Debt Levels for Households Nearing Retirement Decreasing, But Still High Compared to Past Generations

Evidence from the Federal Reserve’s Survey of Consumer Finances (SCF) paints a mixed picture of trends relating to debt levels of families with a “near elderly” head—those ages 55 to 64. By many measures, the debt burden has improved for this demographic group since the Great Recession. At the same time, in many ways, this family cohort shows higher levels of indebtedness than families with older heads. Also, as with many of the families with elderly heads (those ages 65 or older) examined in the SCF, the families with a near elderly head show a pattern of stubbornly higher indebtedness than in past generations—specifically those in the 1990s.

Debt Levels:
- More than three-quarters of families with a nearly elderly head held debt in 2016 (77.1 percent). While this level represents a downward trend from 2007 when it was 81.7 percent, it remains higher than the proportion in 1992 (71.4 percent). The family head age cohort with the next highest percentage with debt were families with heads ages 65-74, where the percentage with debt ranged from 51.5 percent in 1992 to 70.1 percent in 2016.
As with families with elderly heads, the families with nearly elderly heads have experienced a decline in debt levels as a percent of their assets since 2010—from 10.7 percent to 8.4 percent in 2016.

Total debt payments as a percentage of income of families with near elderly heads has been trending down since 2007 and is at its lowest level since 1992 at 9.1 percent in 2016. However, this level is still higher than that of families with older heads, which range from 6.0 percent to 7.9 percent.

Credit Card Debt:

- The percentage of families with heads ages 55-64 that have credit card debt declined in 2016 to 41 percent, which is well below the peak level of 50 percent in 2007. However, this remains higher than the proportion in 1992, which was 37 percent.
- The median credit debt for families with heads ages 55-64 decreased significantly in 2016 from $4,168 in 2007 to $2,800 in 2016. However, this is still higher than the 1992 level of $1,676, and higher than for families with heads ages 65 or older.

The EBRI report, “Debt of the Elderly and Near Elderly, 1992–2016” is published as the March 2018 EBRI Issue Brief, and is available online here.

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