THE BIMONTHLY NEWSPAPER OF THE AMERICAN SOCIETY ON AGING

AGING TODAY

Vol. XXVIII, No. 1 PAGE 12 January–February 2007

ISSN: 1043-1284 www.agingtoday.org

FOR ELDERS, REPORTS FOCUS ON MATTERS OF LIFE AND DEBT

Older people in the United States are increasing their credit card debt loads to unprecedented levels, leaving many "buried in unaffordable debt," according to a pair of new studies from the National Consumer Law Center (NCLC), based in Boston. The reports, funded by the Retirement Research Foundation, also show that financial counseling programs for older Americans are inadequate, and that there is a role for senior centers and other agencies serving elders in providing needed assistance.

"The Life and Debt Cycle Part One: Implications of Rising Credit Card Debt Among Older Consumers" explains that although older people generally hold less credit card debt than younger consumers, "elders are catching up." The study found that the average credit card debt for Americans between ages 65 and 69 rose "a staggering 217% between 1992 and 2001, to $5,844. Not surprisingly, given these and other trends, elders are filing bankruptcy in record numbers."

PLASTIC SAFETY NET

The NCLC researchers found, "Many older consumers are using credit cards as a plastic safety net, to make essential purchases that they cannot otherwise afford. Others make discretionary purchases at a time when they can afford those purchases or at least afford the minimum payments." Although the vast majority of Depression-era elders intend to repay the loans, unexpected, adverse events—loss of income because of illness, disability or the death of a spouse—curtail their best intentions.

Increasingly, says the report, older boomers, a group tending to be more amenable to using consumer credit than their parents, are also finding themselves debt-ridden. Those who raised children later in life end up paying college loans and other expenses into their retirement years. Many boomers are also becoming caregivers for older parents. "Overall, both the younger and older segments of the elder population are going into debt, filing bankruptcy and in many cases losing their homes in greater numbers than ever before," says the study.

Ominously, the report emphasizes, "For many retirees, Social Security and pension income are simply no longer sufficient to meet day-to-day needs. In rapidly increasing numbers, elders are using credit to pay for necessities like groceries, prescription drugs and urgent house repairs. Others fall into traps set by credit card companies and do not always know that they are borrowing at an unaffordable pace." Simply falling back on a convenient credit card to pay for prescription drugs, for example, "can send these older consumers into a spiral of late fees and increased rates that is impossible to escape."

Commenting, "there is little margin for error with older populations," the authors note that many people slip in and out of poverty during their working years and have little time to replace their financial resources and save. In addition, the researchers found "widespread financial illiteracy among older Americans."

CAUSES OF DEBT

The report shows that the primary causes of escalating debt and bankruptcy among older adults include the following:

• **Shrinking income:** Most older Americans live on low incomes that stagnated or declined during most of the '90s, while their basic costs increased.

• **Higher expenses:** Principal among these are higher housing costs, rising out-of-pocket healthcare expenditures, increased energy and utility charges, and rising property taxes.

• **Creditor practices** that push consumers to borrow beyond their means. “The danger comes from the borrowing features of credit cards, the exorbitant costs of borrowing, and the downward spiral that hits consumers once they get into trouble,” notes the study.

The report is highly critical of such harmful practices by lenders as high interest rates, aggressive solicitation, punitive fees, deceptive marketing and debt-collection abuses.

Among NCLC’s policy recommendations to stem credit card debt—although not necessarily credit card use among older consumers—the report calls for reinstating substantive limits on the terms and cost of credit, especially on interest rates, fees and charges. The authors suggest increased promotion of debit card use—“but only if debit card users are afforded the same protections as credit card users.” They also call for regulators to prohibit “the most dangerous credit card terms and practices,” and to improve disclosures of terms and practices by credit card companies.

FINDING HELP

Part two of the study, titled “The Life and Debt Cycle Part Two: Finding Help for Older Consumers With Credit Card Debt,” stresses that the elder assistance network in the United States “is only beginning to recognize the ways in which debt burdens threaten older consumers’ independence and well-being.”

NCLC investigators examined programs in 10 states, surveying state departments on aging, local area agencies on aging (AAAs), state AARP offices and senior centers to evaluate the types of credit and debt-related services they offer. They also scrutinized where agencies referred consumers if they did not offer in-house assistance.

The researchers found that although some agencies have developed innovative programs to help older consumers understand and manage their finances and debt, comprehensive programs “are more of the exception than the rule.” Although the study concedes that the aging network cannot all offer debt and credit-related services, the researchers found it troubling that most not providing direct services “are often unaware of appropriate referrals.” Most referrals for help tend to be to traditional credit counseling organizations, which the report’s authors called “striking given the serious problems with the industry in recent years.”

The researchers’ survey of credit counseling agencies showed on average, 20% of the agency’s clients were 60 or older, and 87% of respondents affirmed that this percentage has increased in the past five years. Two-thirds of credit counselors questioned said that older clients sought advice on reverse mortgages, followed by counseling on medical bills, increased access to credit cards, and debt related to helping family members or raising grandchildren.

The report notes “the great potential for credit counseling agencies to step up and develop programs that target the needs of older consumers,” and notes that many have already done so. Because the consequences of debt problems for elders can fall to multiple agencies, the research team also notes that each organization “can do more to recognize these problems, develop programs to address them and coordinate with other agencies and services in their communities.” Effective interventions range from those that are straightforward and cost-efficient to more complicated cases. Some complex circumstances, for example, might require sending a case manager trained in debt and credit issues to homebound elders. Although this solution can be costly, the report states, “there is too much at stake not to try.”

Among its key recommendations, the study calls on the states to enact strong state laws to regulate the abusive practices of counseling agencies; on senior centers and other nonprofit agencies working with older consumers to develop programs and outreach efforts sensitive to elders’ needs; the creation of “holistic” reverse-mortgage assistance programs with follow-up counseling; and specific counseling and services for medical debt problems, including information about prescription drug assistance.

Both reports are posted online at *www.nclc.org/action_agenda/seniors_initiative/index.shtml*. ❖

