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New Research from EBRI:

Debt Levels Increase for Those In or Near Retirement

WASHINGTON—Debt levels of those in or near retirement age are heading up: Among elderly families—and especially among the lower-income elderly—housing debt in particular is rising, according to a study published today by the nonpartisan Employee Benefit Research Institute (EBRI). For some age groups, a significant percentage has debt levels beyond the threshold considered problematic.

A growing share of older American families had incurred debt through 2007, particularly those ages 55–64—the ages right before or at the start of retirement, the study reports. The percentage of American families with a head age 55 or older who have some level of debt was 63.0 percent in 2007, almost 3 percentage points higher than in 2004, 7 percentage points higher than in 2001, and up nearly 10 percentage points from 1992.

The study, in the October *EBRI Notes*, uses data from the Federal Reserve's Survey of Consumer Finances to determine debt levels. It is available at www.ebri.org

Here are some of the other points included in the study:

- ***Debt levels***: As the percentage of families with a head age 55 or older *with any debt* increased from 1992–2007, the *average total debt* level also increased: from $32,191 (2007 dollars) in 1992 to $70,370 in 2007; the *median debt level* (half above, half below) of those with debt increased from $15,923 to $43,000. This was a real increase in the average and median debt levels of 118.6 percent and 170.0 percent, respectively, from 1992.

- ***Debt as a percentage of total assets:*** For the near elderly and elderly families debt as a percentage of total assets was virtually unchanged at approximately 7.0 percent from 1992–1998, but it decreased in 2001 to less than 6.0 percent before increasing back to near 7 percent (at 6.8 percent) in 2004. In 2007, the percentage increased to 7.4 percent—the highest percentage over the study period.

- ***Credit card debt:*** The median amount owed by those having credit care debt increased to $3,000 in 2007, up from $2,197 (2007 dollars) in 2004. This increase was largest for families with a head age 55–64, where the median amount owed increased from $2,416 in 2004 to $3,600 in 2007. The median amount of credit card debt for families with a head age 75 or older actually decreased, from $1,098 to $800 over the period.

- ***Housing debt:*** The median housing debt, among those having housing debt, increased to $79,000 in 2007, up from $65,898 (2007 dollars) in 2004. The largest increase was for those families with heads ages 65–74, going from $56,013 in 2004 to $69,000 in 2007—a 23 percent increase. While there was also an increase in the median debt of families with a head age 75 or older with housing debt, the median amount owed declined for families with a head age 55–64, from $91,159 in 2004 to $85,000 in 2007. Yet, more of those ages 55–64 had housing debt.

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, the study says. Leveraging it at this point in their lives may leave them without a major resource to finance an adequate retirement, given the recent downturn in the housing market.

"These results are troubling as far as retirement preparedness is concerned, in that American families just reaching retirement or newly retired are more likely to have debt—and significantly higher levels of debt—than past generations," Craig Copeland, EBRI senior research associate, writes in a conclusion to the study. "Furthermore, inasmuch as debt incidence and families with excessive debt payments reached their highest levels in 2007 since 1992—i.e., before the economic downturn of 2008—these measures of debt have almost certainly significantly worsened from these already-record levels. Consequently, even more near-elderly and elderly families are likely at risk for severe changes in lifestyle after retirement."

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