

Persistency of Debt Among Older Americans

A recent study by EBRI titled “[The Impact of Rising Household Debt Among Older Americans](#)”¹ reports that older households have become more leveraged over time. But how does the distribution of debt among the elderly play out by socio-economic factors, and how persistent is this debt as people grow older?

To answer these questions, EBRI created three groups of debtholders based on the household’s total debt² at age 55:

- **Low Debtholder:** debt at age 55 is less than or equal to the sample’s median.
- **Middle Debtholder:** debt at age 55 is more than the median and less than or equal to the sample’s third quartile.
- **High Debtholder:** debt at age 55 is more than the sample’s third quartile of total debt at age 55.

The analysis shows that the high and middle debtholders look fairly similar in their racial composition, with 80 percent being white (Figure 1A). In contrast, low debtholders were more likely to be black (23 percent). Further, while high debtholders were more likely to be married (82 percent), low debtholders were more likely to be single females (23 percent), as shown in Figure 1B.

Figure 1C also shows that high debtholders had the highest level of income at age 55 (\$127,000 at the median), while low debtholders had the lowest level of income, at a median level of \$54,000. High debtholders also had the highest level of wealth at age 55 (\$290,000 at the median), while low debtholders had the lowest level of wealth at that same age (\$101,000 at the median). This is not surprising, as those with higher levels of financial means are associated with higher levels of spending. But as Figure 2 shows, while most of the debt of high and middle debtholders was in the form of mortgage debt, for low debtholders, consumer debt was a much larger proportion of the debt held.³

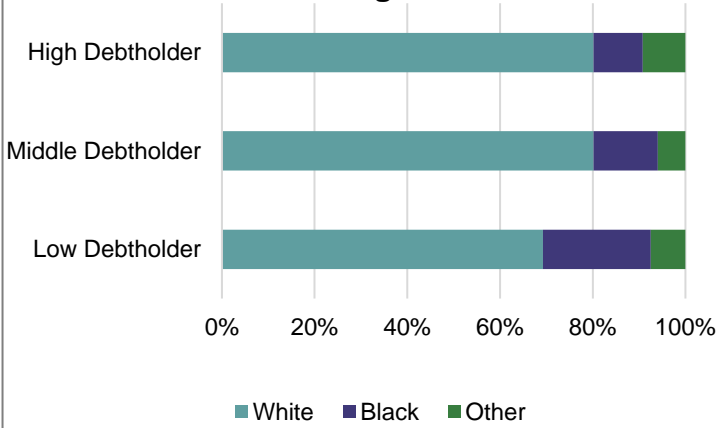
Our findings also show that low debtholders had more persistent debt than high and middle debtholders. As Figure 3A shows, the average debt of high debtholders, who are also the wealthiest, started at \$280,000 at age 55, steadily declining to \$111,000 by age 75 — a 60 percent decline. In contrast, low debtholders who start out with an average debt level of \$21,000 actually experience increases in the average debt as they age, peaking at age 65, where average debt grows to \$37,000, a 76 percent increase. By age 75, average debt for this group remained higher than it was at age 55.

¹ Zahra Ebrahimi, “The Impact of Rising Household Debt Among Older Americans,” *EBRI Issue Brief*, no. 502, (Employee Benefit Research Institute, March 12, 2020). The study was based on the Health and Retirement Study (HRS), public use dataset. Produced and distributed by the University of Michigan with funding from the National Institute on Aging (grant number NIA U01AG009740). Ann Arbor, MI (1992–2016).

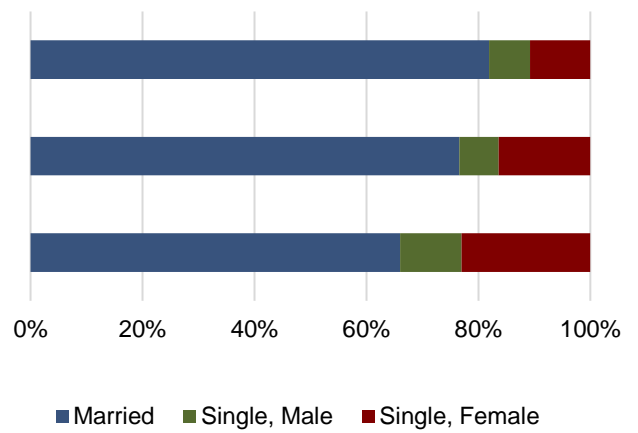
² Total debt is defined as sum of all mortgages, value of other home loans, and all other debt (consumer debt).

³ Income is defined in the HRS RAND as sum of labor income, capital income, pension/annuity income, Social Security income, and other income. Wealth is defined in the HRS RAND as sum of primary residence, all other real estate, and net value of vehicles owned; individual retirement accounts (IRAs), stocks, and mutual funds; checking, savings, and money market accounts; certificates of deposit (CDs), government savings bonds, Treasury bills, and bonds and bond funds; and any other source of wealth minus total debt.

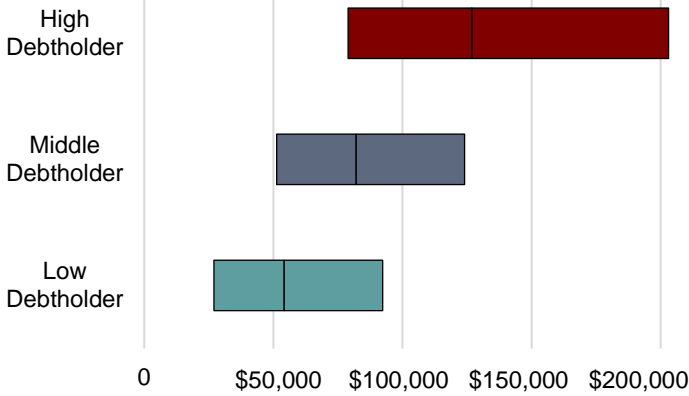
**Figure 1A
Race Distribution, by Debt Level at Age 55**



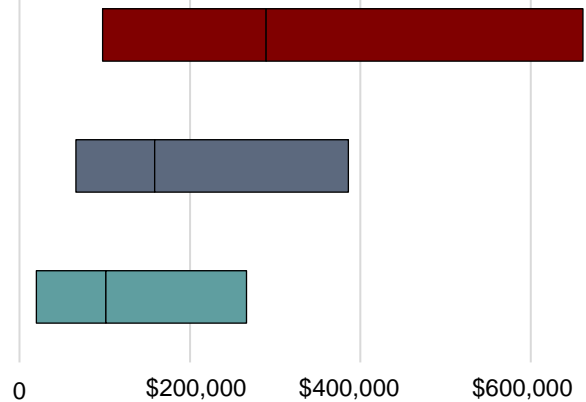
**Figure 1B
Marital Status/Gender Distribution, by Debt Level at Age 55**



**Figure 1C
Total Income* Midspread, by Debt Level at Age 55**



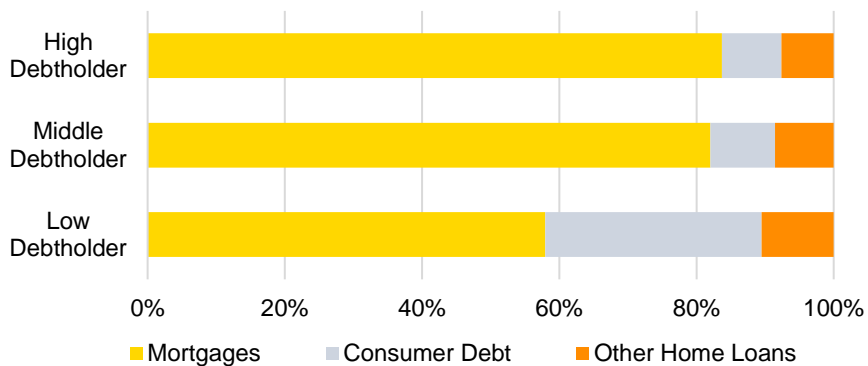
**Figure 1D
Total Wealth* Midspread, by Debt Level at Age 55**



*Note: In 2016 dollars.

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

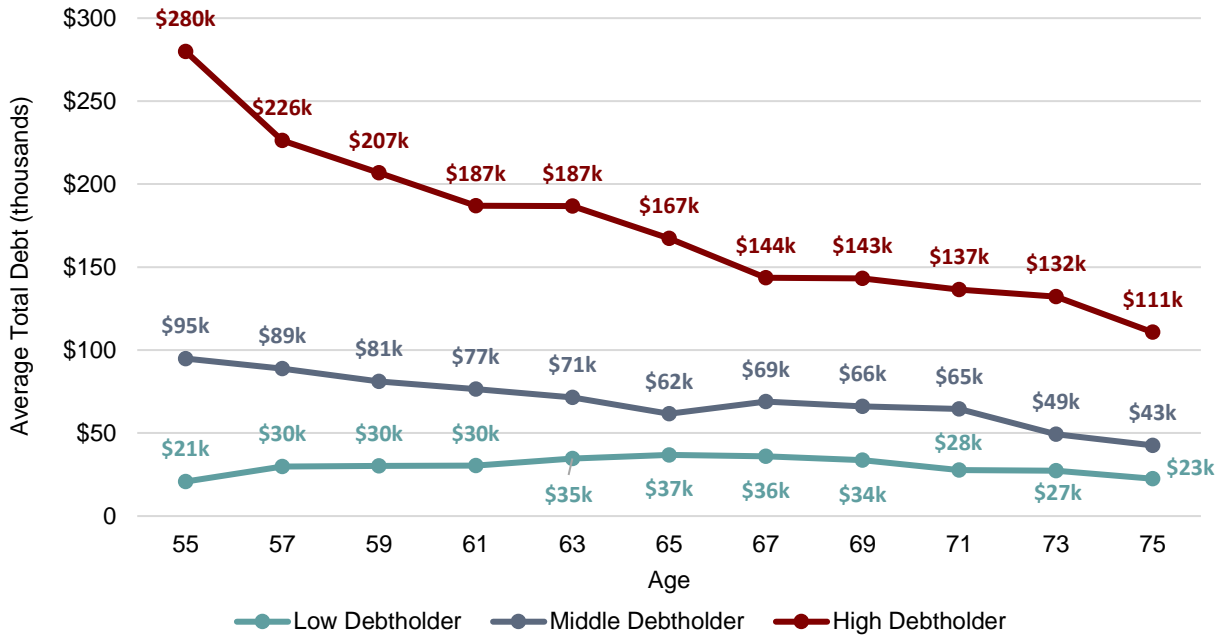
**Figure 2
Average Type of Debt,* by Debt Level at Age 55**



* At age 55.

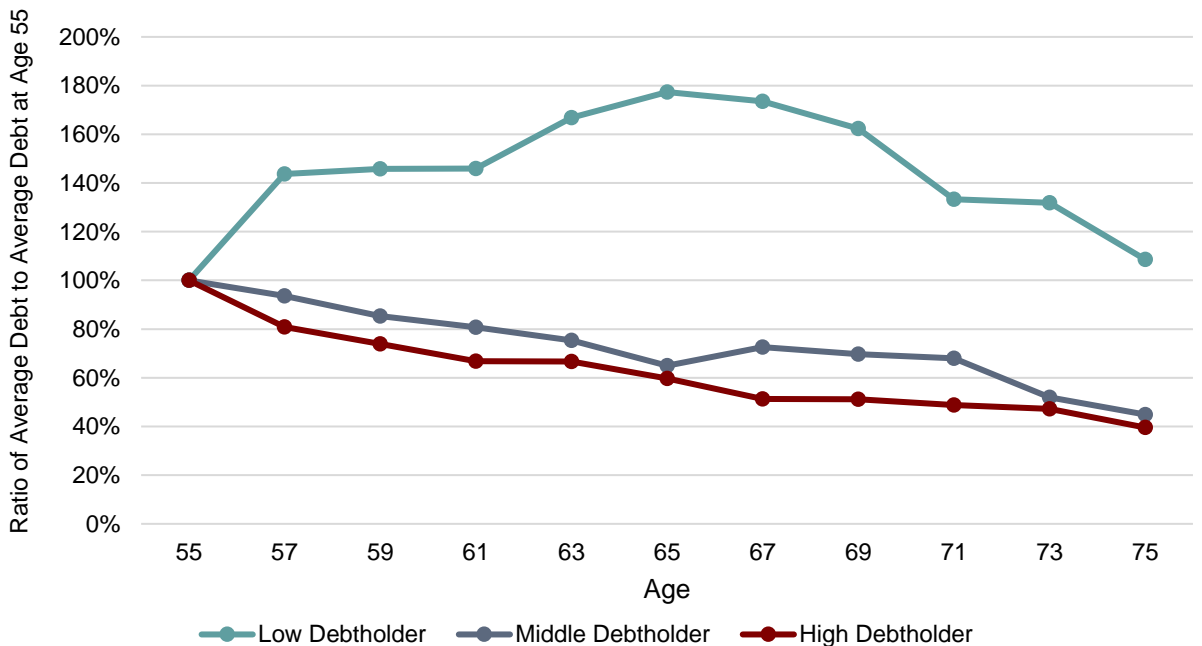
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

Figure 3A
Average Total Debt Over Time, by Debt Level at Age 55



Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

Figure 3B
Trajectory of Total Debt, by Debt Level at Age 55



Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

The relatively persistent nature of low debtholders' debt burden is also illustrated in Figure 3B, which shows average debt over time as a function of average debt level at age 55. While high debtholders age 75 saw average debt decline to 40 percent of their age 55 average debt levels, at age 75, low debtholders' average debt increased by 8 percent relative to initial average debt.

This analysis indicates that low debtholders, who also have low wealth, assume additional debt as they reach retirement age (65). And while they do pay down debt over time, on average, debt levels remain higher at age 75 than they were at age 55. In contrast, middle and high debtholders with higher wealth levels succeed in dramatically reducing their debt levels as they age. As carrying debt and the ability to service that debt at older ages has a direct impact on households' financial wellness, incorporating these findings into policies and retirement plan design could result in more targeted policies and products and improved financial security of older Americans.

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