378	15,816	32,831	15,389	41,383	27,128	41,698	23,219	55,328	34,000
Other	29,000	7,842	21,960	10,834	33,899	17,969	39,188	26,628	37,573	27,000
Family Income (2004 $)										
Less than $10,000	4,573	1,582	3,912	2,462	4,921	4,173	3,030	1,576	13,767	2,500
$10,000–$24,999	7,747	4,297	9,632	5,909	12,807	5,101	11,968	8,201	13,204	9,900
$25,000–$49,999	20,023	14,498	21,827	16,127	26,934	28,983	21,449	14,879	32,535	25,700
$50,000–$99,999	33,951	31,632	38,243	19,882	49,953	40,807	46,519	37,705	59,285	48,450
$100,000 or more	167,526	98,850	161,386	84,946	179,295	98,830	163,723	127,812	173,708	163,500
Family Status										
Married	44,010	21,905	46,098	22,160	57,814	35,243	56,332	29,823	77,131	45,000
Single male	26,729	13,444	30,680	6,168	44,510	35,938	35,781	27,693	36,638	30,000
Single female	10,038	4,494	9,600	5,786	14,753	10,086	16,405	9,586	20,317	12,500
Education of Family Head										
Below HS diploma	11,314	5,470	12,513	9,356	10,393	9,390	11,977	9,181	12,385	10,000
HS diploma	18,479	9,819	24,829	13,407	22,528	22,027	20,758	17,052	23,583	20,000
Some college	31,888	20,337	34,337	12,311	44,030	35,243	38,019	22,367	65,546	38,350
College degree	67,599	39,540	65,665	30,778	87,461	48,969	89,305	63,906	95,014	82,000
Net Worth Percentile[a]										
Lowest 25%	5,860	3,097	9,252	5,232	13,300	7,420	15,228	6,902	16,649	10,470
25%–49%	11,775	8,448	19,145	13,419	28,459	23,882	19,225	15,838	35,735	27,520
50%–75%	20,023	19,994	18,135	15,758	22,452	28,983	33,817	37,172	43,975	40,000
75%–90%	33,838	36,377	29,878	20,929	37,460	42,894	46,597	32,986	68,395	60,000
Top 10%	148,263	53,511	148,999	113,261	185,480	97,381	172,323	127,812	166,090	163,000
Working Status of Family head										
Works for someone else	42,435	23,539	43,953	17,605	59,768	38,257	57,469	34,445	77,231	47,900
Self-employed	127,241	52,852	132,984	51,706	123,582	37,098	123,100	64,971	122,972	71,000
Retired	13,455	7,908	13,743	7,510	18,424	11,709	17,225	10,651	23,849	17,000
Other nonwork	9,525	1,977	18,315	4,924	26,855	17,390	18,122	5,326	87,856	12,900

Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.
[a] Net worth percentiles are for the families with a head age 55 or older, not for all families.
Note: All amounts are in 2004 dollars.

Debt Levels

As the percentage of families with a head age 55 or older with any debt increased from 1992 to 2004, the *average total debt* level also increased from $29,309 (2004 dollars) in 1992 to $51,791 in 2004; the *median debt level* (half above, half below) of those with debt increased from $14,498 to $32,000 (Figure 3). This was a real increase in the average and median debt levels by 76.7 percent and 120.7 percent, respectively, from 1992.[4] However, the debt levels were significantly different across various family characteristics. Families with younger heads, higher income, more educated heads, and higher net worth had significantly higher average and median debt levels. Furthermore, families with working or white family heads and married families also had significantly higher average levels of debt. For example, in 2004, among those with debt, families with a head age 55–64 had a median debt of $47,000, compared with $14,800 for those headed by someone age 75 or older.

While the substantial increases in debt levels from 1992 to 2004 can be construed as a negative result for these families, debt levels do not tell the full story of their financial well-being. If income and assets grew at a pace faster than these debt levels, these families would actually be in a better financial position despite the increased debt levels.[5] The next two sections of this article examine these debt levels relative to income and assets:

- For income, the amount of debt service is examined by using required debt payments relative to *family income.*
- In contrast, for assets, outstanding debt is measured relative to *total assets.*

Debt Payments

The first measure of the near elderly's and elderly's indebtedness is the percentage of family income that debt payments represent. From 1992 to 2004, debt payments were approximately 9 percent of family income, ranging from a low of 8.5 percent in 1995 to a high of 10.3 percent in 2004 (Figure 4). This debt payment percentage decreased significantly with the age of the family head, going from 11.6 percent for families with heads ages 55–64 in 2004 to 7.7 percent for those age 75 or older. While the percent of income that debt payments represented for those families with a head age 55–74 only increased slightly, the percentage of debt payments doubled from 2001 to 2004 for families with a head age 75 or older.

Across the three lowest income quartiles of these families, the percentage of income that debt payments represented was essentially the same at about 13.5 percent in 2004 and at the highest levels for these groups over the period studied (Figure 5). There was a significant drop off in this percentage for those with the highest incomes, at 8.4 percent. For families in each of the income quartiles, debt payments grew as a percentage of income from 2001 to 2004, with those in the first and third quartiles having the largest percentage point increases.

While the percentage of income that debt payments accounted for was relatively similar over the study period (except for the large increase for the families with the oldest heads in 2004), the *composition* of these debt payments between housing and nonhousing shifted. Housing debt payments grew in relative magnitude versus nonhousing debt payments after 1992, increasing from 56.5 percent of debt payments in 1992 to 62.5 percent in 2001 and to 65.0 percent in 2004 (calculated from Figure 6). For families with a head age 55–64, a noticeable growth in the percentage of income that housing debt payments represent occurred in 2004, when it rose to 70 percent from 65 percent in 2001. For families with a head age 75 or older, the percentage of nonhousing debt payments increased relative to housing debt in 2004, despite the significant increase in housing debt payments that occurred as well.

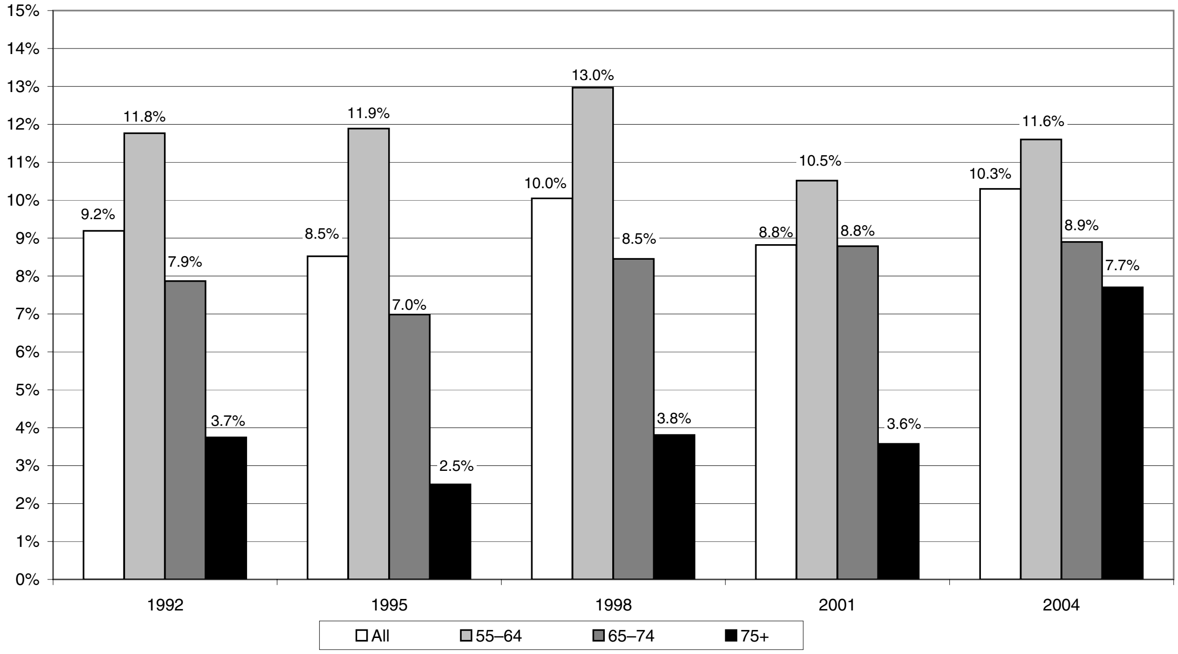
Looking at the *average debt payment* as a percentage of income does not tell how many people are in a difficult situation with debt, since the average can mask the distribution of the debt percentages. A threshold level commonly used for determining whether a family has a problem with debt is when debt payments exceed 40 percent *of income*. The proportion of families surpassing this threshold was virtually unchanged at 7.3 percent in 2004, from the 7.2 percent level in 2001 (Figure 7). However, the change from 2001 to 2004 was significantly different across age groups, as a smaller percentage of families with a head age 55–64 had a debt level above the 40 percent threshold: 7.9 percent in 2004, down from 9.4 percent in 2001. In contrast, families with heads age 75 or older had a significant increase in this percentage, reaching 5.9 percent in 2004 from 4.1 percent in 2001.

The percentage of families with debt payments above 40 percent of income decreases as income increases. Among families with the lowest incomes, 10.2 percent had debt payments more than 40 percent of their income in 2004, compared with 2.1 percent of those with the highest incomes (Figure 8). The percentage of families with high debt-to-income payments in 2004 increased only among those with the lowest incomes, while the percentage decreased among the three higher-income groups.

Consequently, while overall *debt levels, percentage with debt, and debt payments as a percentage of income* all increased from 1992 to 2004, the percentage of families facing substantial debt payments relative to *family income* (larger than 40 percent) moderated, only increasing for the families with oldest heads and with the lowest incomes. Furthermore, *housing* debt significantly increased across all age groups, making up almost 70 percent of all debt. Families with the oldest heads took on more housing debt, but also had substantial increases in nonhousing debt, becoming the only age group that had higher nonhousing debt payments than housing payments.

Figure 4

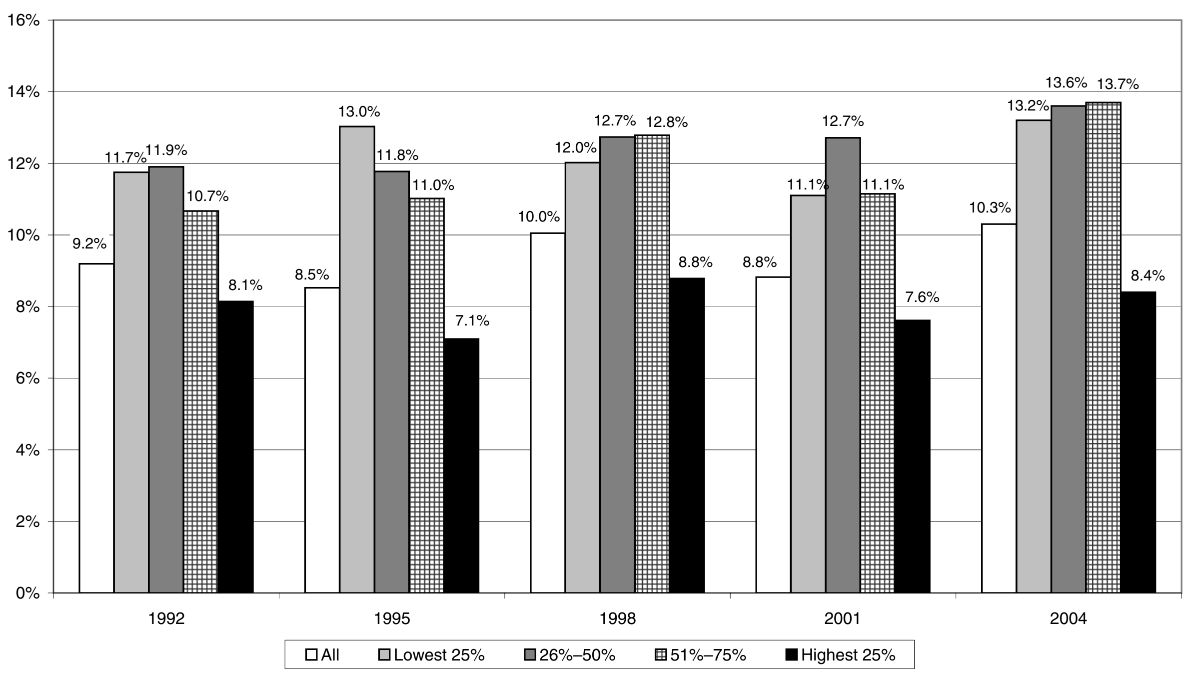
Total Debt Payments as Percentage of Income Among Families With Head Age 55 or Older, by Age of Family Head, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

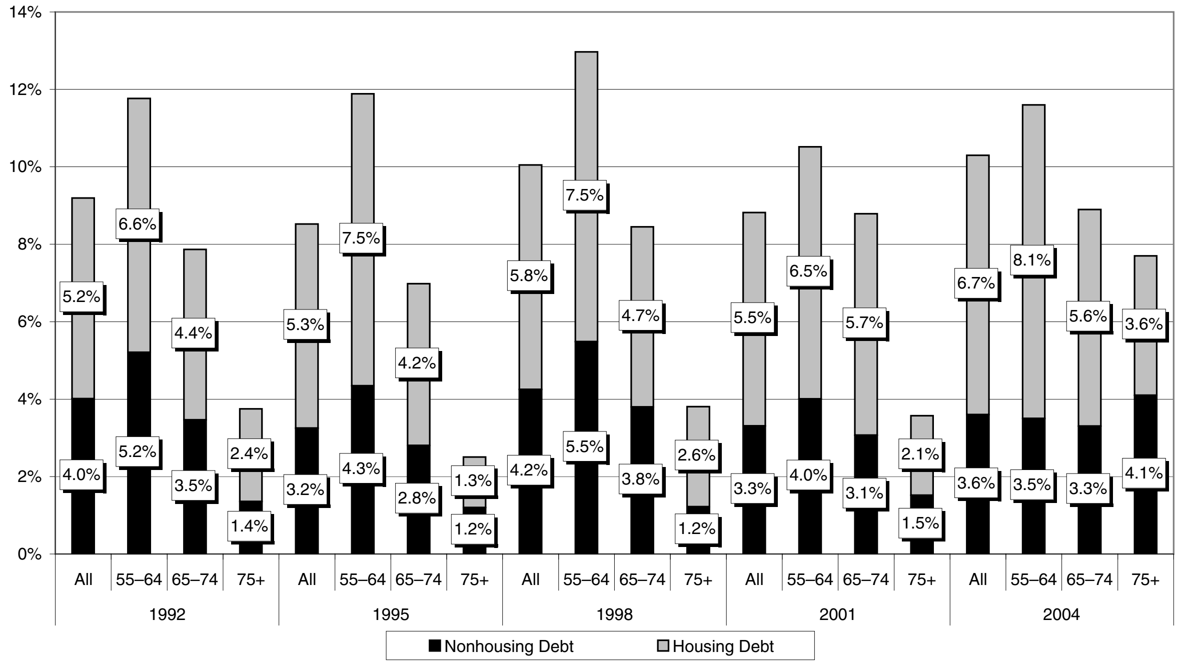
Figure 5

Total Debt Payments as a Percentage of Income for Families With Head Age 55 or Older, by Income Quartile, 1992–2004



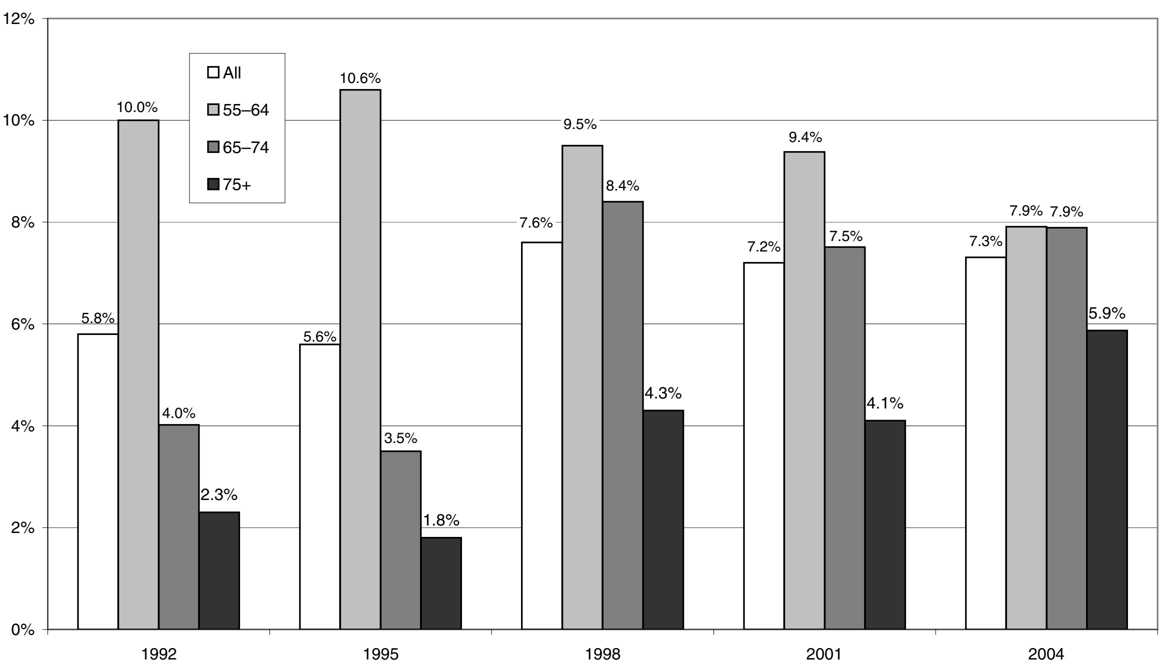
Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 6
Total Housing and Nonhousing Debt Payments as Percentage of Income Among Families With Head Age 55 or Older, by Age of Head, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 7
Percentage of American Families With Head Age 55 or Older Who Have Debt Payments of Greater Than 40 Percent of Income, by Age of Head, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Debt as a Percentage of Assets

Debt as a percentage of *total assets* for the near-elderly and elderly families was virtually unchanged at approximately 7.0 percent from 1992 to 1998, but decreased in 2001 to less than 6.0 percent, before increasing back near 7.0 percent (at 6.8 percent) in 2004. Almost all of this decrease from 1992 to 2001 appears to be a result of a lower percentage of nonhousing debt relative to assets (Figure 9). Nonhousing debt from 1992 to 1998 was in the 3 percent range of assets before falling to nearly 2 percent of assets in 2001, while housing debt remained around 3.5 percent of assets from 1992 to 2001. In 2004, housing debt increased sharply, from 3.5 percent in 2001 to 4.7 percent, accounting for all the increase in the debt-to-asset ratio that occurred from 2001 to 2004.

As with the debt level, the percentage of family assets that debt represents varies significantly across many characteristics of the families' heads (Figure 10). This percentage decreased significantly as both the family head's age and the family's net worth increased. In terms of the family head's age, in 2004, the debt-to-asset ratio decreased from 9.1 percent for those age 55–64 to 3.7 percent for those 75 or older.

The lowest net worth families stand out as having by far the highest debt-to-asset ratio, at 48.7 percent in 2004. Three other groups of families have high debt-to-asset levels relative to the rest of the families (but not anywhere near the lowest net worth families):

- The second net worth quartile of families.
- Families with a head in the "other nonwork" category.
- Families that do not have a white, nonHispanic head; i.e., minority families.

The overall debt-to-asset ratio increased to 6.8 percent in 2004 from 5.8 percent in 2001. The 2004 level is consistent with the years prior to 2001, when the level was near 7.0 percent. The median debt-to-asset ratio for those with debt also increased in 2004 to 14.2 percent from 12.1 percent in 2001. The families with older heads had particularly large increases, as the median ratio for families with heads age 75 or older increased from 4.7 in 2001 to 8.4 percent in 2004; for families with heads ages 65–74, the median debt-to-asset ratio increased from 9.3 percent to 13.6 percent.

Credit Card and Housing Debt

The percentage of families with a head age 55 or older with housing debt increased steadily, from 24 percent in 1992 to 36 percent in 2004, while the percentage with credit card debt held steady at around 31 percent, before the uptick to 34 percent in 2004 (Figure 11). The age group with the largest percentage point increase in credit card debt was those 75 or older. This age group also had a significant increase in the percentage with housing debt, going from 9 percent in 2001 to 19 percent in 2004. Families in the other age groups also had an increased likelihood of having housing debt, but the increase was at a much steadier rate going back to 1992.

Along with the increase of those with credit card debt, the median amount owed by those having this debt also increased to $2,000 in 2004 from $1,353 in 2001 (Figure 12). This increase was largest for those families with a head age 65–74, where the amount owed increased from $1,012 in 2001 to $2,200 in 2004. The median housing debt, among those having housing debt, also increased in 2004, reaching $60,000 from $53,255 in 2001 (Figure 13). The largest increase was for those families with heads age 55–64, going from $58,581 in 2001 to $83,000 in 2004—a 42 percent increase. While there was also an increase in the percentage of families with a head age 75 or older with housing debt, the median amount owed declined from $47,930 in 2001 to $30,000 in 2004.

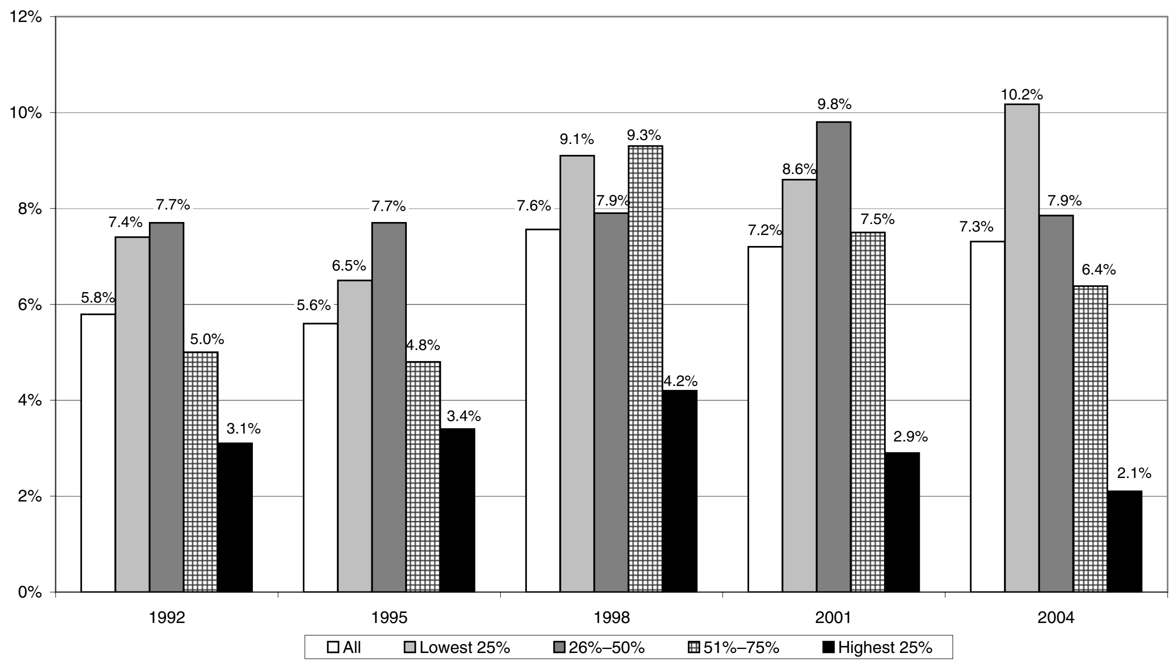
Conclusion

The percentage of American families with heads age 55 or older that have debt increased in 2004, surpassing 60 percent. Furthermore, the percentage of debt payments *relative to income* also increased for these families, while total debt *relative to assets* also increased, returning to its 1998 level after the decline in 2001.

The sharp increase in housing debt, due to many homeowners refinancing their mortgages, cashing out equity in their home, or facing rapidly increasing home values during 2001–2004 when buying a home, drove the higher debt burden for these Americans. The largest increases in debt were found for the families with the oldest (age 75 or older) heads, but their debt was not exclusively driven by housing debt, as they also had a significant increase in nonhousing debt, at a level that surpassed housing debt.

Figure 8

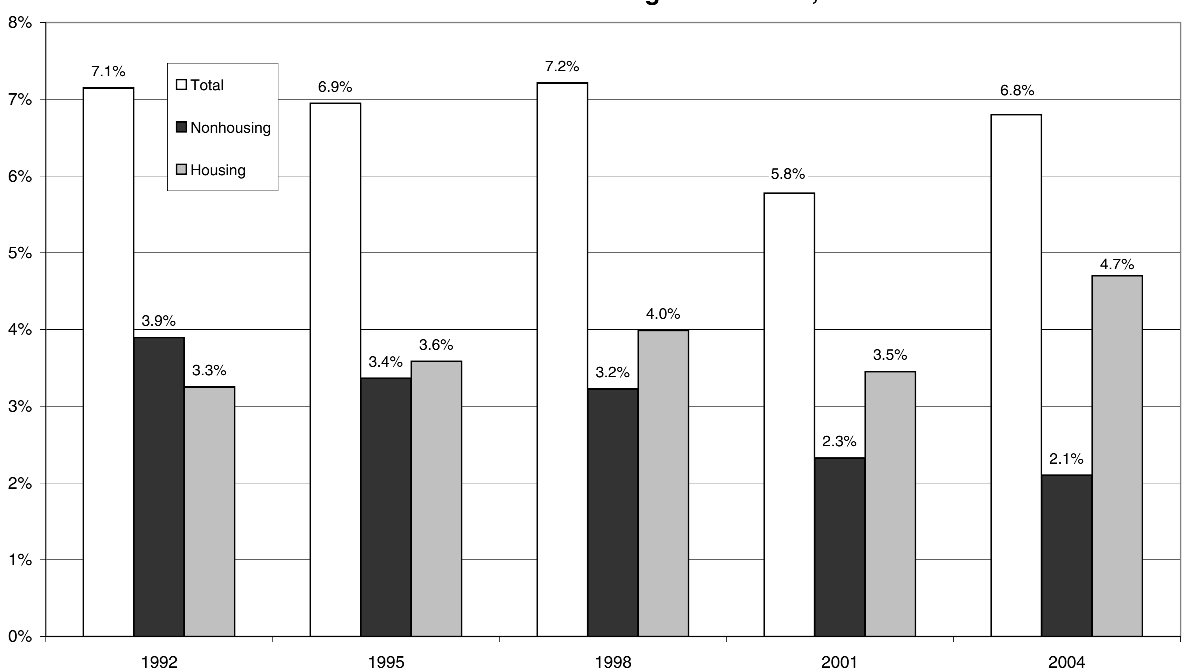
Percentage of American Families With Head Age 55 or Older With Debt Payments Greater Than 40 Percent of Income, by Income Quartile, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 9

Total, Nonhousing, and Housing Debt as a Percentage of Assets for American Families With Head Age 55 or Older, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 10

Total Debt as a Percentage of Assets, Percentage With Debt, and Median Total Debt-to-Asset Ratio for Those With Debt, for Families With Head Age 55 or Older, by Various Characteristics, 1992–2004

Category	1992			1995			1998			2001			2004		
	Debt as a Percent of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]
All	7.1%	53.8%	10.1%	6.9%	54.0%	11.5%	7.2%	53.0%	12.8%	5.8%	56.0%	12.1%	6.8%	60.6%	14.2%
Age of Family Head															
55–64	10.2	71.4	15.6	10.8	74.0	15.7	10.4	76.3	17.6	8.2	76.2	14.9	9.1	76.3	15.7
65–74	5.6	51.5	5.3	5.5	54.1	6.9	5.6	51.9	8.8	4.9	57.0	9.3	5.0	58.5	13.6
75 or older	2.6	31.9	5.2	1.7	28.4	2.6	2.4	25.0	5.5	1.9	29.0	4.7	3.7	40.3	8.4
Race of Family Head															
White, nonHispanic	6.4	51.6	9.1	6.5	51.6	10.2	6.7	51.7	12.1	5.2	55.0	10.4	6.2	60.3	13.1
Other	15.7	64.0	13.5	12.9	65.8	19.0	14.7	60.3	20.2	15.0	61.3	20.8	15.6	61.7	20.9
Family Income (2004 $)															
Less than $10,000	8.2	35.5	8.2	5.3	33.9	8.7	5.9	29.8	13.1	4.9	27.2	13.6	10.1	36.7	19.8
$10,000–$24,999	6.1	48.6	9.8	6.7	46.9	11.6	7.8	43.7	9.2	7.7	49.1	14.3	7.6	50.0	13.5
$25,000–$49,999	6.7	57.9	8.6	8.4	58.6	12.5	8.8	54.4	16.4	6.8	58.1	12.6	8.4	67.1	14.2
$50,000–$99,999	7.3	62.1	11.6	6.8	71.0	9.0	9.8	68.8	15.4	7.1	67.6	12.3	8.2	68.0	13.0
$100,000 or more	7.4	79.6	11.6	6.7	71.1	13.3	5.9	74.0	9.7	5.0	72.2	9.3	5.7	74.5	15.0
Family Status															
Married	7.4	62.8	10.5	7.4	62.5	12.3	7.2	62.6	12.5	5.5	63.7	10.8	6.9	68.7	13.3
Single male	7.8	43.6	12.9	6.9	46.3	11.5	8.2	46.8	17.5	6.8	54.9	17.5	6.1	53.3	14.9
Single female	5.5	45.1	7.5	4.9	44.4	8.2	6.6	42.0	13.1	6.4	42.4	11.1	7.0	51.7	16.2
Education of Family Head															
Below HS diploma	8.0	45.0	10.9	8.2	47.4	17.6	7.2	41.0	12.0	6.8	46.1	14.4	5.6	43.4	17.9
HS diploma	6.5	55.8	7.4	7.8	57.1	11.1	6.8	47.6	13.5	5.9	53.6	13.9	6.6	59.7	12.1
Some college	6.5	49.3	12.4	6.8	57.8	8.7	7.0	62.1	15.7	6.5	60.0	10.2	9.7	70.9	17.7
College degree	7.4	67.2	11.2	6.3	56.9	8.5	7.4	66.1	12.2	5.5	64.9	11.4	6.4	67.3	14.1
Net Worth Percentile[b]															
Lowest 25%	32.2	48.3	24.0	45.0	49.1	47.9	45.2	48.6	40.6	45.3	56.0	42.7	48.7	56.3	43.1
25%–49%	12.3	53.1	9.9	18.4	57.8	14.1	21.5	59.9	19.4	14.8	56.4	13.9	22.0	66.9	17.7
50%–75%	9.0	56.3	9.1	8.1	54.3	7.7	8.3	45.7	10.8	9.9	54.1	11.4	11.3	62.6	11.8
75%–90%	7.0	54.4	7.3	6.2	52.9	4.6	6.5	52.1	7.0	5.8	54.8	4.8	7.8	59.9	7.1
Top 10%	5.8	62.5	3.4	5.2	57.7	7.2	5.1	66.5	4.1	3.7	61.3	4.8	3.7	55.1	5.8
Working Status of Family Head															
Works for someone else	10.1	78.5	13.0	10.3	78.3	14.1	13.5	80.5	17.9	10.9	79.2	15.8	11.7	78.5	19.5
Self-employed	8.8	71.1	11.3	8.2	69.7	12.3	6.6	74.2	10.8	6.2	73.5	10.4	5.2	74.7	12.9
Retired	4.7	44.9	8.2	4.3	43.3	9.8	4.5	38.7	9.0	3.2	42.8	8.6	4.6	47.9	9.8
Other nonwork	5.0	35.4	5.3	8.0	49.0	11.0	9.9	37.7	16.5	4.0	22.7	4.0	19.8	79.7	14.1

Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

[a] This includes only those who have debt.

[b] Net worth percentiles are for the families with a head age 55 or older, not for all families.

The one positive finding is that the overall percentage of these families with debt payments greater than 40 percent of income has moderated; however, an increasing percentage of families with the oldest heads had high debt payments.

This changing nature and level of family debt has obvious and serious implications for the future retirement security of many Americans. The major implication is that more families have at risk what is typically their most important asset—their home. Consequently, older families that take on higher housing debt are likely to have difficulty avoiding a major lifestyle change in living arrangements for the remainder of their retirement, if they have to rely on their home as an asset.

As far as retirement preparedness is concerned, these results are troubling in that the American families with the oldest heads are taking on more debt during a period when they are least able to go back to work or have resources to draw on to pay down the debt. Furthermore, it does not appear that the older family age cohorts are able to pay down the debt as they continue to age, since the debt payments of the families with heads age 75 or older have similar debt payment-to-income ratios as those families with heads 65–74 had 10 years ago, whereas in the past this did not seem to be the case.

In other work by the Employee Benefit Research Institute,[6] it was shown that many workers would have to save significantly more than they currently are in order to increase their likelihood of being able to maintain the same standard of living throughout retirement. This increasing level of debt among the oldest families could be the first sign that the oldest Americans, in fact, are not able to maintain their standard of living, and are having to take on debt to do so, which will leave them in an even worse situation as they continue to age. Furthermore, those approaching retirement are not cutting back on debt, but instead are increasing the amount of debt that is backed by their primary residence. Consequently, they are placing themselves in a position where they could be forced to sell their home—something that current and past retirees, in general, have not had to do.

Endnotes

[1] See Craig Copeland, "Debt of the Elderly and Near Elderly, 1992–2001," EBRI Notes, no. 4 (Employee Benefit Research Institute, April 2004): 1–13 for a prior examination of debt among this age group.

[2] See Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence From the 2001 and 2004 Survey of Consumer Finances," *Federal Reserve Bulletin*, vol. 92 (February 2006): A1–A38. www.federalreserve.gov/pubs/oss/oss2/2004/bull0206.pdf (last reviewed June 2006) for more information on the Survey of Consumer Finances.

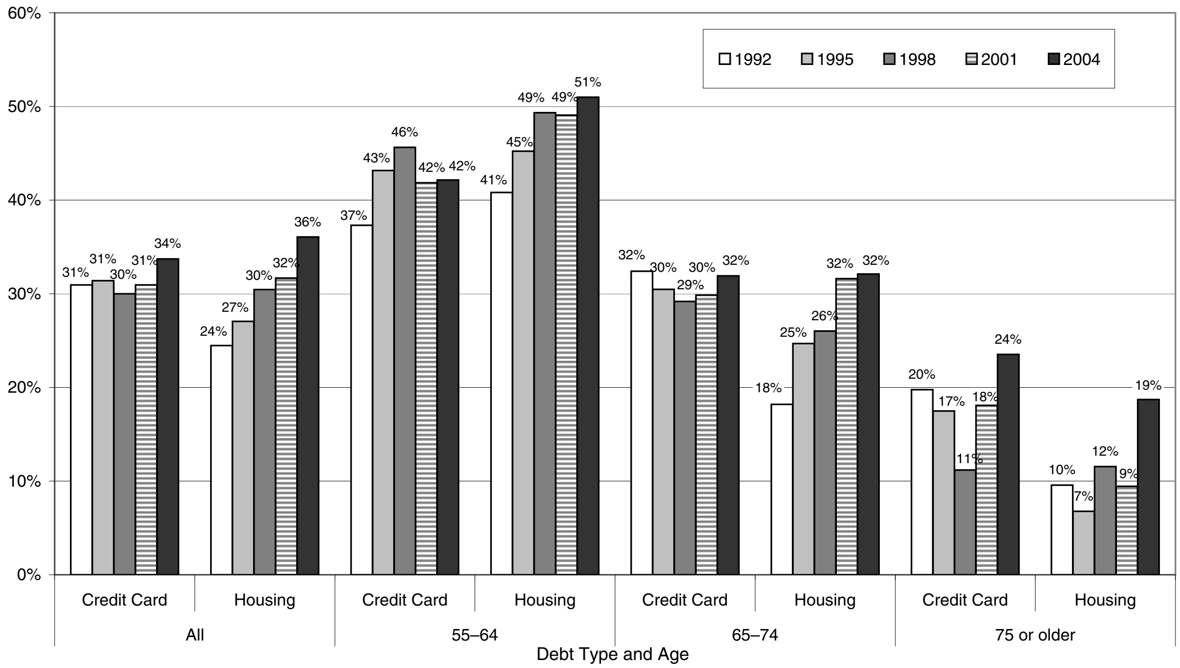
[3] AARP researchers used debt payments in an extensive study of those age 50 or older using the SCF through 1998. See John Gist and Carlos Figueiredo, "Deeper in Debt: Trends Among Midlife and Older Americans," *AARP Public Policy Institute Data Digest* (April 2002), www.aarp.org/research/credit-debt/debt/aresearch-import-339-DD70.html (last reviewed June 2006).

[4] All dollar amounts in this report are in 2004 dollars.

[5] Just because the families may be in a better financial position does not mean that they are in an "ideal" financial position.

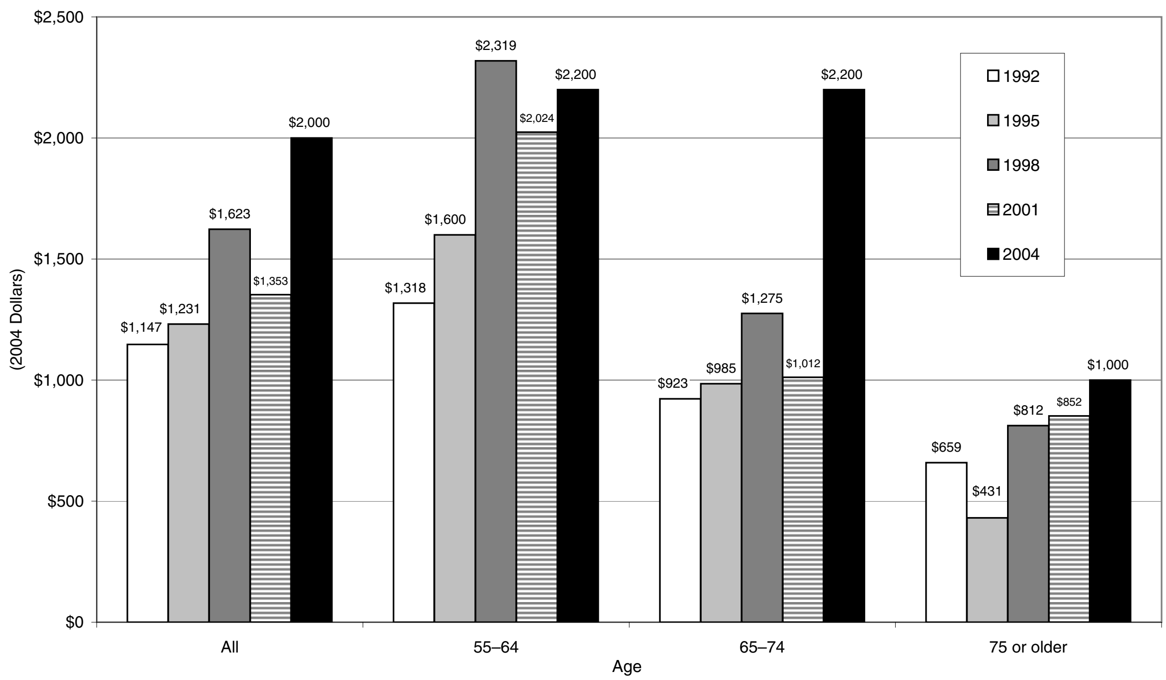
[6] See Jack VanDerhei and Craig Copeland, "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief* no. 263 (Employee Benefit Research Institute, November 2003).

Figure 11
Percentage of American Families With Head Age 55 or Older With Credit Card Debt and Housing Debt, by Age of Family Head, 1992–2004



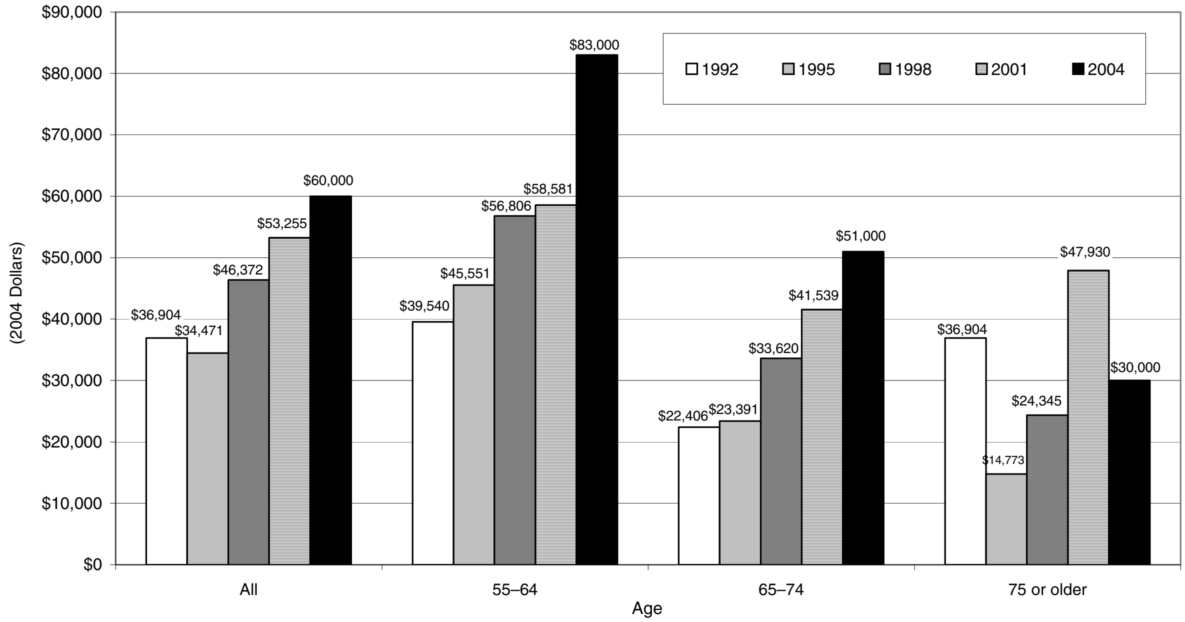
Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 12
Median Credit Card Debt for Those Families With a Head Age 55 or Older With Credit Card Debt, by Age of Family Head, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

Figure 13
Median Housing Debt for Families With Head Age 55 or Older Who Have Housing Debt, by Age of Family Head, 1992–2004



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, and 2004 Survey of Consumer Finances.

New Publications and Internet Sites

Employee Benefits

Hewitt Associates. *Salaried Employee Benefits Provided by Major U.S. Employers, 2005-2006*. $500. Hewitt Associates LLC, Attn: Hewitt Information Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 771-2500, e-mail: infodesk@hewitt.com, www.hewitt.com

Society for Human Resource Management. *2006 Benefits Survey Report*. SHRM members, $79.95; nonmembers, $99.95. Society for Human Resource Management, 1800 Duke St., Alexandria, VA 22314-3499, (800) 444-5006, option #1, http://shrmstore.shrm.org/shrm/

ERISA

Bitzer, Frank J., and Nicholas W. Ferrigno, Jr. *2006 ERISA Facts*. $21.47. The National Underwriter Company, Orders Department MP, P.O. Box 14448, Cincinnati, OH 45250-0448, (800) 543-0874, fax: (800) 874-1916, www.NationalUnderwriterStore.com

Health Insurance

Communicating for Agriculture & the Self-Employed. *Comprehensive Health Insurance for High-Risk Individuals: A State-by-State Analysis, 2005/2006*. $39.95. Communicating for Agriculture & the Self-Employed, 112 E. Lincoln Ave., Fergus Falls, MN 56537, (218) 739-3241, fax: (218) 739-3832.

Golub, Ira M., and Roberta K. Chevlowe. *2006 COBRA Handbook*. $210. Aspen Publishers, 7201 McKinney Cir., PO Box 990, Frederick, MD 21705-9727, (800) 638-8437, www.aspenpublishers.com

Pension Plans/Retirement

Institute of Management and Administration. *Plans in Transition: IOMA's Annual Defined Contribution Survey*. 2006 Edition. $345 + S&H. IOMA, 3 Park Ave., 30th Floor, New York, NY 10016-5902, (800) 401-5937 x.2 or (212) 244-0360, fax: (212) 564-0465, e-mail: subserve@ioma.com

Reference

Omnigraphics, Inc. *Associations USA: A Directory of Contact Information for National Associations, Foundations, and Other Nonprofit Organizations in the United States and Canada*. 2nd Edition. $95. Omnigraphics Customer Service, PO Box 625, Holmes, PA 19043, (800) 234-1340, fax: (800) 875-1340, www.omnigraphics.com

Web Documents

2006 Wilshire Report on State Retirement Systems: Funding Levels and Asset Allocation
www.wilshire.com/Company/2006_State_Funding_Report.pdf

Access to Defined Contribution Retirement Plans among Workers in Private Industry, 2005
www.bls.gov/opub/cwc/cm20060425ch01.htm

Capitalizing on Inertia: Automation Boosts Retirement Savings
www.tiaa-crefinstitute.org/research/trends/docs/tr060106.pdf

Consumer-Driven Health Plans Gaining Stronger Presence
www.aon.com/us/busi/hc_consulting/cdh_microsite/pdf/iscebs_cdh_survey_report_06.pdf

Employer Costs for Employee Compensation--March 2006
www.bls.gov/news.release/pdf/ecec.pdf

Health Savings Accounts: Some Current Policy Issues
www.opencrs.com/rpts/RS22437_20060505.pdf

IRS Proposes Rules Clarifying Dependent Care Expense Reimbursement
www.segalco.com/publications/bulletins/june06dep.pdf

Milliman Medical Index 2006
www.milliman.com/pubs/Healthcare/content/mmi/Milliman-Medical-Index06-28-06.pdf

Pension Protection Act of 2006: Impact on Your Retirement Programs
www.aon.com/about/publications/pdf/alert/alert_8_8_06.pdf

Pension Reform Web Site [U.S. Department of Labor]
www.dol.gov/ebsa/pensionreform.html

Reducing Corporate Health Care Costs: 2006 Survey
www.deloitte.com/dtt/cda/doc/content/us_chs_red_cor_hea_costs_0106.pdf

Retirement Savings and Household Wealth: Trends from 2001 to 2004
www.opencrs.com/rpts/RL30922_20060522.pdf

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