

OLDER AMERICANS' DEBT

2020 EBRIEFING SERIES

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SPEAKERS



Zahra Ebrahimi, Research Associate, EBRI



Katherine Roy, Chief Retirement Strategist, JPMorgan Asset Management



Moderated by: Brett Hammond, Research Leader, Client Analytics Group, Capital Group



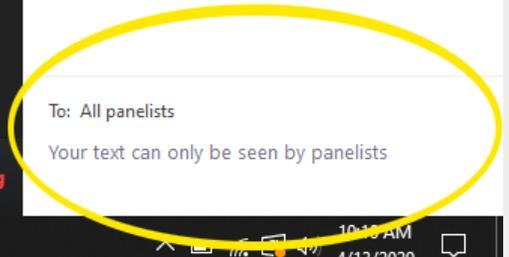
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OLDER AMERICANS' DEBT AND RETIREMENT IN HRS

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.

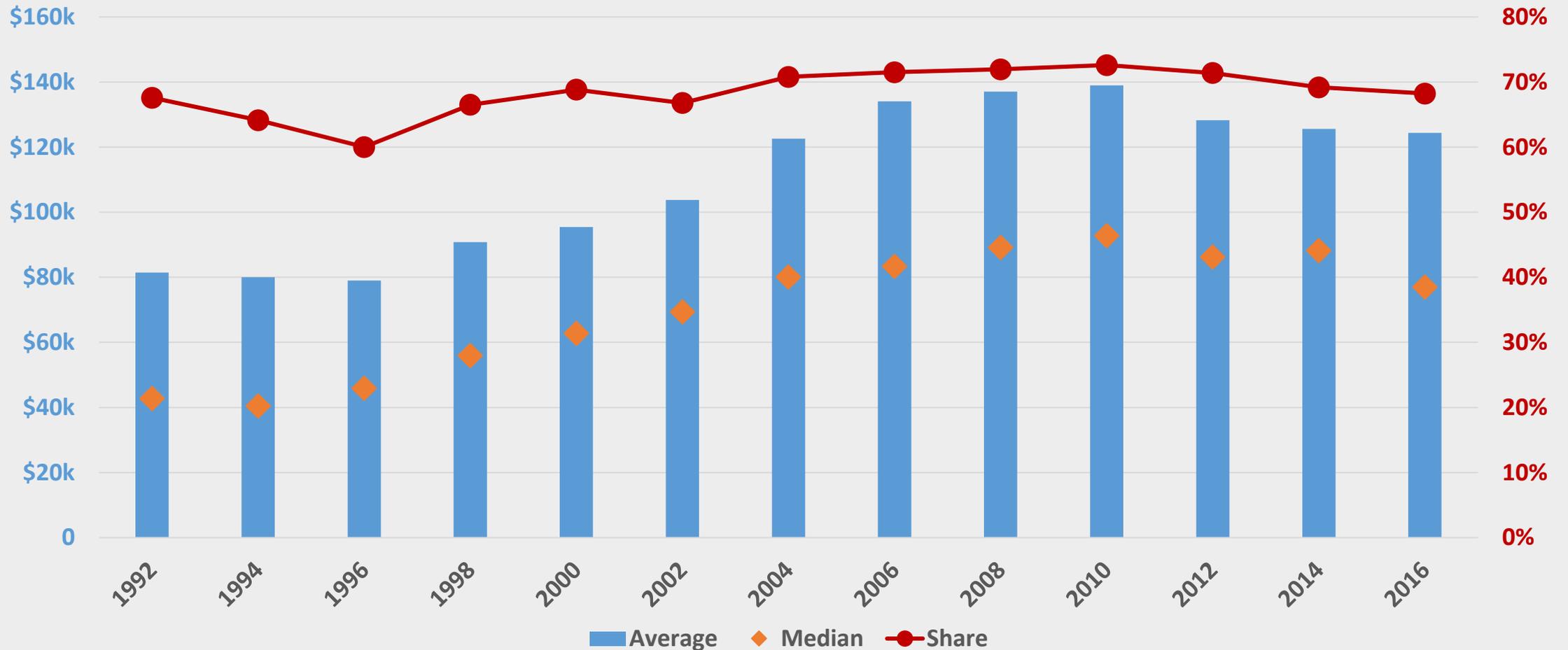
In this study:

- 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.

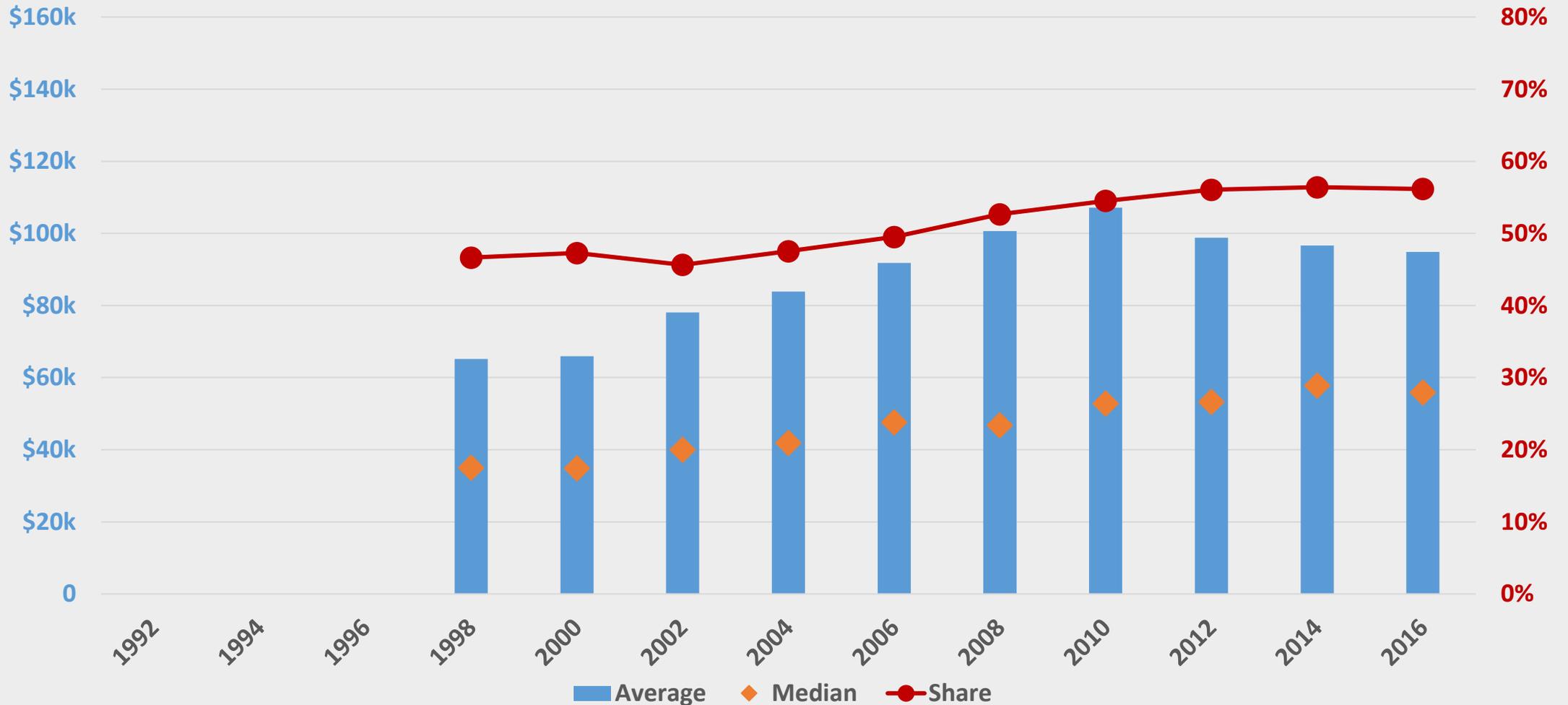
SHARE WITH DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING DEBT, 50-64 YEARS OLD



Note: * In 2016 Dollars; HRS Household weight applied for analysis.

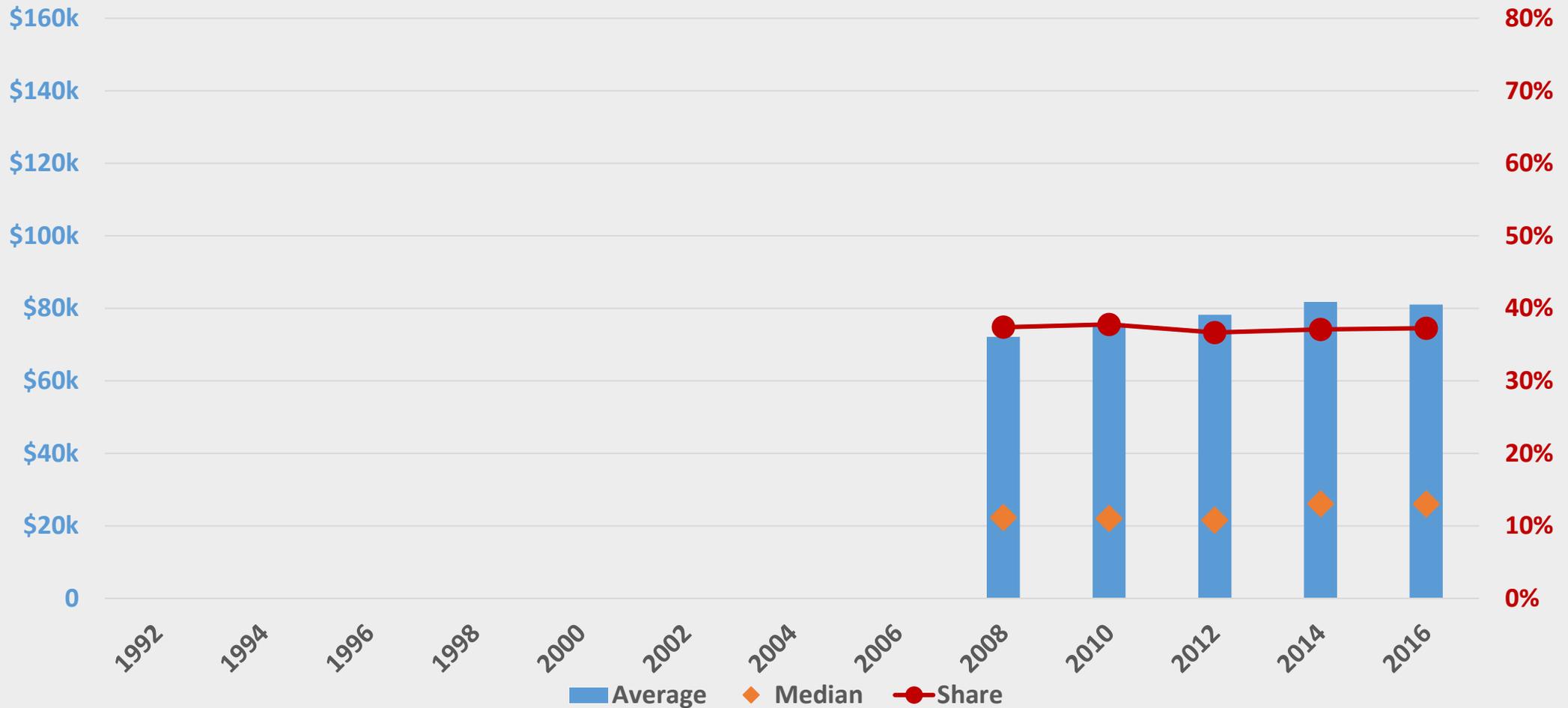
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE WITH DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING DEBT, 65-74 YEARS OLD



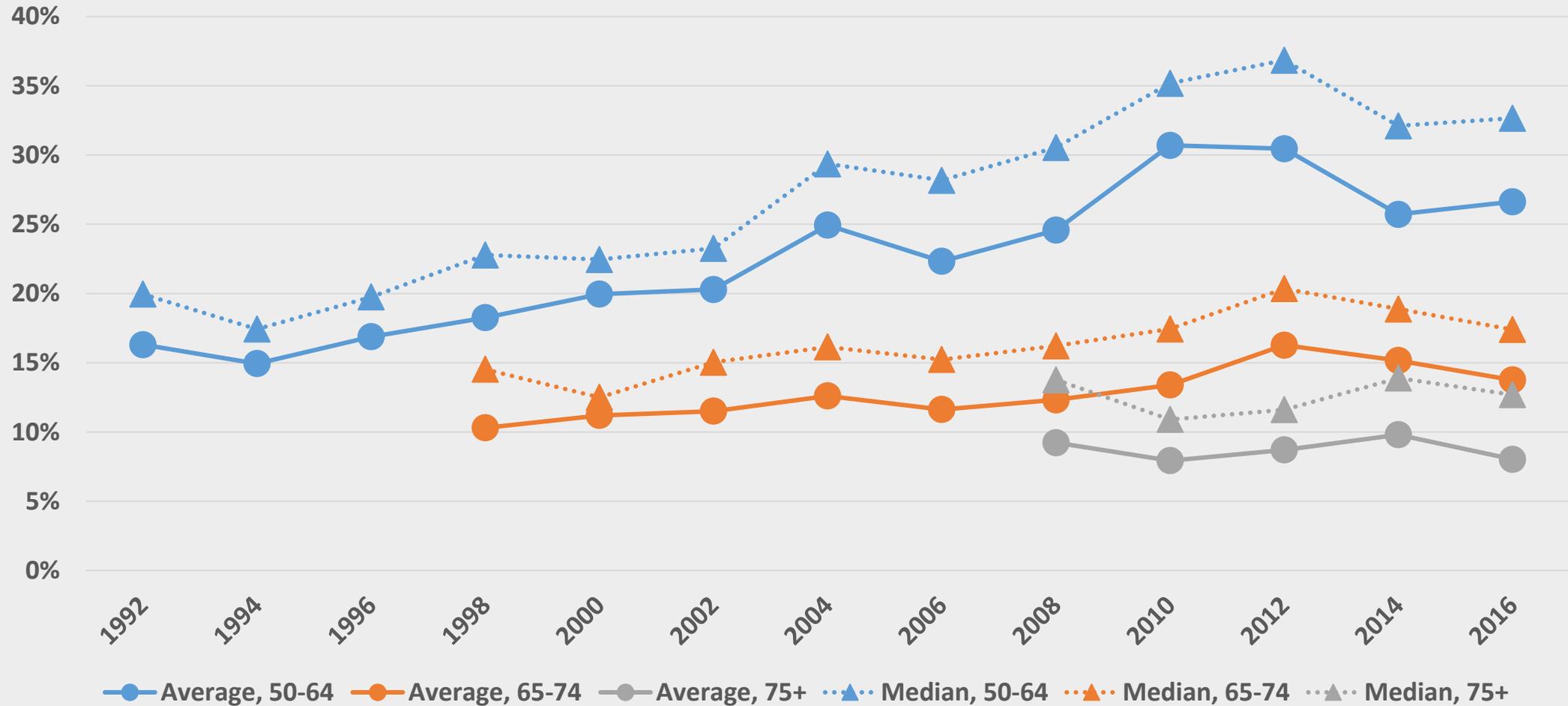
Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE WITH DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING DEBT, 75+ YEARS OLD



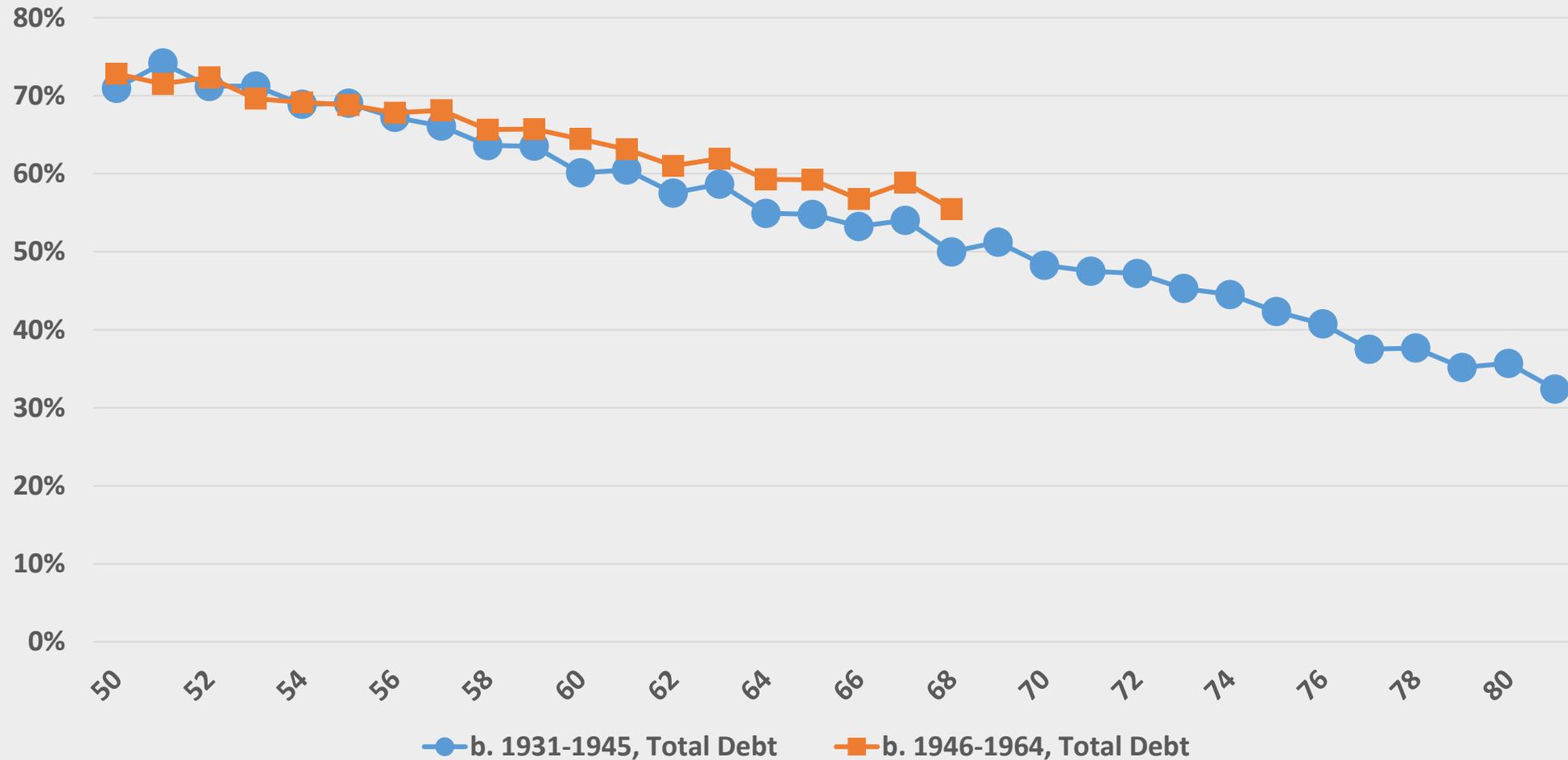
Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

AVERAGE AND MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIOS BY AGE AND YEAR



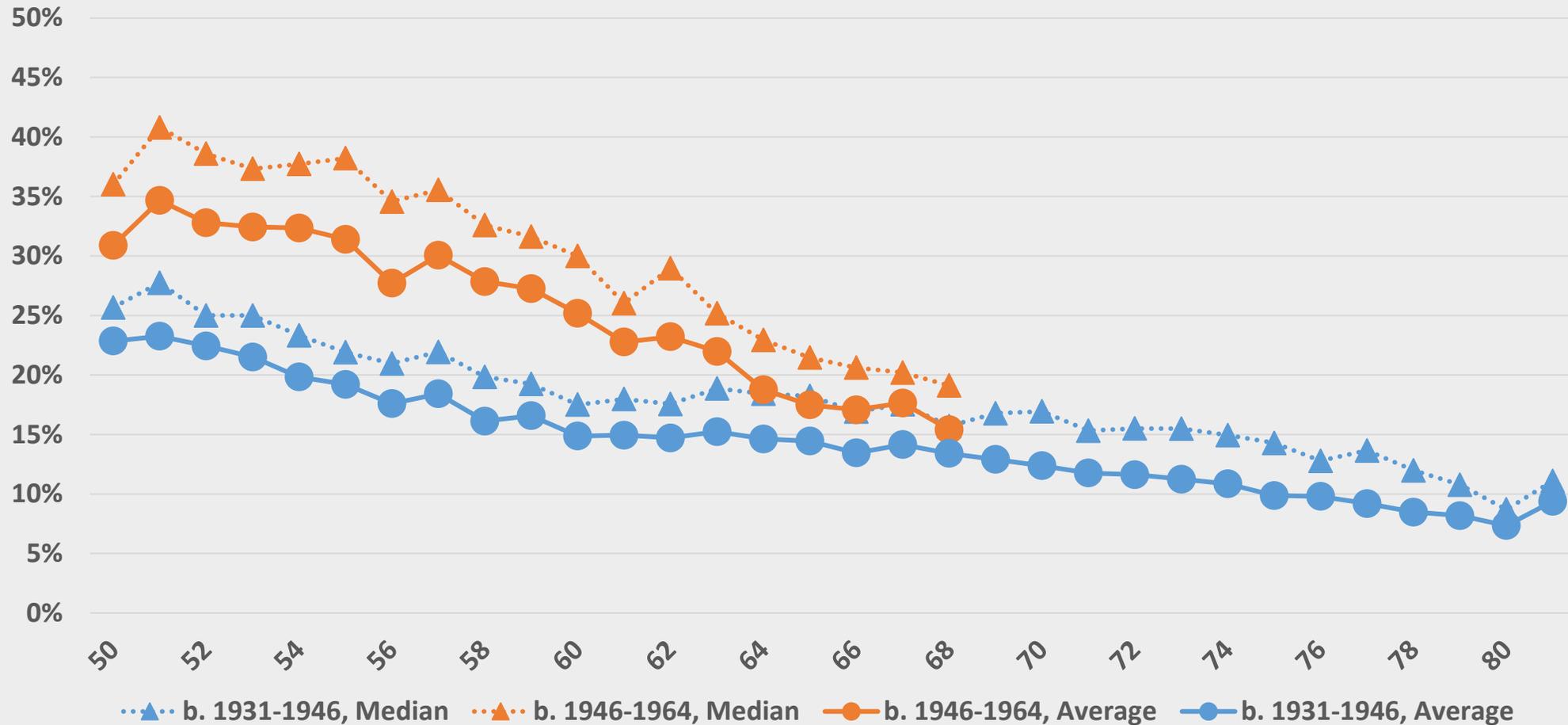
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE WITH TOTAL DEBT, BY AGE AND COHORT



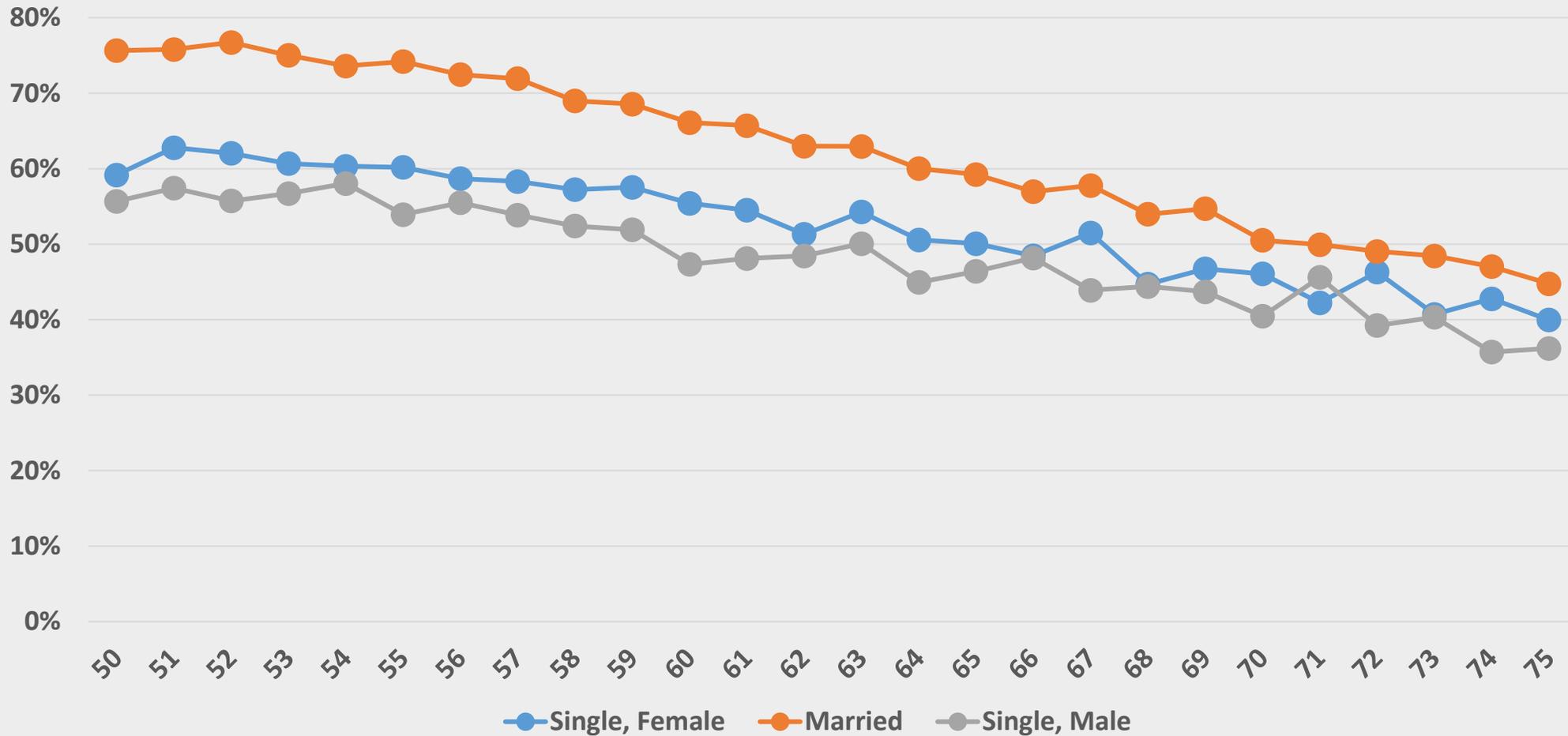
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

AVERAGE AND MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIOS, BY AGE AND COHORT



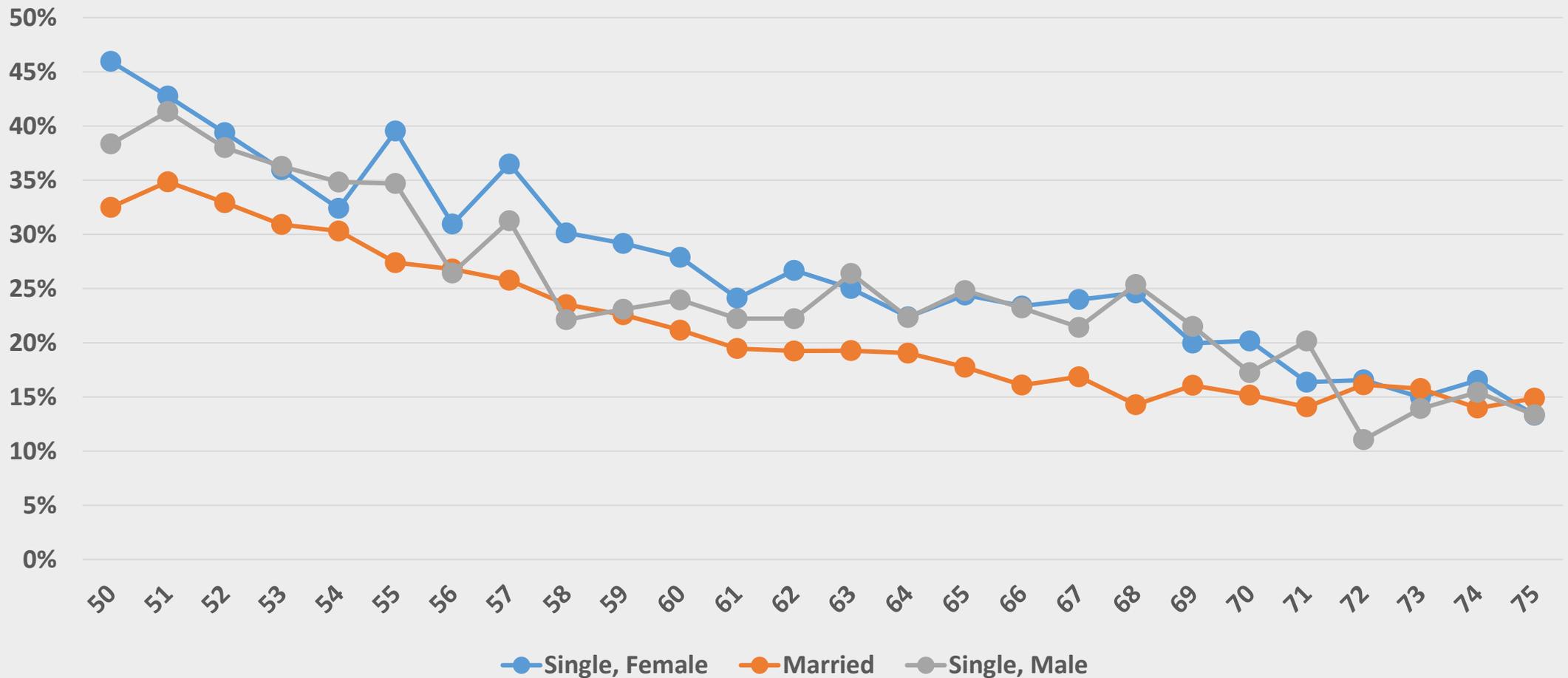
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE OF HOUSEHOLDS WITH DEBT, BY AGE, MARITAL STATUS, AND GENDER



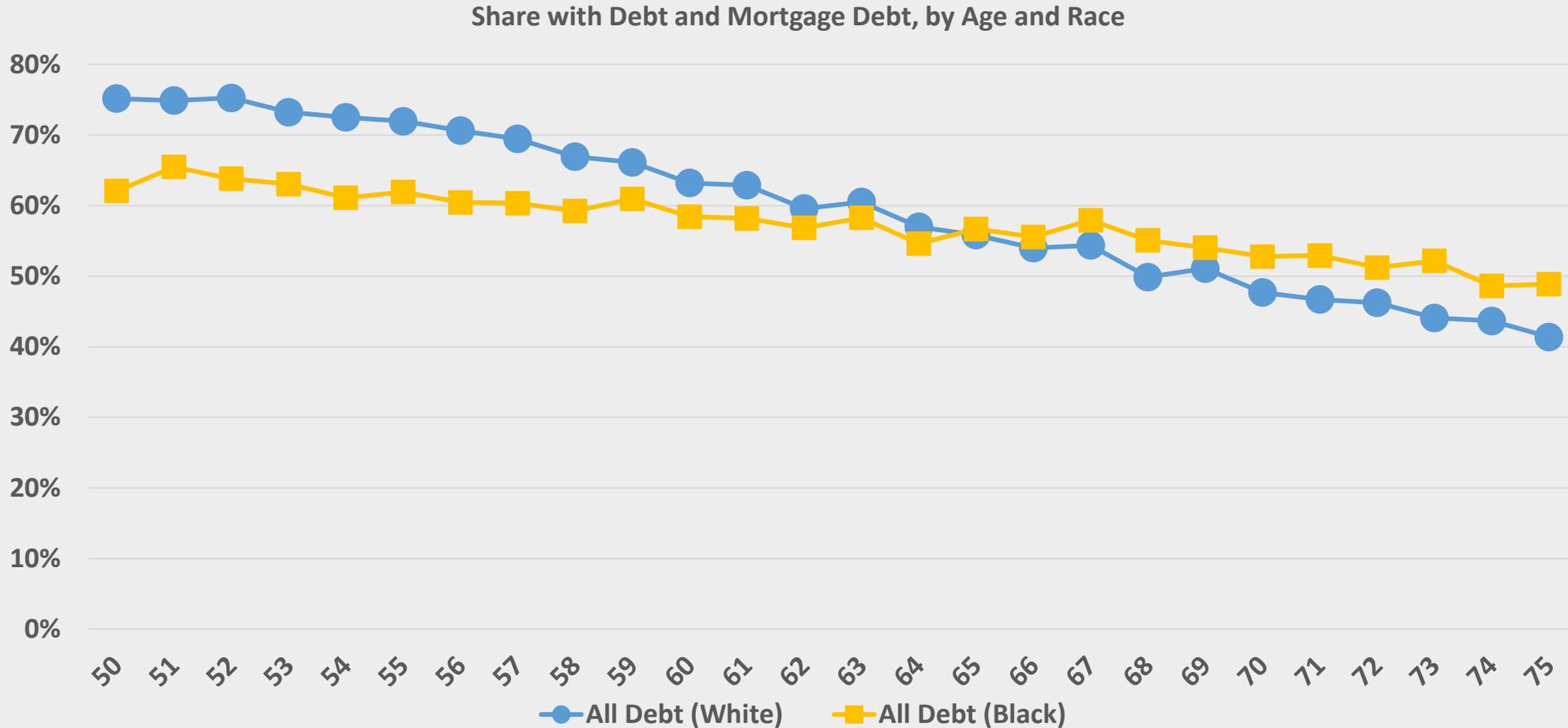
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIO, BY AGE, MARITAL STATUS, AND GENDER



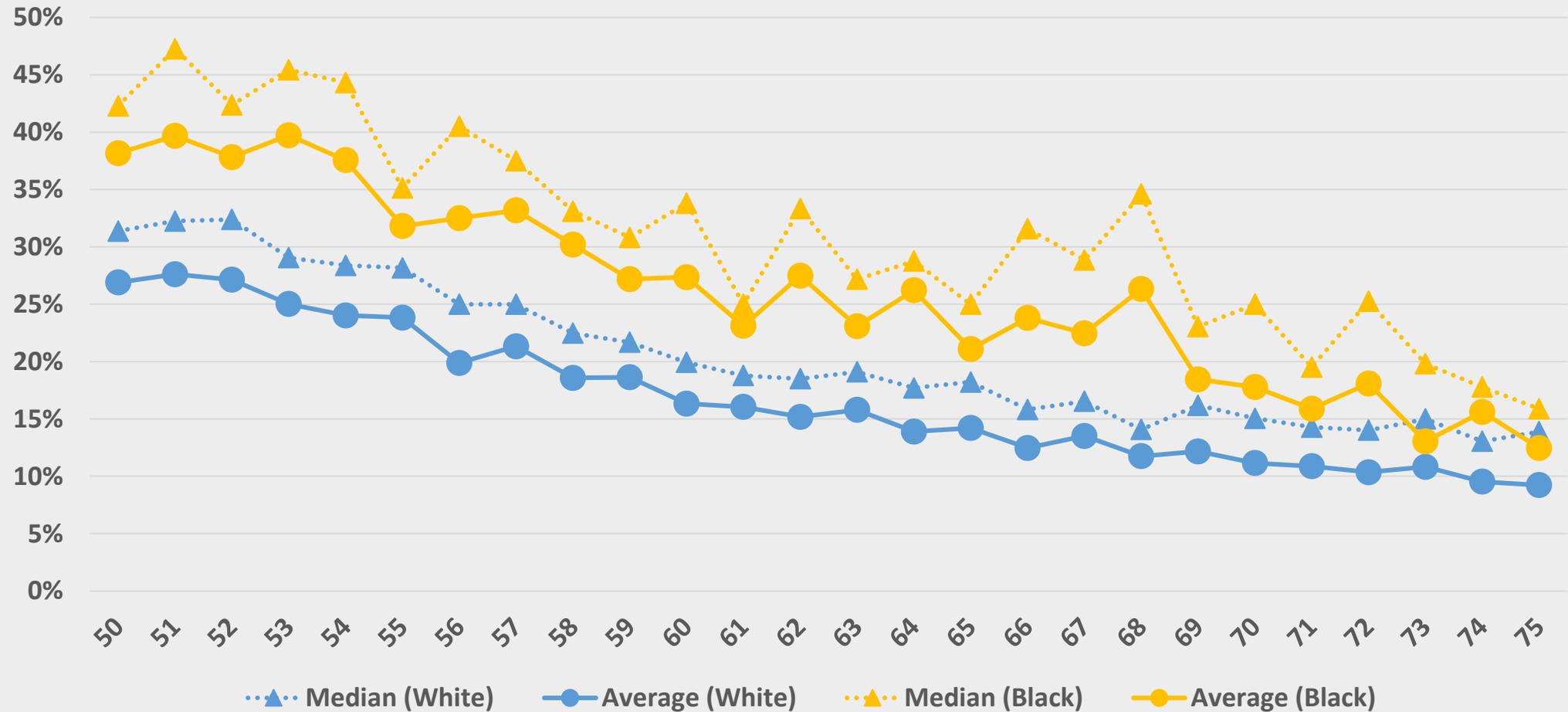
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE WITH DEBT AND MORTGAGE DEBT, BY AGE AND RACE



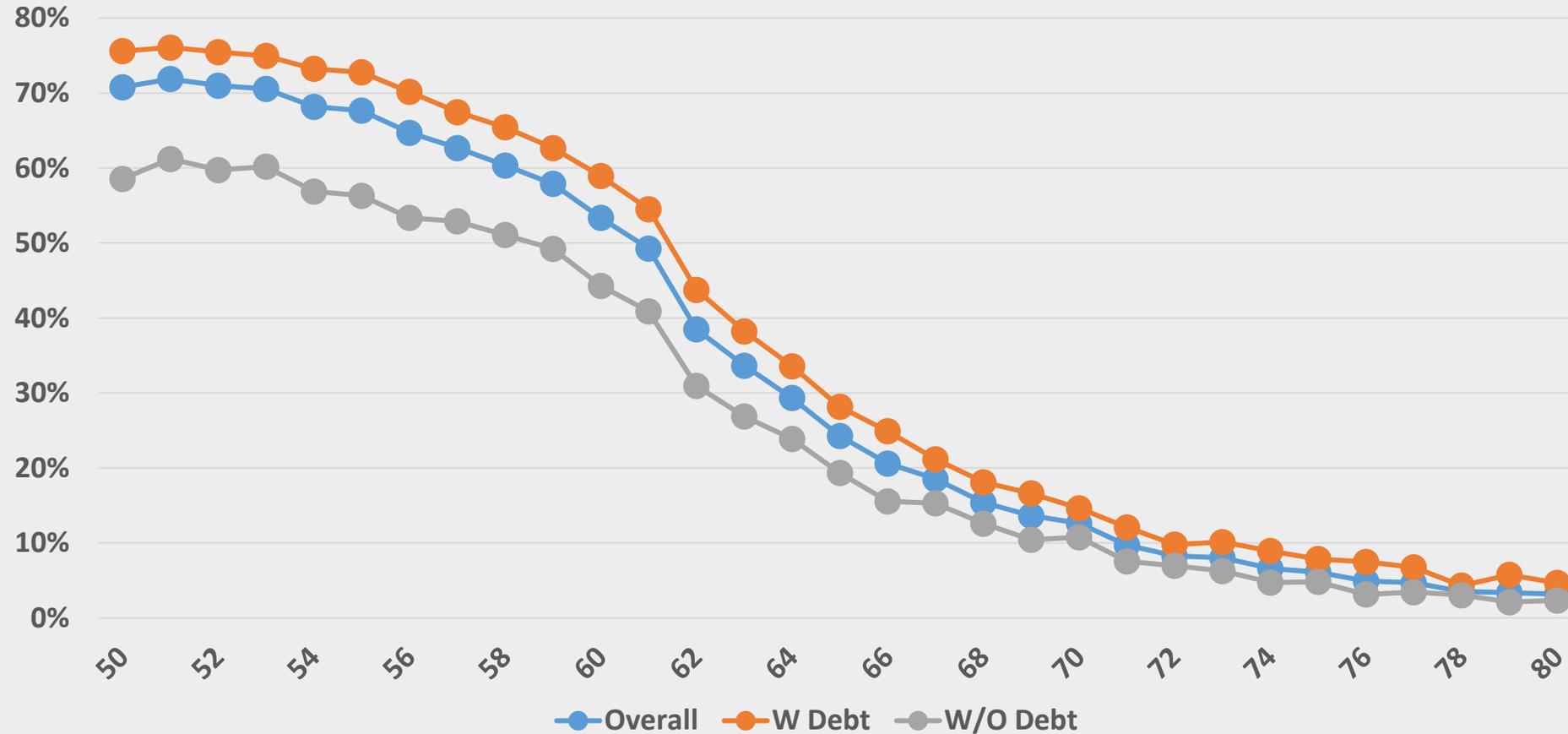
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

AVERAGE AND MEDIAN DEBT-TO-TOTAL-NET-WEALTH RATIOS, BY AGE AND RACE



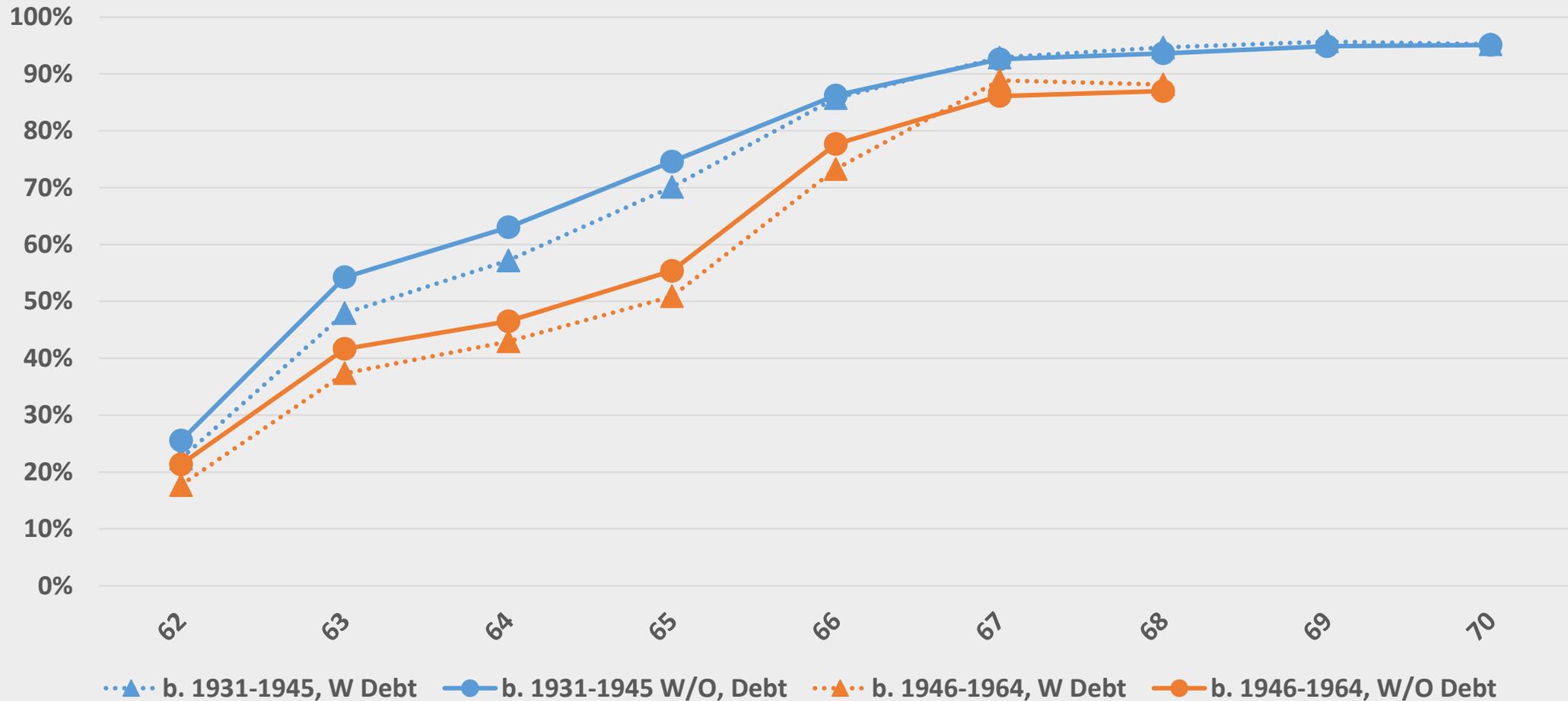
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

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



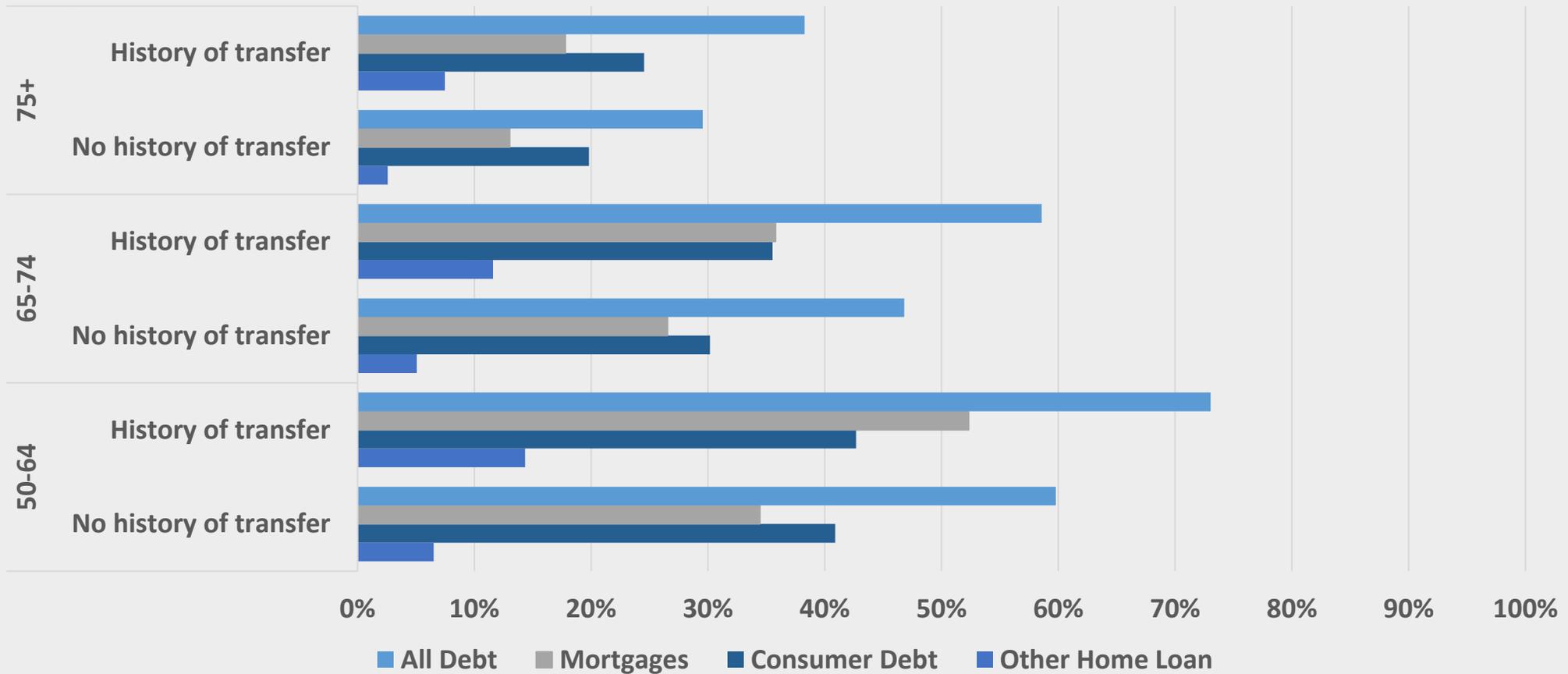
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE RECEIVING RETIREMENT SOCIAL SECURITY, BY DEBT STATUS, AGE, AND COHORT



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

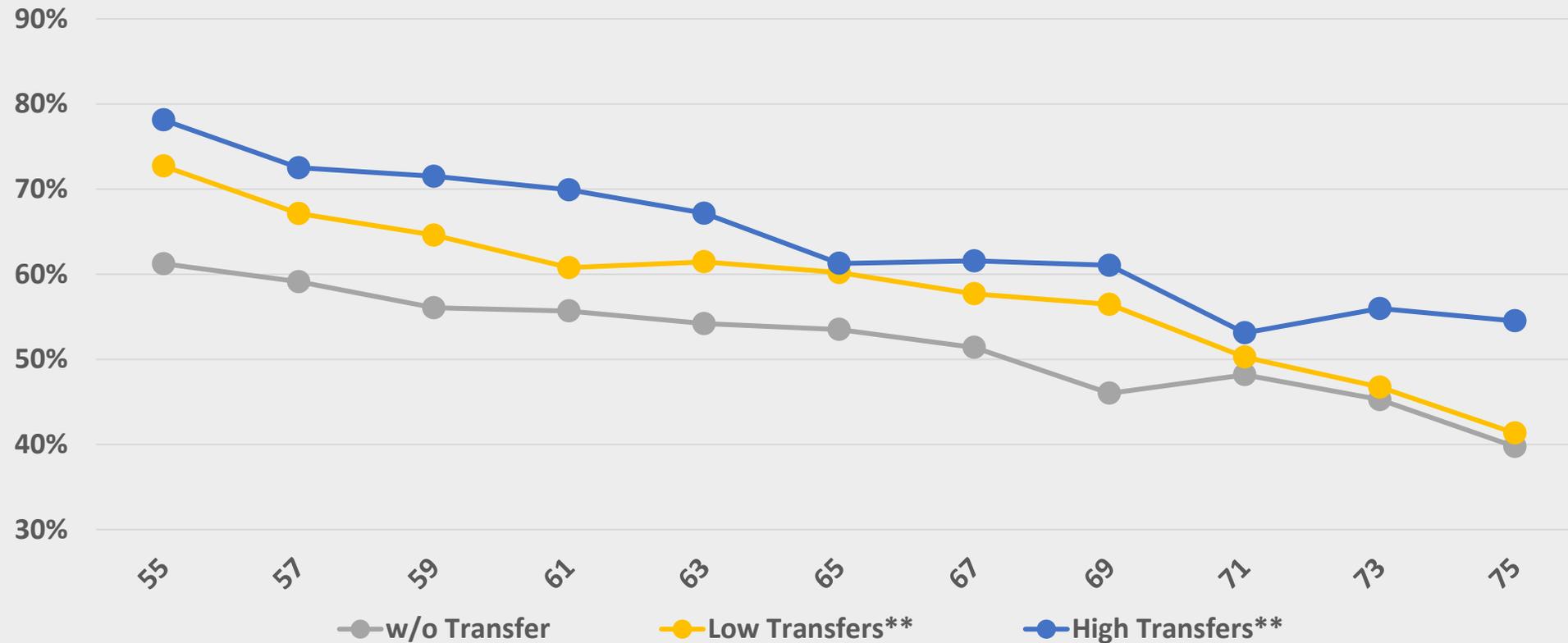
SHARE WITH DEBT*, BY HISTORY OF FINANCIAL TRANSFER TO CHILDREN AND GRANDCHILDREN



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).

SHARE WITH DEBT, BY AGE AND TRANSFER STATUS



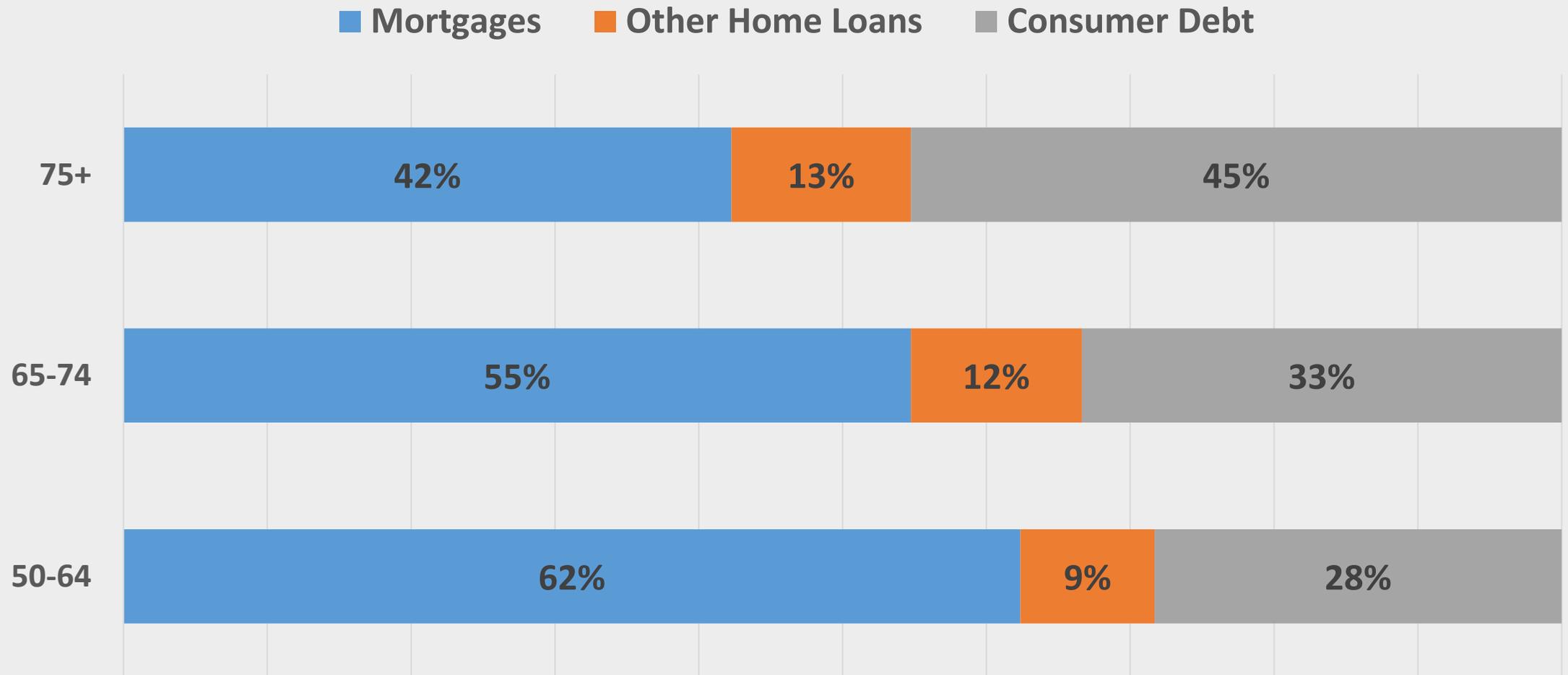
Note:** Low and high transfers are defined as having less and more than the median ratio of total transfer (made between ages 55 and 75) to non-housing assets at age 55, respectively.

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 become 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

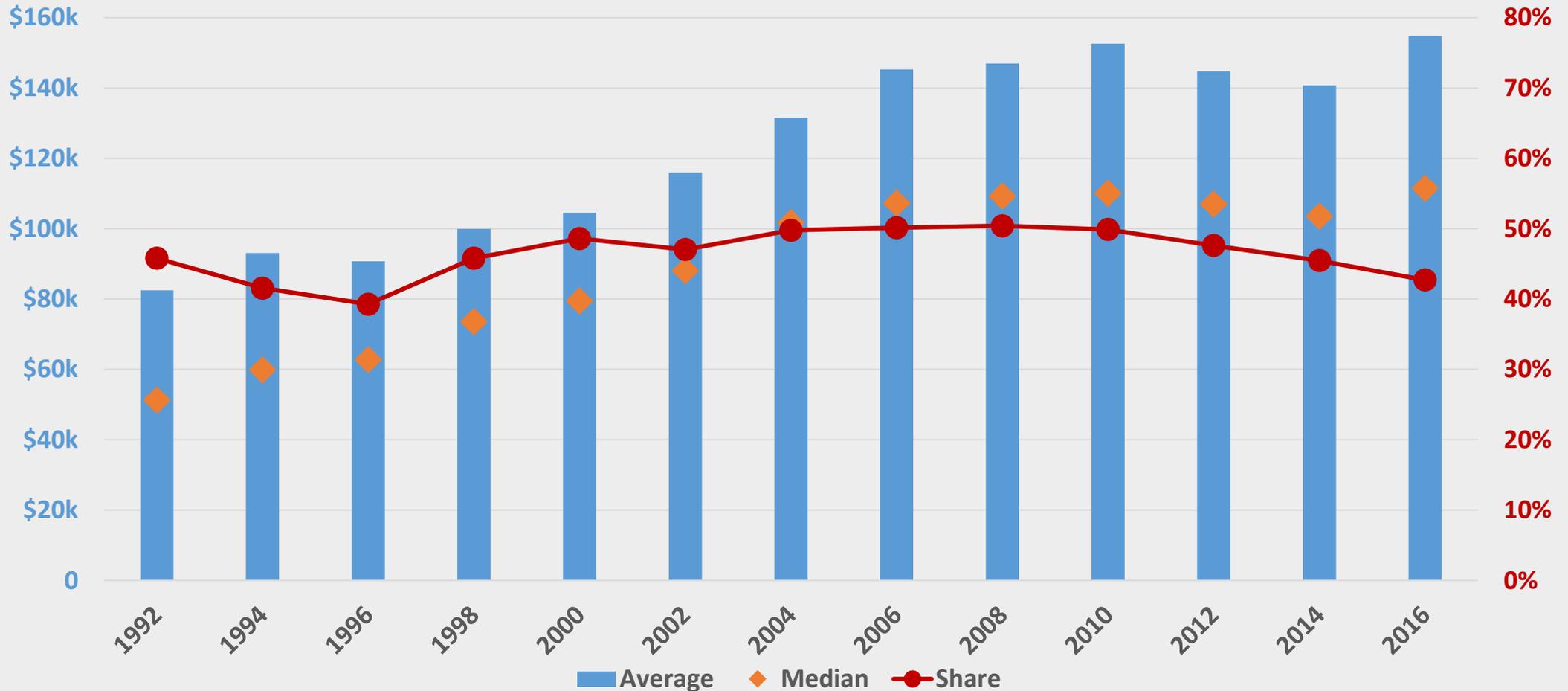
AVERAGE TYPE OF DEBT BY AGE GROUP



Note: Based on debt data 1992–2016.

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

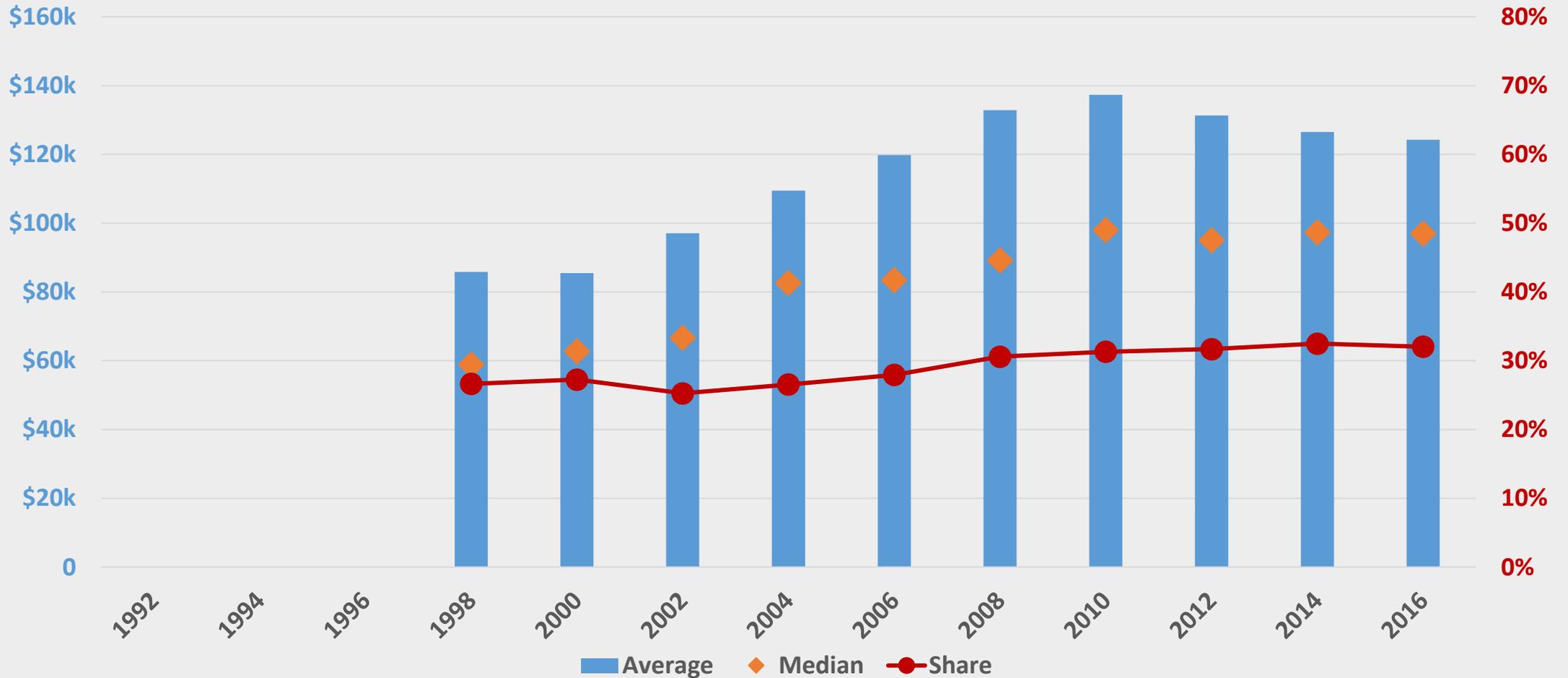
SHARE WITH MORTGAGE DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING MORTGAGE DEBT, 50-64 YEARS OLD



Note: * In 2016 dollars; HRS household weight applied for analysis.

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

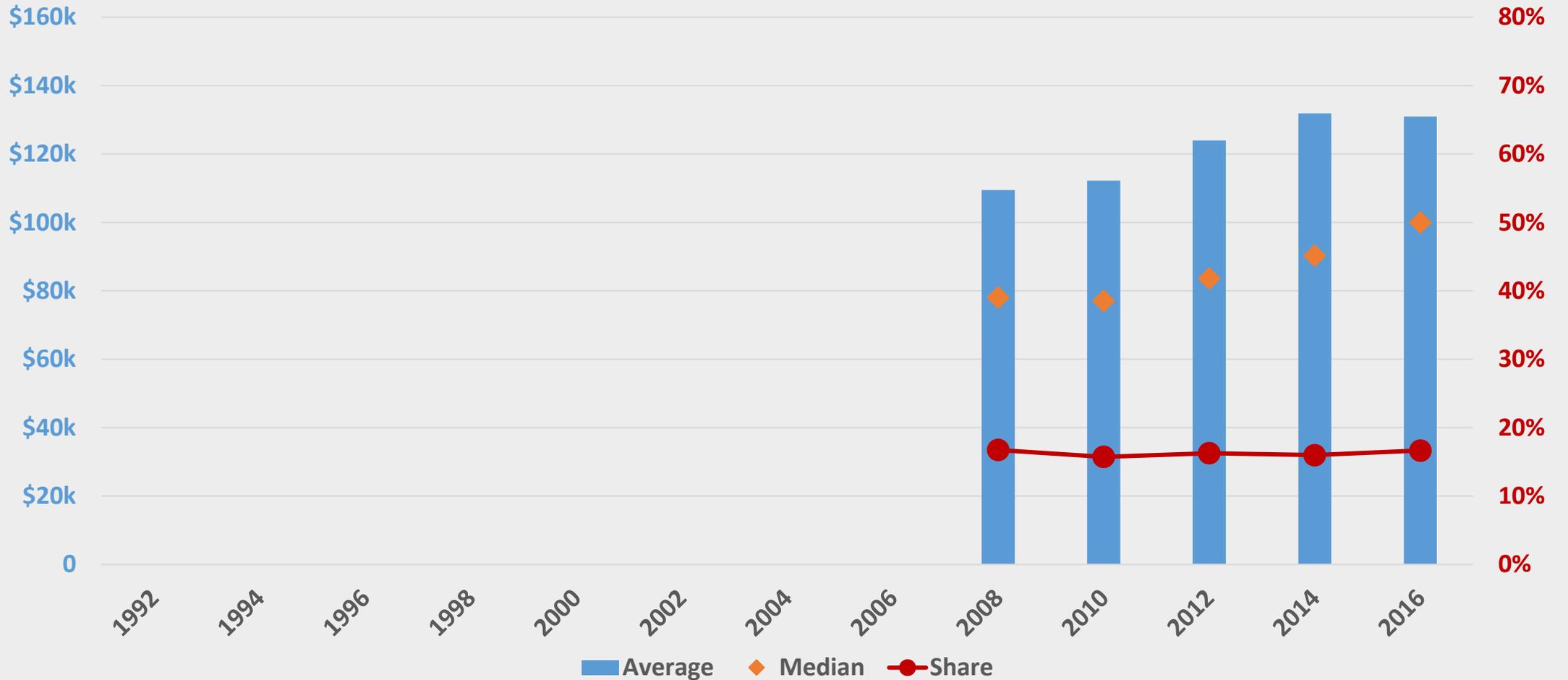
SHARE WITH MORTGAGE DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING MORTGAGE DEBT, 65-74 YEARS OLD



Note: * In 2016 dollars; HRS household weight applied for analysis.

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

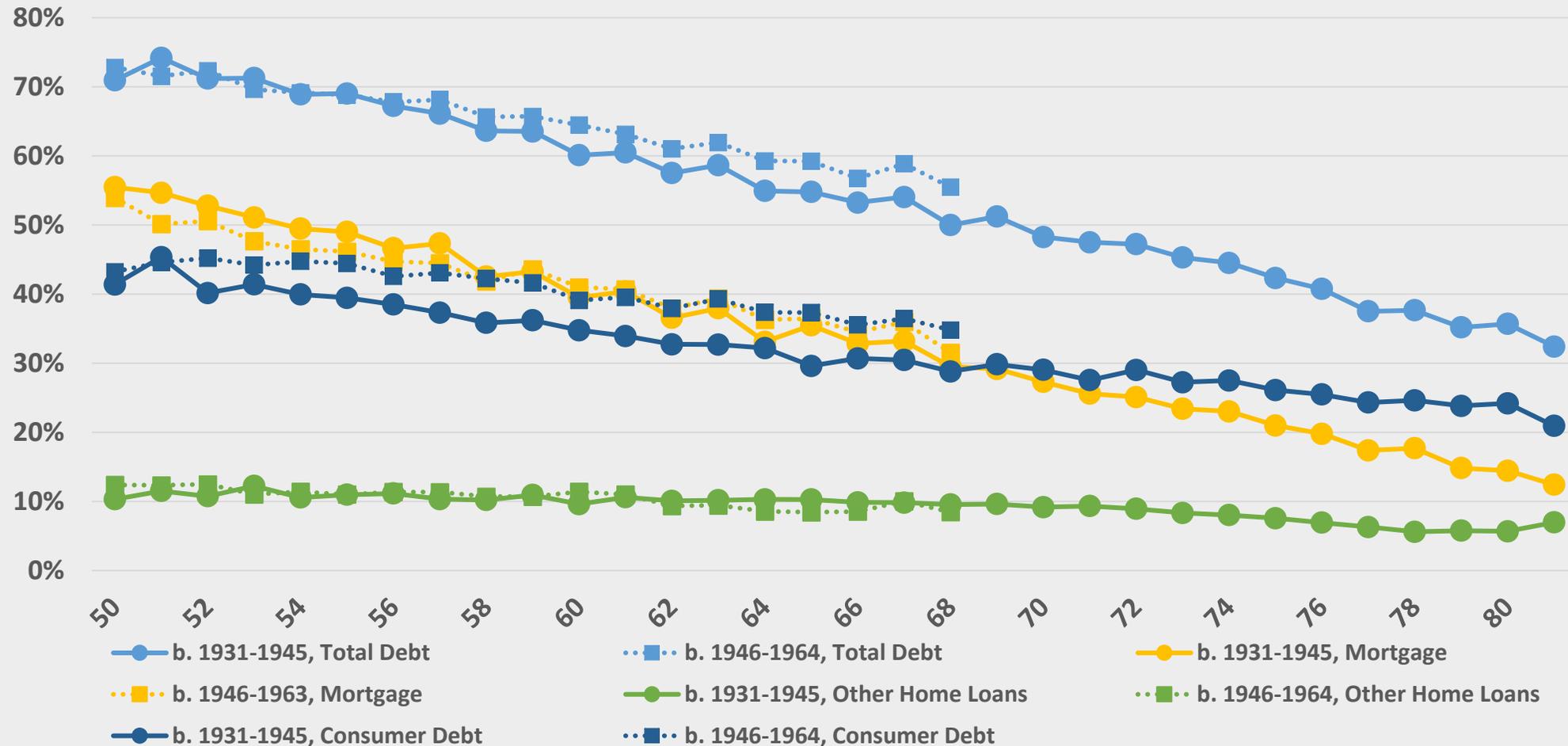
SHARE WITH MORTGAGE DEBT, AVERAGE* AND MEDIAN* TOTAL DEBT CONDITIONAL ON HAVING MORTGAGE DEBT, 75+ YEARS OLD



Note: * In 2016 dollars; HRS household weight applied for analysis.

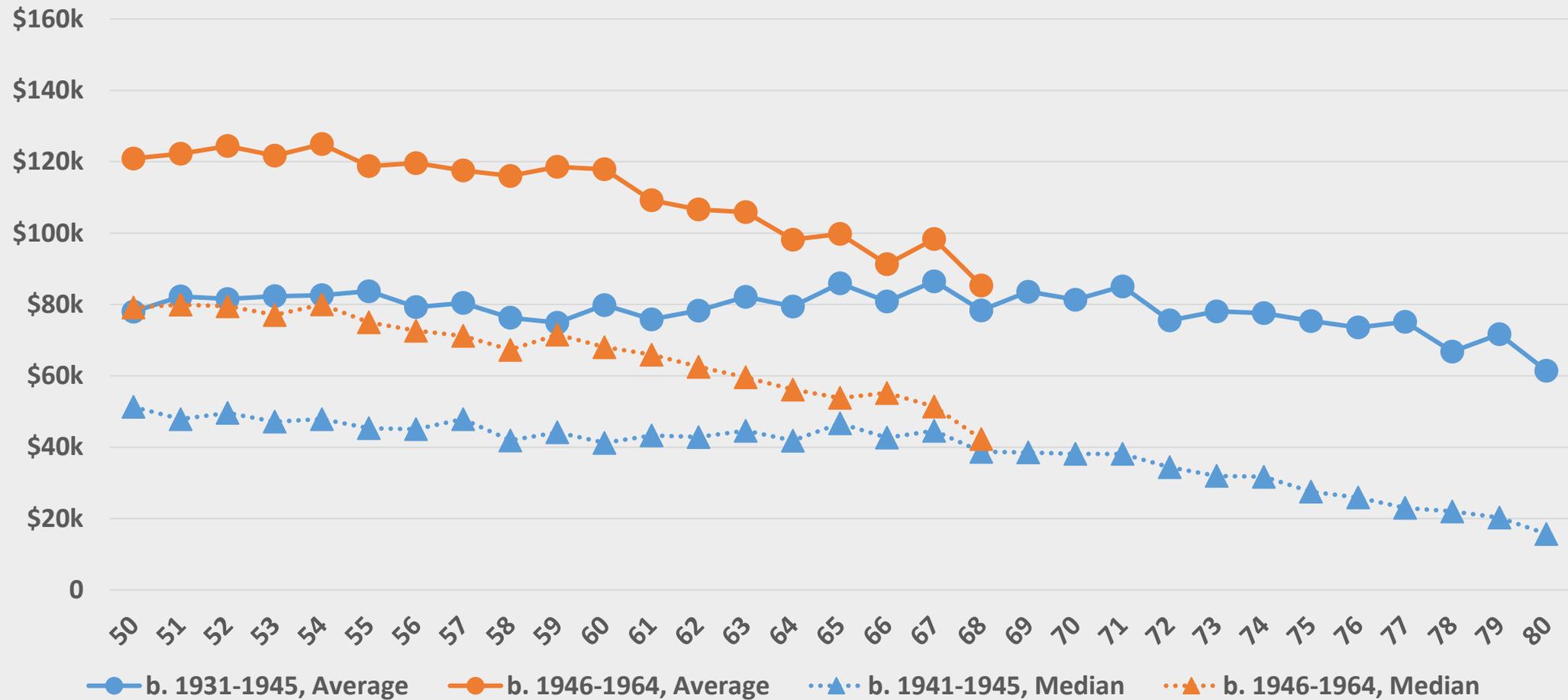
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

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).

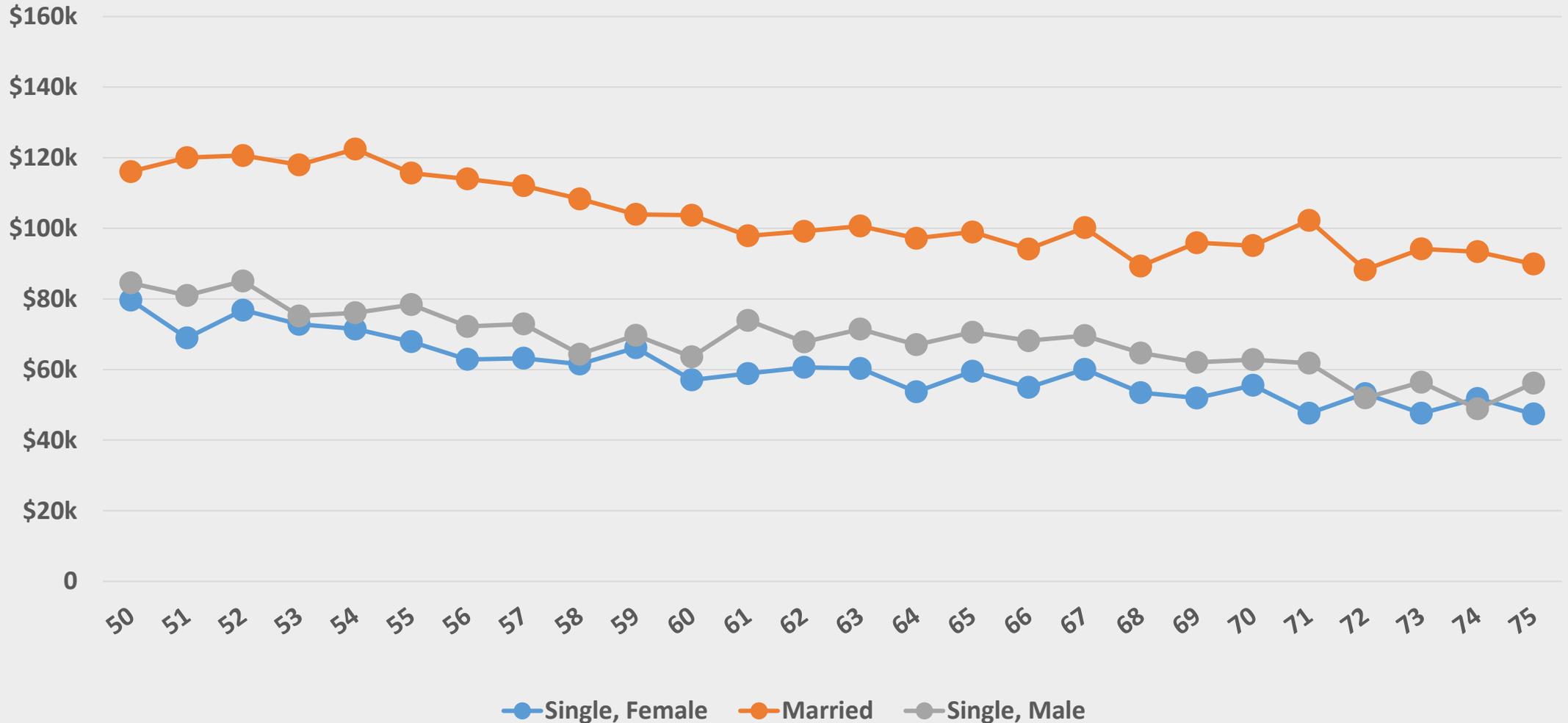
AVERAGE* AND MEDIAN* DEBT CONDITIONAL ON HAVING DEBT, BY AGE AND COHORT



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

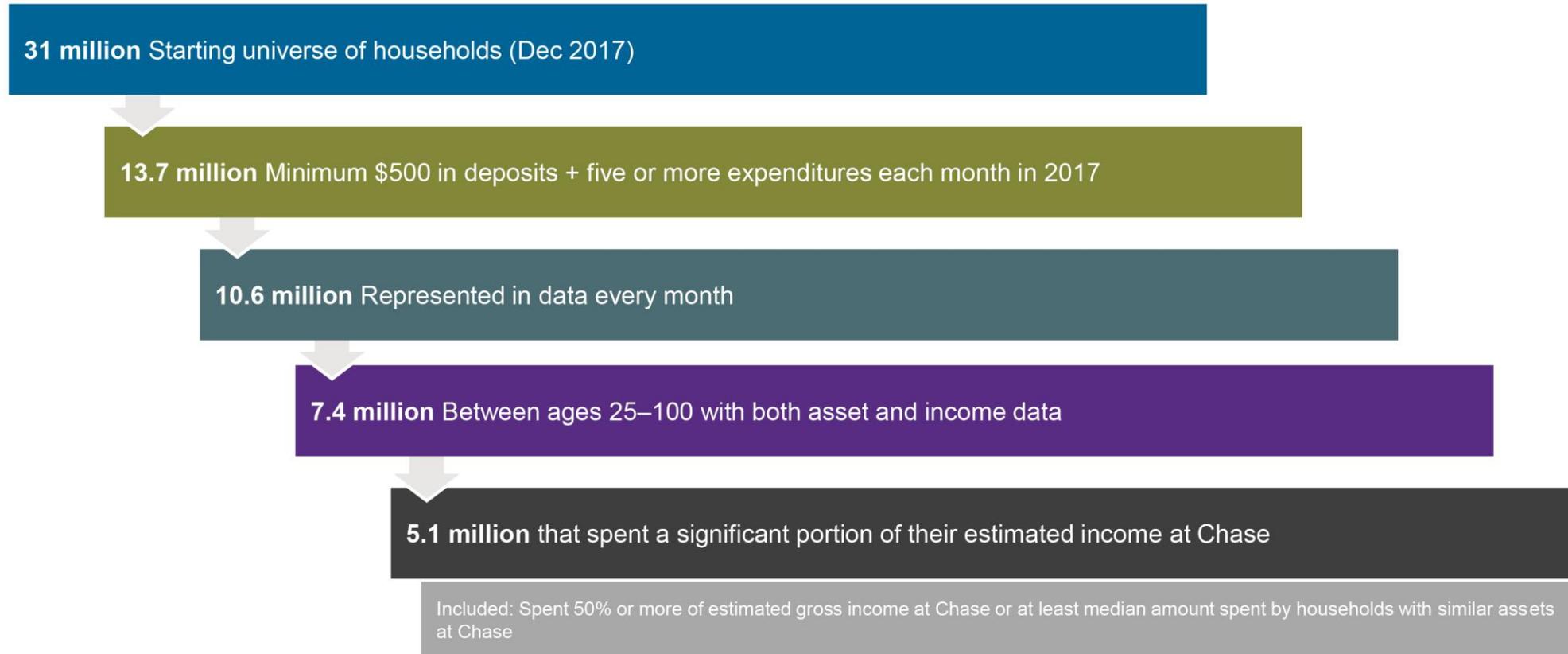


Paying it back: Real-world debt service trends and implications for retirement planning

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

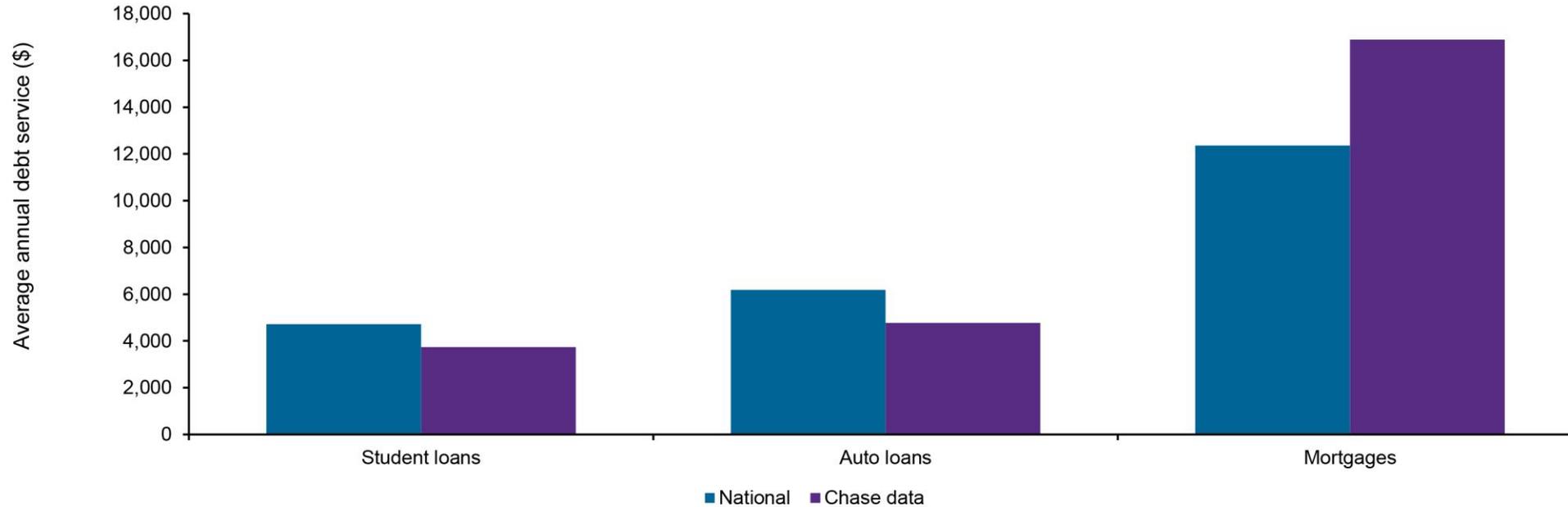


Note: Starting universe of 31 million households with both JPMorgan Chase credit card and banking relationships through year-end 2017. Chase credit card data excludes certain Chase co-branded cards.

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

Chase data debt service averages are reasonably close to national averages

Data validation

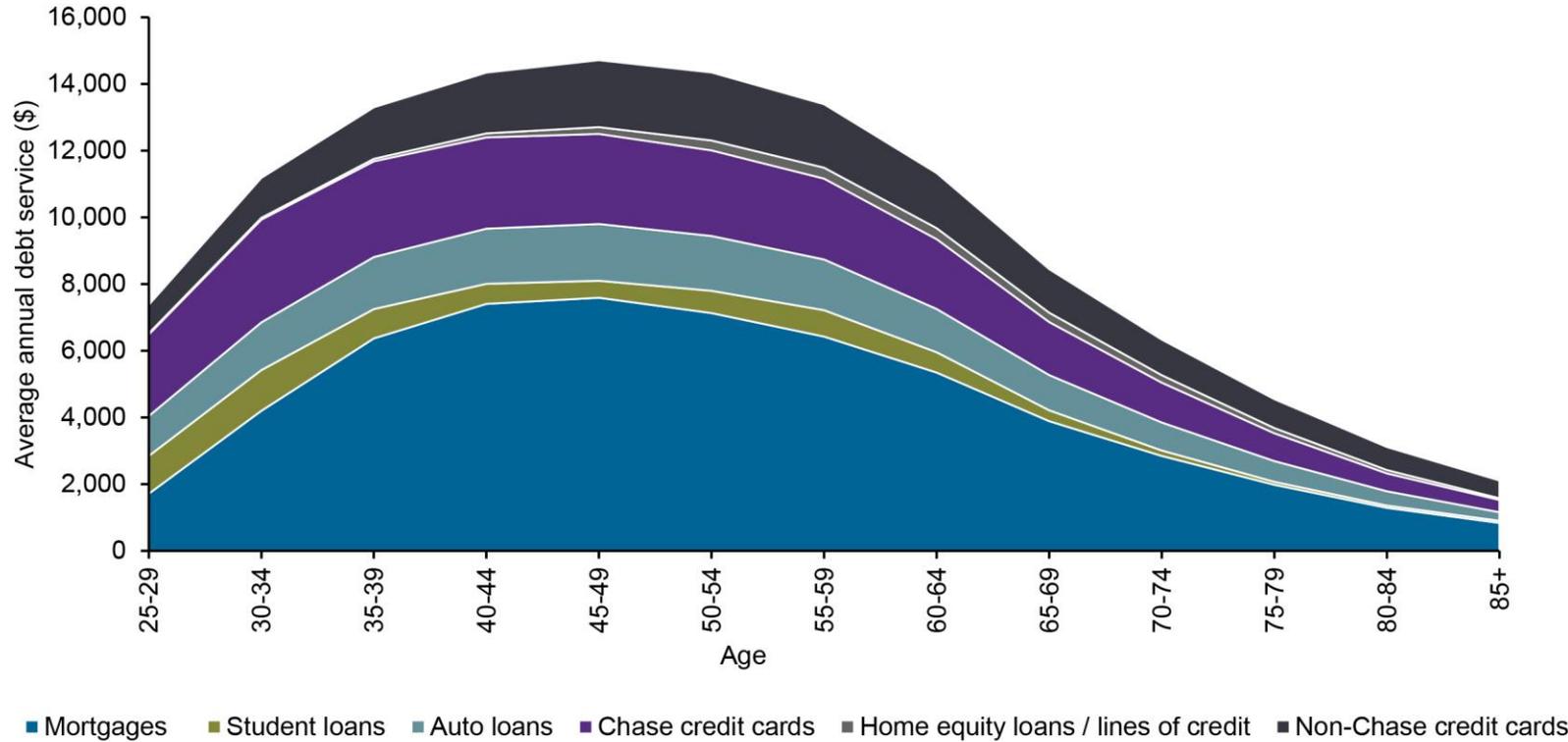


Note: Chase averages based on 5.1 million households, of which 0.86 million exhibited positive annual debt service for student loans, 1.4 million for auto loans, and 1.5 million for mortgages.

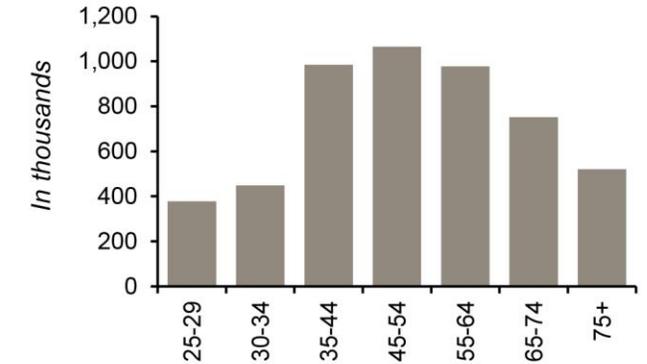
Source: National averages: Student loans, Federal Reserve, 2016 numbers published in May 2017, borrowers ages 20–30 only. Auto loans, Experian, “State of the Automotive Finance Market” Q4 2017, new vehicles only; includes neither leased (\$4,848) nor used (\$4,452) vehicles. Mortgages, Census Bureau, American Housing Survey, median from 2015.

Average annual debt service displays a clear life cycle trend

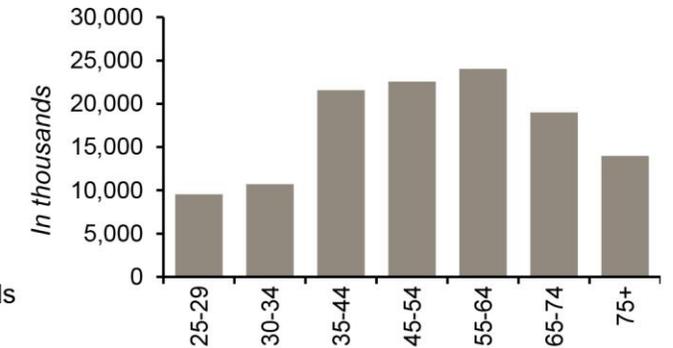
Average annual debt service patterns by age for all households



Number of Chase households by age



All U.S. households by age

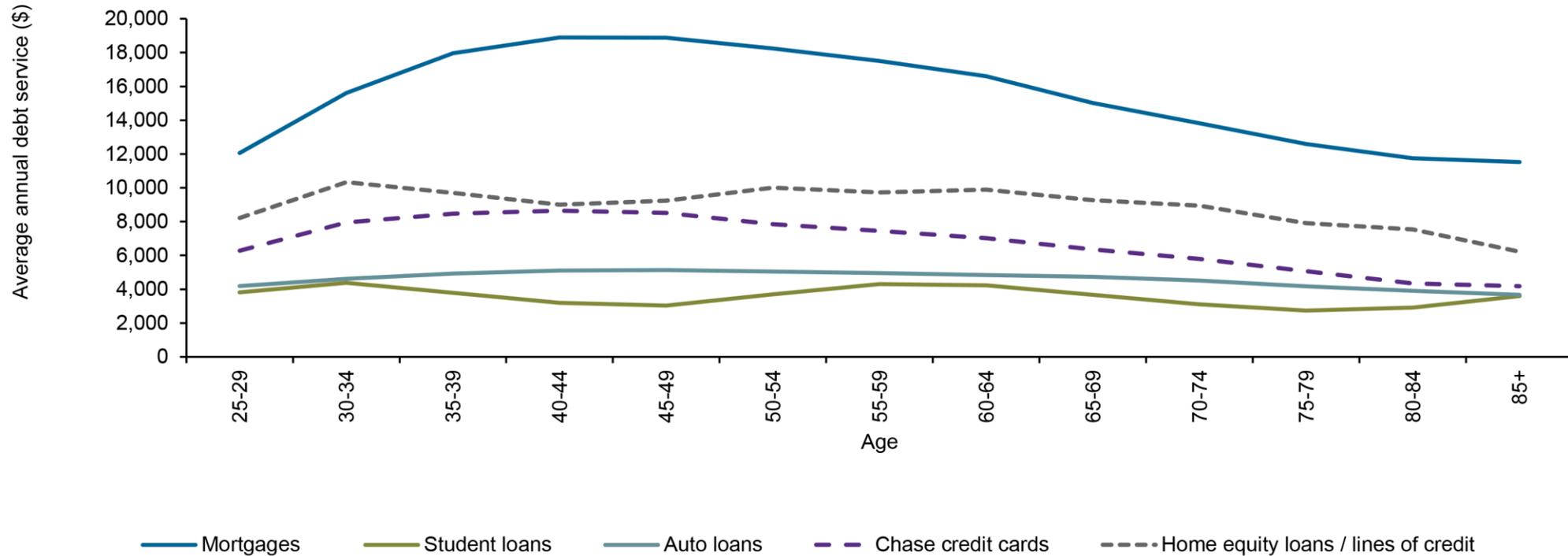


Note: Based on 5.1 million households whether or not they hold a particular category of debt. Extreme outliers excluded so that overall averages are not skewed. Average credit card payments are separated into two groups: Chase credit cards, which offer direct, detailed data, and non-Chase credit cards, 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

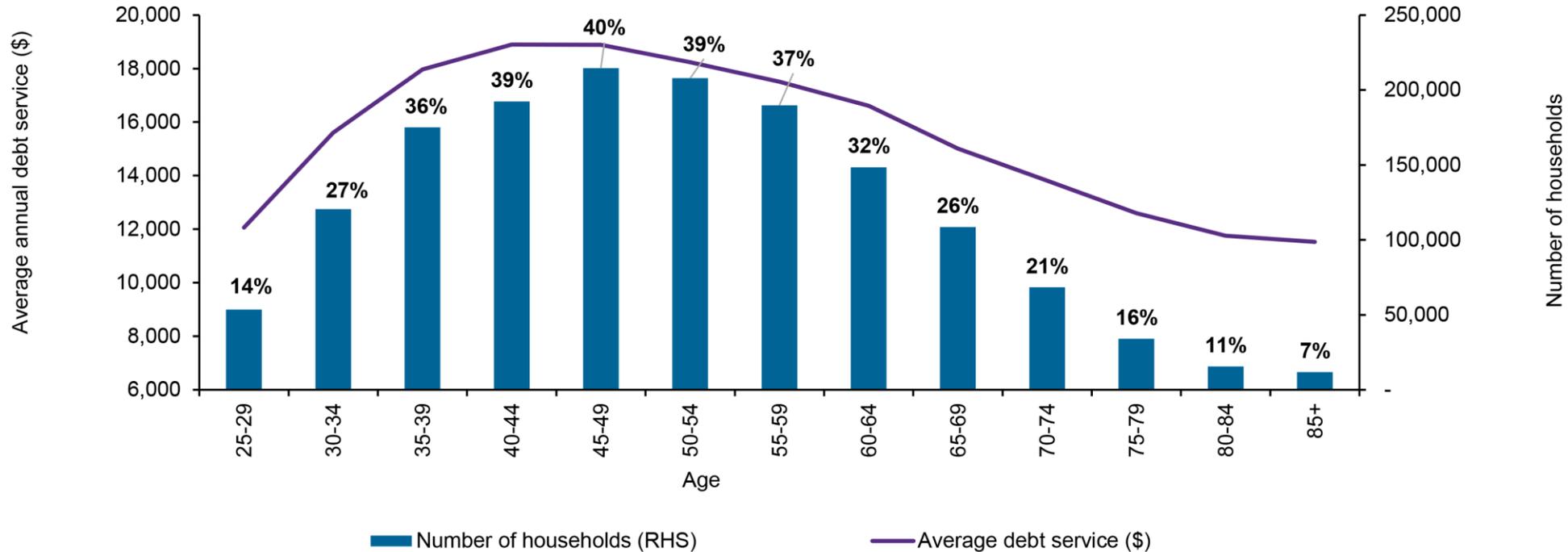


Note: Based on 5.1 million households, if they hold the particular category of debt.

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



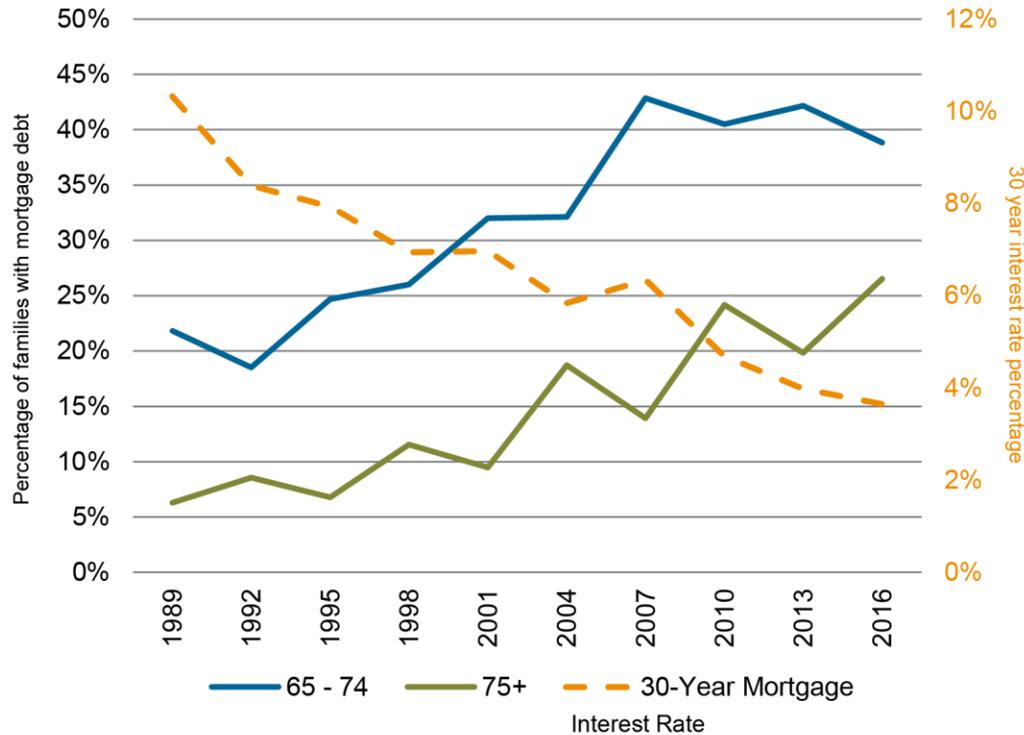
xx%: Percent of all households paying debt by age range

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.

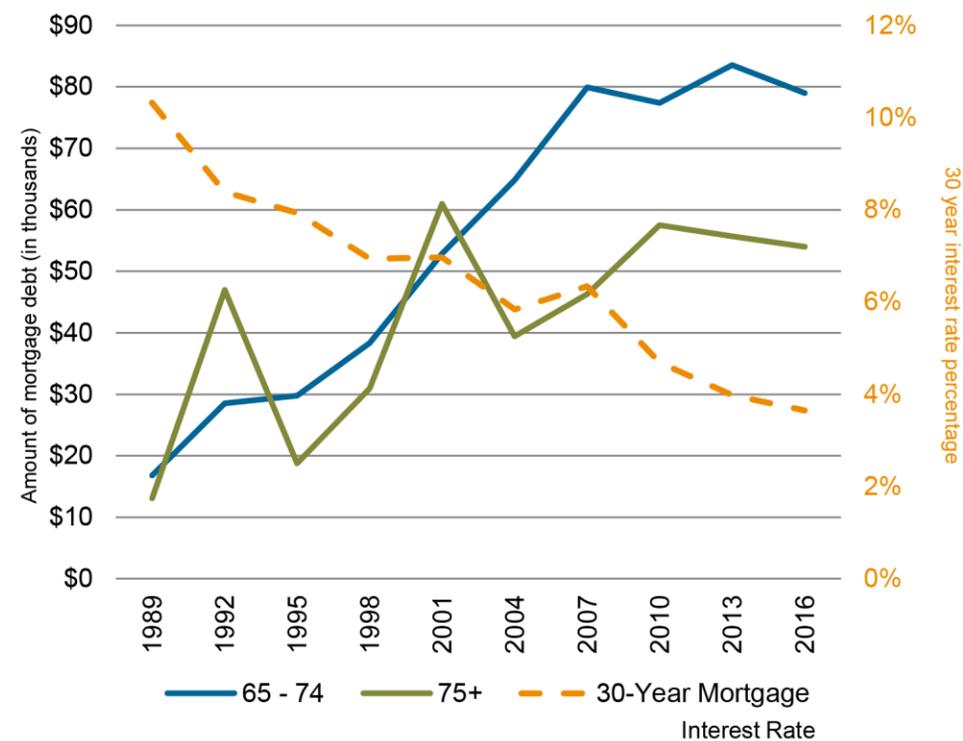
Source: J.P. Morgan Asset Management, based on Chase data.

Current mortgage retirement landscape

Percent of families with mortgage debt - primary residence



Median value of mortgage debt for families - primary residence

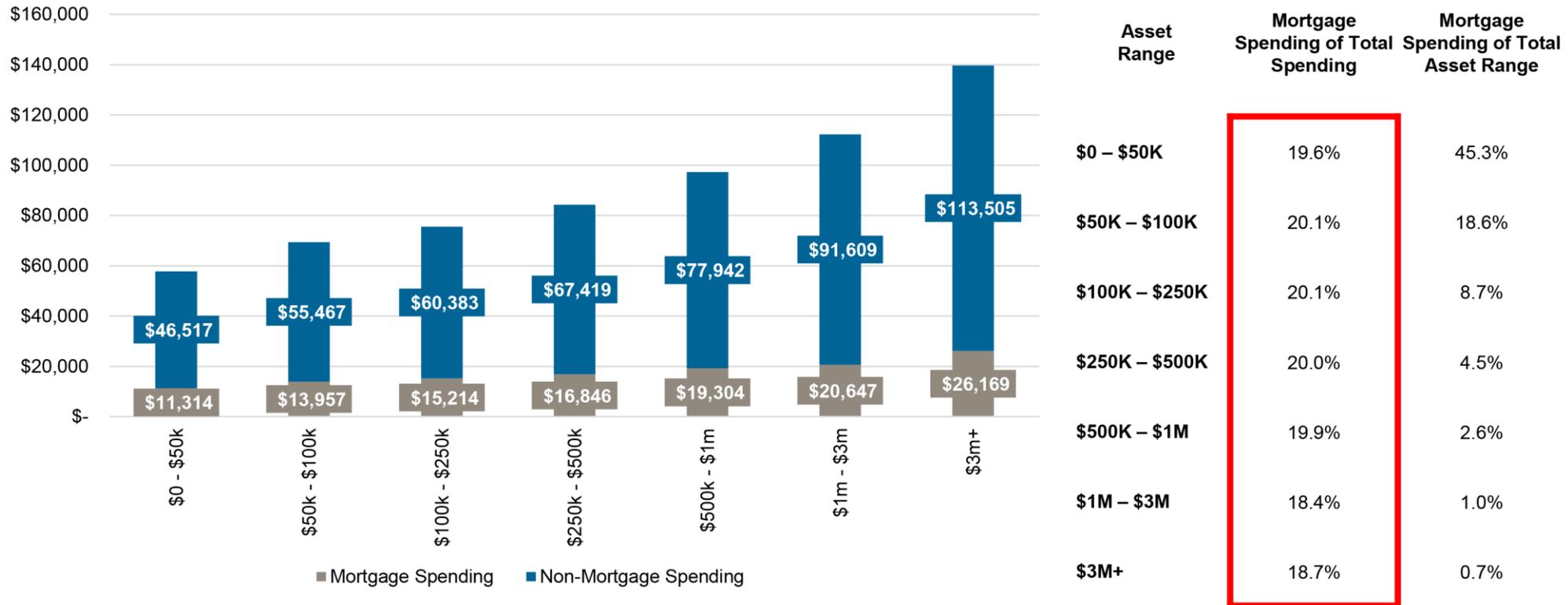


Data is from 2016 Survey of Consumer Finances (SCF)

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

Chase spending data*

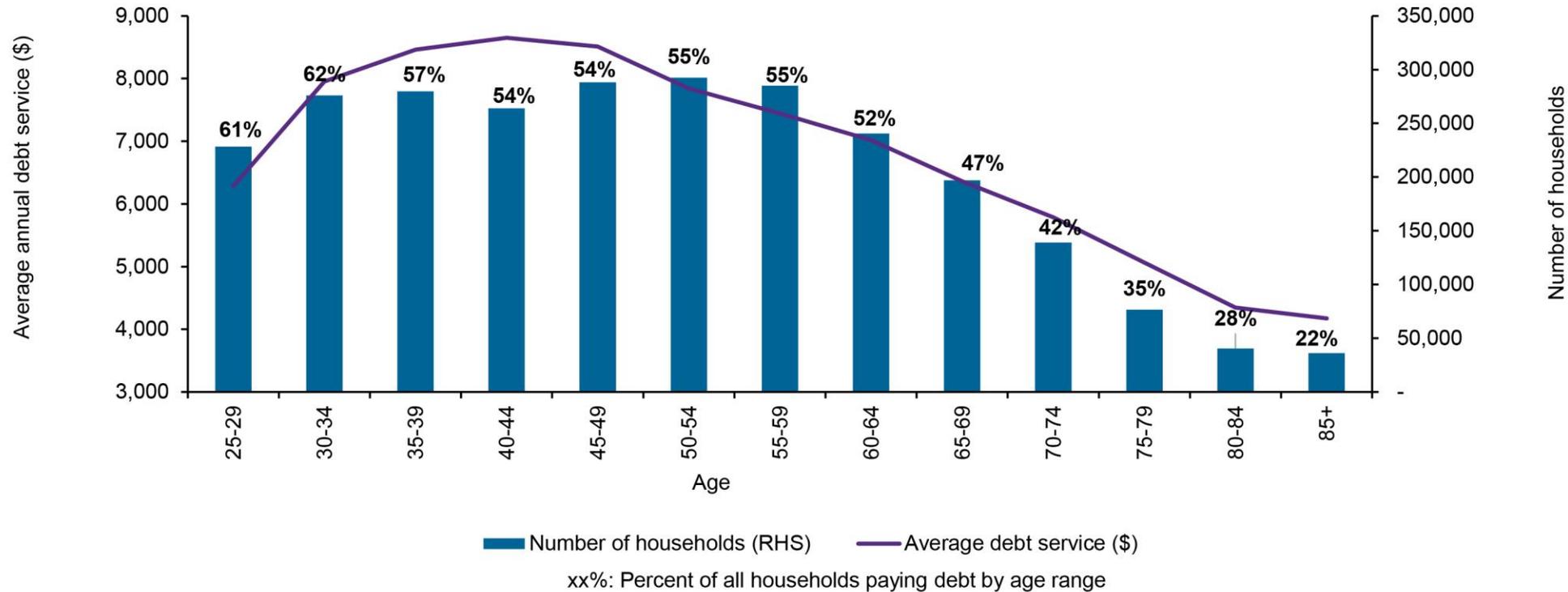
Median mortgage spending in relation to total spending in retirement



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

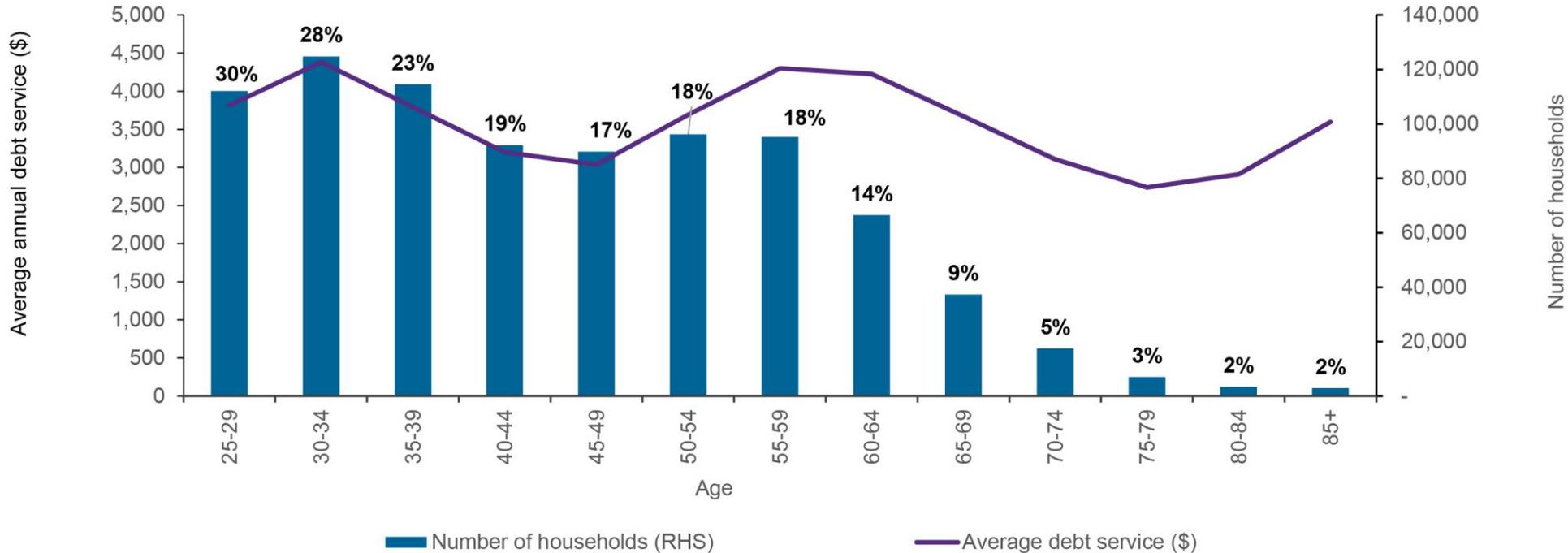


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Source: J.P. Morgan Asset Management, based on Chase data.

Parents and grandparents continue to pay student loans

Annual debt service for households with student loans



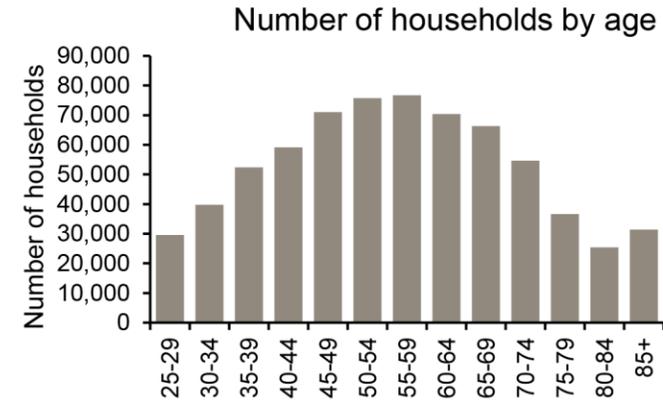
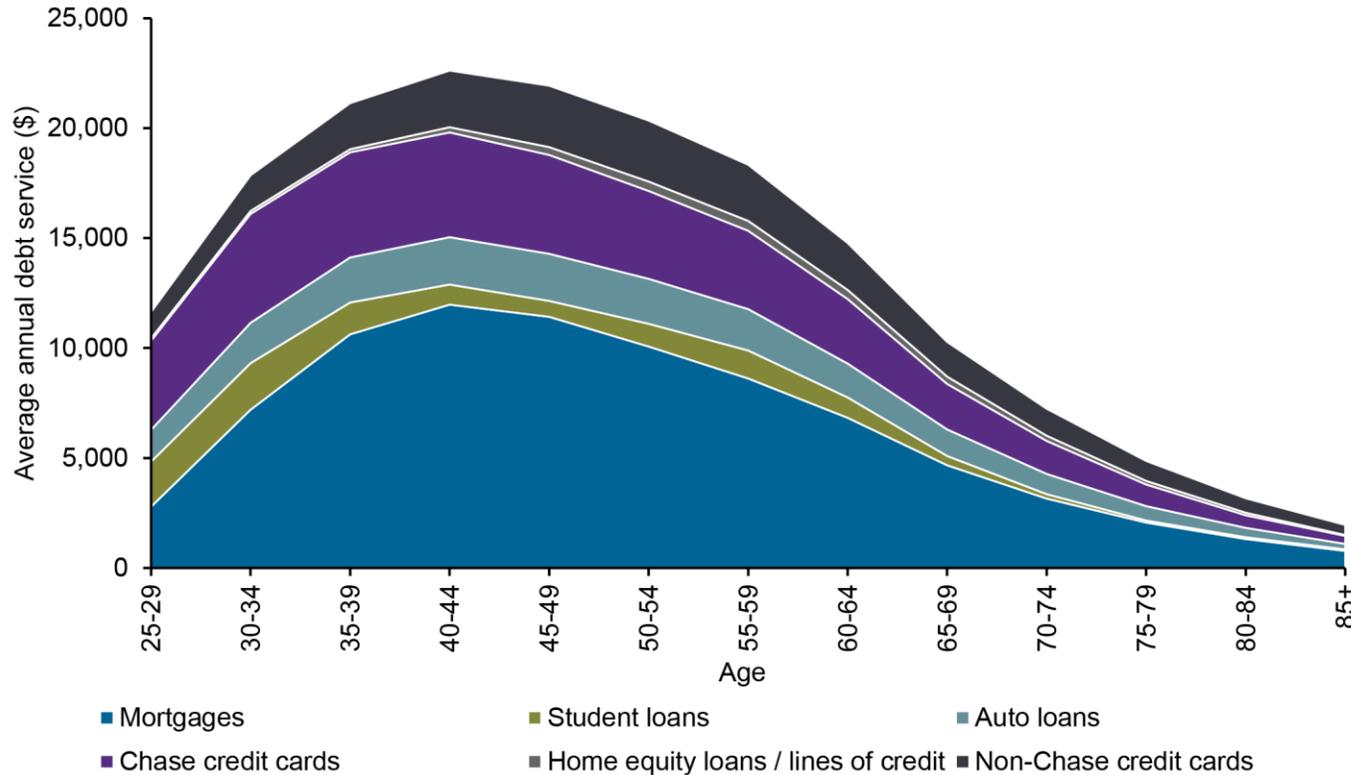
xx%: Percent of all households paying debt by age range

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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

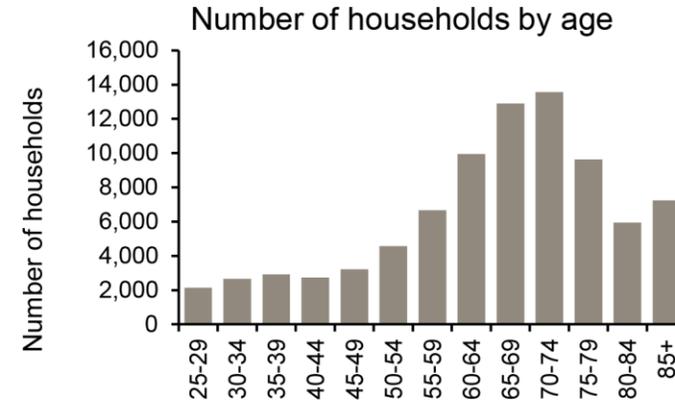
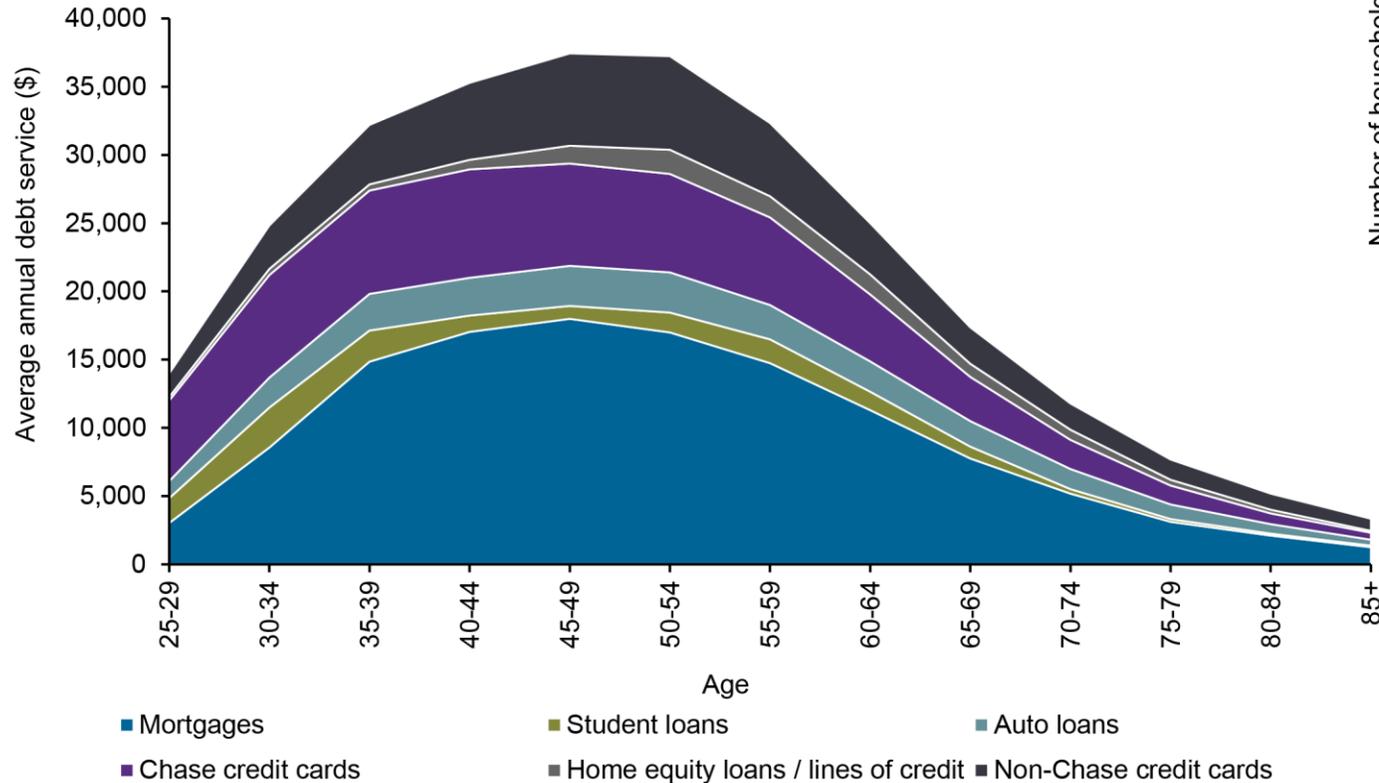


Note: A total of 689,048 households are represented in the \$50,000–\$100,000 asset range. All are included in the data whether or not they hold a particular category of debt.

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



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.

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

Appendix

Privacy standards

Data Privacy

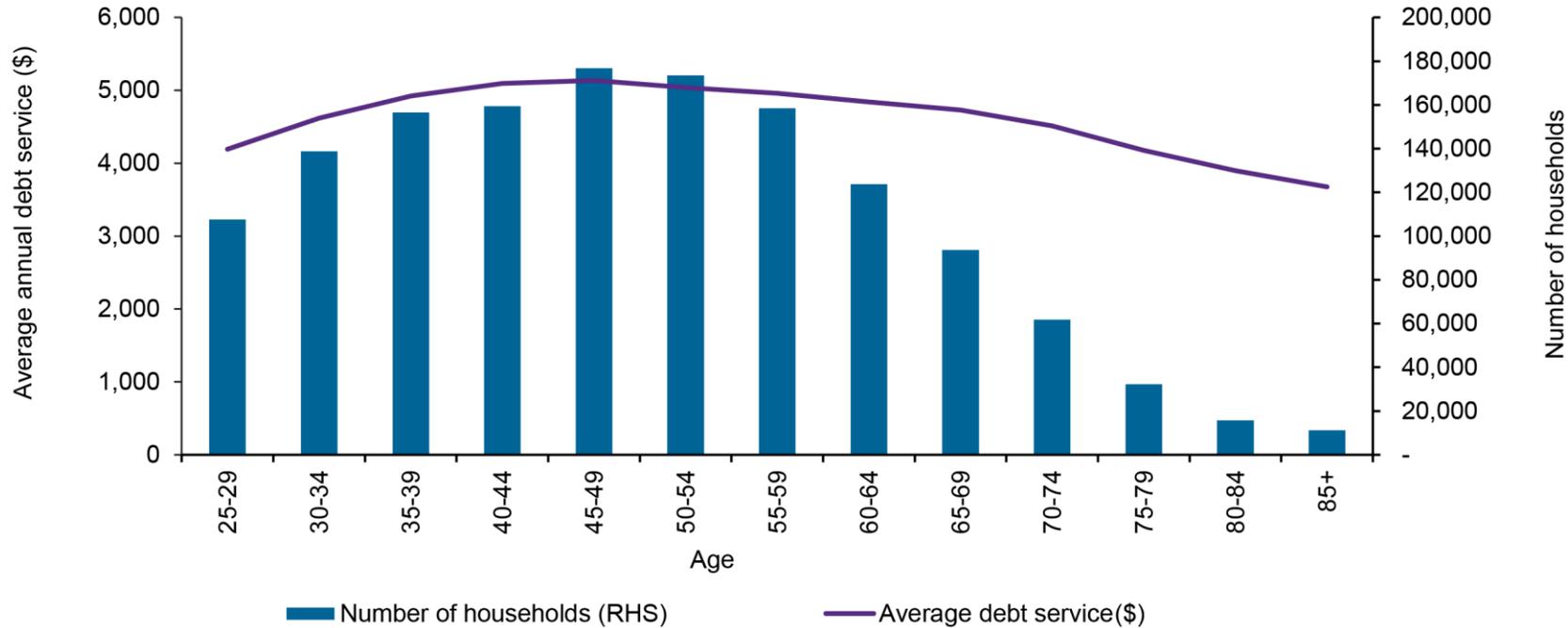
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There are several key controls and policies in place to ensure customer data are safe, secure and anonymous:

- Before J.P. Morgan Asset Management receives the data, all unique identifiable information, including names, account numbers, addresses, dates of birth and Social Security numbers, is removed.
- J.P. Morgan Asset Management has put privacy protocols for its researchers in place. Researchers are obligated to use the data solely for approved research and are obligated not to re-identify any individual represented in the data.
- J.P. Morgan Asset Management does not allow the publication of any information about an individual or entity. Any data point included in any publication based on customer data may only reflect aggregate information.
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Auto loan payments doesn't have clear life cycle pattern

Annual debt service for households with auto loans

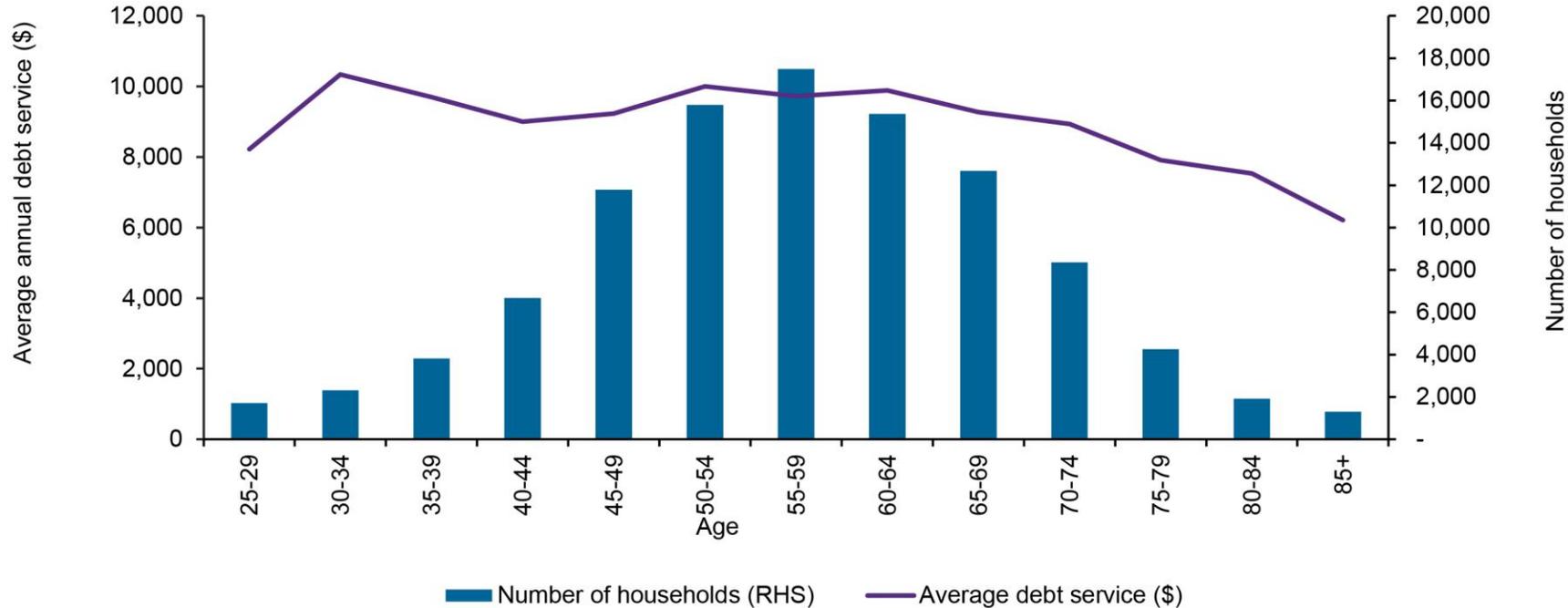


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Source: J.P. Morgan Asset Management, based on Chase data.

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 103,481 servicing home equity loan/line of credit debt.

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

Q&A



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Sponsor our events and webinars

Sign up for *EBRIinsights*

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