OLDER AMERICANS’ DEBT

2020 EBRIEFING SERIES

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OLDER AMERICANS’ DEBT AND RETIREMENT IN HRS
INTRODUCTION

The amount of debt households carry in the years before retirement and during retirement could impact their financial security as well as their decisions on timing of retirement and Social Security claiming.

In this study:

➢ How older Americans’ debt has changed over time

➢ Households’ debt by age, cohort, and demographic factors

➢ Debt and timing of retirement and Social Security claiming

➢ Debt and intra-family financial transfers
DATA AND DEFINITIONS

➢ This study uses data from the Health and Retirement Study (HRS) 1992–2016 and the RAND HRS Family Data 1992–2014 to examine the debt status of older Americans at preretirement and postretirement ages between 1992 and 2016, biennially.

➢ Debt Variables used in this study:

- Value of all mortgages/land contracts

- Value of other home loans (primary residence): value of the home equity loans, loans that use this property as collateral.

- Consumer debt (named “value of other debt” in RAND HRS): credit card balances, medical debt, life insurance policy loans, loans from relatives, and so forth.

- Non-housing assets: sum of gross value of 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.

- Total net wealth: sum of primary residence and non-housing assets minus total debt.
SHARE WITH DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING DEBT, 50-64 YEARS OLD

Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING DEBT, 65-74 YEARS OLD

Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING DEBT, 75+ YEARS OLD

Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
AVERAGE AND MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIOS BY AGE AND YEAR

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH TOTAL DEBT, BY AGE AND COHORT

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
AVERAGE AND MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIOS, BY AGE AND COHORT

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE OF HOUSEHOLDS WITH DEBT, BY AGE, MARITAL STATUS, AND GENDER

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIO, BY AGE, MARITAL STATUS, AND GENDER

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH DEBT AND MORTGAGE DEBT, BY AGE AND RACE

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
AVERAGE AND MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIOS, BY AGE AND RACE

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

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FULL- AND PART-TIME EMPLOYMENT, BY DEBT STATUS AND AGE

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE RECEIVING RETIREMENT SOCIAL SECURITY, BY DEBT STATUS, AGE, AND COHORT

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH DEBT*, BY HISTORY OF FINANCIAL TRANSFER TO CHILDREN AND GRANDCHILDREN

Note: * As of 2014, the last year available in the RAND HRS Family data.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
Note: ** Low and high transfers are defined as having less and more than the median ratio of total transfer (made between ages 55 and 75) to non-housing assets at age 55, respectively.
MAIN TAKEAWAYS

➢ Among those ages 50–64, the average (and median) total debt sharply increased from 1992 to 2016 while among those ages 65–74, both the share of households having debt and the amount of debt increased over the period.

➢ Older households in all age groups have became more leveraged between 1992 and 2016 with single women and African-American households being in the worst situation.

➢ Baby Boomers are more likely to have debt with higher average and median debt-to-net-wealth ratios compared with the older cohort.

➢ Staying in the labor market longer and delaying claiming Social Security benefits could be ways that older Americans choose to deal with increasing levels of debt.

➢ Providing financial support to children and grandchildren increased the likelihood of having debt for parents at older ages.
APPENDIX
AVERAGE TYPE OF DEBT BY AGE GROUP

Note: Based on debt data 1992–2016.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH MORTGAGE DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING MORTGAGE DEBT, 50-64 YEARS OLD

Note: * In 2016 dollars; HRS household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH MORTGAGE DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING MORTGAGE DEBT, 65-74 YEARS OLD

Note: * In 2016 dollars; HRS household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH MORTGAGE DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING MORTGAGE DEBT, 75+ YEARS OLD

Note: * In 2016 dollars; HRS household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
SHARE WITH TOTAL DEBT, MORTGAGE, OTHER HOME LOANS, AND CONSUMER DEBT, BY AGE AND COHORT

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
AVERAGE* AND MEDIAN* DEBT CONDITIONAL ON HAVING DEBT, BY AGE AND COHORT

Note: * In 2016 dollars.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).
AVERAGE DEBT CONDITIONAL ON HAVING DEBT, BY AGE, MARITAL STATUS, AND GENDER

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Paying it back: Real-world debt service trends and implications for retirement planning
Agenda

- JPMorgan Chase big data research background
- Preliminary results
  - Debt servicing trends by age cohort
  - Debt servicing trends by debt type
  - Asset range analysis
- Next steps
Data filtering methodology

31 million Starting universe of households (Dec 2017)

13.7 million Minimum $500 in deposits + five or more expenditures each month in 2017

10.6 million Represented in data every month

7.4 million Between ages 25–100 with both asset and income data

5.1 million that spent a significant portion of their estimated income at Chase

Included: Spent 50% or more of estimated gross income at Chase or at least median amount spent by households with similar assets at Chase.

Note: Starting universe of 31 million households with both JPMorgan Chase credit card and banking relationships through year-end 2017. Chase credit card data excludes certain Chase co-branded cards.

Source: J.P. Morgan Asset Management, based on Chase data.
Chase data debt service averages are reasonably close to national averages

Data validation

Note: Chase averages based on 5.1 million households, of which 0.86 million exhibited positive annual debt service for student loans, 1.4 million for auto loans, and 1.5 million for mortgages.

Average annual debt service displays a clear life cycle trend

Average annual debt service patterns by age for all households

Number of Chase households by age

All U.S. households by age

Note: Based on 5.1 million households whether or not they hold a particular category of debt. Extreme outliers excluded so that overall averages are not skewed. Average credit card payments are separated into two groups: Chase credit cards, which offer direct, detailed data, and non-Chase credit cards, from which we are able to infer information based on overall household debt service and general spending patterns. Credit card debt service data includes only revolving balances in order to focus solely on credit card debt versus broad credit card usage, which would be more reflective of spending patterns instead of debt accumulation.

Source: J.P. Morgan Asset Management, based on Chase data.
Certain debt type dominates household balance sheet

Average annual debt service patterns for households with a particular debt type

Note: Based on 5.1 million households, if they hold the particular category of debt.
Source: J.P. Morgan Asset Management, based on Chase data
Mortgage debt payments peak around age 40-49

Annual debt service for households with mortgages

Note: Data based on the following number of households holding a particular category of debt from the 5.1 million overall data set: 859,402 servicing student loan debt, 1,540,324 servicing mortgage debt, 2,643,601 servicing Chase credit card debt, 1,409,649 servicing auto loan debt, and 103,481 servicing home equity loanline of credit debt.

Source: J.P. Morgan Asset Management, based on Chase data.
Current mortgage retirement landscape

**Percent of families with mortgage debt - primary residence**

- **65 - 74**
- **75+**
- **30-Year Mortgage Interest Rate**

Data is from 2016 Survey of Consumer Finances (SCF)

Left Hand Side (LHS): used for the head of household age ranges 65 – 74, and 75+. Right Hand Side (RHS): Interest rate percentage; used for the 30 year mortgage
Median mortgage spending in relation to total spending in retirement

Chase spending data* is from a different preliminary set than the previous data without the restriction of having a Chase mortgage.
Credit card revolving debt has alarming impact

Annual debt service for households with Chase credit card revolving debt

Note: Data based on the following number of households holding a particular category of debt from the 5.1 million overall data set: 859,402 servicing student loan debt, 1,540,324 servicing mortgage debt, 2,643,601 servicing Chase credit card debt, 1,409,649 servicing auto loan debt, and 103,481 servicing home equity loan/line of credit debt.

Source: J.P. Morgan Asset Management, based on Chase data.
Parents and grandparents continue to pay student loans

Annual debt service for households with student loans

Note: Data based on the following number of households holding a particular category of debt from the 5.1 million overall data set: 859,402 servicing student loan debt, 1,540,324 servicing mortgage debt, 2,643,601 servicing Chase credit card debt, 1,408,849 servicing auto loan debt, and 103,481 servicing home equity loan/line of credit debt.

Source: J.P. Morgan Asset Management, based on Chase data.
Households in the $50,000–$100,000 asset range

Average annual debt service for HH in $50,000 - $100,000 asset range

Number of households by age

Note: A total of 689,048 households are represented in the $50,000–$100,000 asset range. All are included in the data whether or not they hold a particular category of debt.

Source: J.P. Morgan Asset Management, based on Chase data.
Households in the $500,000–$1 million asset range

Average annual debt service for HH in $500,000 - $1 million asset range

![Chart showing average annual debt service by age and type of debt for households in the $500,000–$1 million asset range.

Note: A total of 84,103 households are represented in the $500,000–$1 million asset range. All are included in the data whether or not they hold a particular category of debt.

Source: J.P. Morgan Asset Management, based on Chase data. 

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Next steps

- Data refinement
- Analysis of households who own each debt type
- Longitudinal view of debt decisions over time
- Debt service as a percentage of income
Privacy standards

Data Privacy

We have a number of security protocols in place which ensure all customer data are kept confidential and secure. Our security protocols are informed by standards that are also employed by government agencies.

There are several key controls and policies in place to ensure customer data are safe, secure and anonymous:

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Auto loan payments doesn’t have clear life cycle pattern

Annual debt service for households with auto loans

Note: Data based on the following number of households holding a particular category of debt from the 5.1 million overall data set: 859,402 servicing student loan debt, 1,540,324 servicing mortgage debt, 2,643,601 servicing Chase credit card debt, 1,409,649 servicing auto loan debt, and 193,481 servicing home equity loan/line of credit debt.

Source: J.P. Morgan Asset Management, based on Chase data.
Home equity loan volume peaks in late 50s

Annual debt service for households with home equity loans/lines of credit

Note: Data based on the following number of households holding a particular category of debt from the 5.1 million overall data set: 859,402 servicing student loan debt, 1,540,324 servicing mortgage debt, 2,643,601 servicing Chase credit card debt, 1,409,649 servicing auto loan debt, and 103,461 servicing home equity loan/line of credit debt.

Source: J.P. Morgan Asset Management, based on Chase data.
Q&A
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Here are some ways:

*Attend* the virtual Policy Forum the week of June 29th.

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