

Debt Profile of Older Americans – Video Transcript

The percentage of older Americans with debt is at its highest level in almost 30 years, and the amount and types of debt are on the rise.

In recent years, the increase has largely been driven by the 75-and-older age group – a somewhat surprising revelation.

From 2010 to 2019, the percentage of this group that carried debt rose from 38.5% to 51.4%, the highest level since 1992.

Mortgages comprise the largest slice of debt carried by older Americans. Baby boomers tend to have more housing debt than older generations, mostly due to more expensive home purchases financed by smaller down payments. Consequently, economic factors that affect the housing market — such as changes in interest rates, home prices, and tax changes related to mortgages — may have a significant impact on the financial situations of both current and future retirees.

Credit card debt is the second largest form of debt among older Americans. In 2019, 28% of those age 75 and older reported having credit-card debt, the highest level ever.

Other types of debt carried by seniors include medical debt, auto loans, and student loans. Student loan debt is the fastest-growing type of debt held by older adults, who typically borrow on behalf of adult children or grandchildren to help with college costs.

Debt can pose various problems for older Americans. It can force some seniors to tap retirement accounts earlier than planned or live a leaner lifestyle than expected. Some people might even experience negative health consequences from the stress of carrying high debt loads, which can create more financial need and a downward spiral.

If you are retired or nearing retirement, it's a good idea to evaluate your debt obligations with the goal of reducing them over time. And if you still have many years ahead of you until retirement, consider making debt reduction as high a priority as building your retirement nest egg.

Sources: Center for Retirement Research at Boston College, 2020; Employee Benefit Research Institute, 2020