Demographic and Socioeconomic Characteristics of Older Households with Debt: 2019

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SUMMARY

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Demographic and Social Socioeconomic Characteristics of Older Households with Debt: 2019

Debt among aged households (i.e., households whose head is 65 years old or older) has increased substantially in the past three decades. From 1992 to 2019, the share of aged households with debt increased from 43.0% to 62.1%, and the median amount of debt among aged households with debt rose from $7,294 to $34,000 (in 2019 dollars).

Comparing the debt to a household's assets or income can suggest the risk that the debt poses to the household's financial health. These debt ratios generally had small increases from 1992 to 2019. In 2019:

- 4.8% of aged households with debt had a negative net worth, or debt that is greater than assets.
- The median debt-to-asset ratio (or leverage ratio), which measures the share of assets borrowed, was 12.8% for aged households with any debt. About 7.3% of aged households with debt had a debt-to-asset ratio greater than 80% (a level usually used by financial institutions to determine the interest rate offered for mortgages).
- The median debt-payment-to-income ratio—the share of income available to make required debt payments—was 13.7% among aged households with any debt, and about 9.6% of indebted aged households had a debt-payment-to-income ratio greater than 40% (a percentage often used by financial institutions to make decisions on loan applications).
- About 2.5% of aged households with debt had delinquent debt payments past due 60 days or more.

These statistics show that while debt may not be a large concern for aged households overall, debt may be problematic for certain subgroups. Debt holdings and debt burden among older households generally vary by demographic and socioeconomic characteristics. In 2019, for example:

- Households headed by individuals aged 80 years and older were less likely to hold debt than were aged households younger than age 80, but if they did have debt, they were more likely to have a debt-payment-to-income ratio greater than 40% and were more likely to be delinquent on debt payments;
- Aged households who identified as Black/African American, Hispanic, or Latino were more likely to have a negative net worth than households who identified as other races, and they were also more likely to have a leverage ratio greater than 80%, a debt-payment-to-income ratio greater than 40%, and a higher delinquency rate;
- Aged single households—divorced or separated, widowed, and never married households—were more likely to have negative net worth, a leverage ratio greater than 80%, and a debt-payment-to-income ratio greater than 40%; and
- Aged households in the bottom 40% of the household income distribution were more likely to have negative net worth, and those in the bottom 20% of the household income distribution were more likely to have a higher leverage ratio and a debt-payment-to-income ratio greater than 40%.

Primary residence mortgage debt was the largest type of debt among aged households, while credit card debt was the most common type of debt in 2019. Mortgages are typically considered to be a relatively safe type of debt to hold because they are secured by a home, which generally retains or increases in value, while credit card debt often has high variable interest rates and is not secured by any underlying assets. Student loan debt has increased among aged households in the past two decades, and aged households with student loans were significantly more likely to have student loans for children than for themselves or their spouses. Stakeholders have expressed concern that holding student loan debt in retirement may affect the financial balance sheets of older households. Unlike other types of loans, student loans are usually not discharged if a borrower declares bankruptcy, and some Social Security benefits can be withheld to recover the student loan balance. Compared with households that identified as another race, aged households who identified as Black/African American were less likely to have primary residence mortgage debt but more likely to have student loan and credit card debt.

Some older households with debt—such as certain minorities, single households, and people with limited income or assets—may have limited income to service debt. Policymakers have proposed and implemented policies to help older debtors, such as programs to improve older Americans' financial literacy with debt management and to change the impact of student loans on Social Security income and retirement savings.

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Introduction

In recent years, older Americans have been increasingly likely to carry debt into retirement, and over time, the median amount of debt for older households has also grown substantially.[1] From 1992 to 2019, the share of households headed by individuals aged 65 and older (or *aged households*) who held any debt increased from 43.0% to 62.1%, and their median debt level rose from $7,294 to $34,000 (in 2019 dollars).

Compared with younger households, older households are generally less likely to have debt;[2] however, the older population's share of debt and new bankruptcies has increased in the past 20 years. For example, from 2000 to the end of 2020, the share of total U.S. debt balance held by individuals aged 60 and older increased from 12% to 23%, and the share of new bankruptcies filed by those aged 60 and older increased from 10% to 22%.[3]

Several factors may have contributed to increased debt among older households. For example, compared with earlier cohorts, people now have longer life expectancies[4] and better health,[5] and they work longer,[6] so they may have chosen to maintain more debt later in life. Additionally, increases in prices for housing, automobiles, and education, as well as longer loan maturities for certain types of debt, may have resulted in more households with debt during retirement.[7]

Stakeholders have concerns about how increases in debt affect retirement security. First, rising debt burdens increase older households' monthly expenses, potentially leaving fewer funds available for consumption of life necessities, such as food, health care, and prescription drugs. Second, in addition to mortgage debt, the older population's increased debt burden also results from increased student loans and credit card debts. Aged households with student loans were significantly more likely to have student loans for their children than for themselves or their spouses.[8] Stakeholders have expressed concern that holding student loan debt in retirement may

[1] CRS Report R45911, *Household Debt Among Older Americans, 1989-2016*.

[2] In 2019, about 81.9% of households headed by those younger than age 65 had some debt, with a median debt of $80,000. This data is consistent with life-cycle models of behavior—people tend to borrow the most in young adulthood, borrow less during middle age, and then slowly deleverage through old age as they pay down debt. See, for example, Franco Modigliani and Richard Brumberg, "Utility Analysis and the Consumption Function: An Interpretation of Cross-Section Data," in *Post-Keynesian Economics*, ed. Kenneth K. Kurihara (New Brunswick, NJ: Rutgers University Press, 1954), pp. 388-436; and Milton Friedman, "The Permanent Income Hypothesis," in *A Theory of the Consumption Function*, ed. Milton Friedman (Princeton, NJ: Princeton University Press, 1957), pp. 20-37.

[3] New York Fed Consumer Credit Panel/Equifax, Household Debt and Credit, Report 2020 Q4, Charts 20 and 30, https://www.newyorkfed.org/microeconomics/hhdc/background.html.

[4] See Social Security Board of Trustees, *The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, 2020, Table V.A4, https://www.ssa.gov/OACT/TR/2020/index.html.

[5] See Richard W. Johnson, "Is It Time to Raise the Social Security Retirement Age?," Urban Institute, November 2018; Alicia H. Munnell, "Socioeconomic Barriers to Working Longer," *Journal of the American Society on Aging* (Fall 2019), pp. 42-50; Congressional Budget Office, *Employment of People Ages 55 to 79*, September 2019.

[6] U.S. Bureau of Labor Statistics, "Employment Projections: Civilian Labor Force Participation Rate by Age, Sex, Race, and Ethnicity," September 2020, https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm.

[7] See Annamaria Lusardi, Olivia Mitchell, and Noemi Oggero, *Debt and Financial Vulnerability on the Verge of Retirement*, National Bureau of Economic Research, Working Paper no. 23664, August 2017; CRS In Focus IF11192, *The Automobile Lending Market and Policy Issues*; and Congressional Budget Office, *The Volume and Repayment of Federal Student Loans: 1995 to 2017*, November 2020.

[8] Government Accountability Office, *Debt Increased for Older Americans over Time, but the Implications Vary by Debt Type*, GAO-21-170, April 2021.

affect the financial balance sheets of older households. Unlike other types of loans, student loans are usually not discharged if a borrower declares bankruptcy, and some Social Security benefits can be withheld to recover the student loan balance.[9] Credit cards often have high variable interest rates and are not secured by any underlying assets. Lastly, increased debt burdens may disproportionately affect certain vulnerable groups of the older population, such as minorities and people with limited income or assets.[10]

This report discusses debt among older households based on various demographic and socioeconomic characteristics, such as age, race/ethnicity, education, marital status, home ownership, and household income or asset distributions. The report also discusses policy options related to debt and retirement security. Understanding how debt may affect different types of older households may help policymakers evaluate debt-related financial risks and the financial security of the older population.

Survey of Consumer Finances Data

Data analysis in this report is primarily based on the Federal Reserve's 2019 Survey of Consumer Finances (SCF). The SCF is a triennial survey conducted on behalf of the Board of Governors of the Federal Reserve and contains detailed information on U.S. household finances, such as the amount and types of assets owned, the amount and sources of income, the amount and types of debt owed, and detailed demographic information on the head of the household and spouse.[11] The SCF is designed to be nationally representative of the population of U.S. households, of which there were 128.6 million in 2019.[12]

The debt information in the SCF is generally collected at the household level. Types of debt include primary residence mortgages, other residential debt, auto loans, student loans, and credit card debt, as well as other types of debt.[13] Because the SCF data was collected before the onset of the COVID-19 pandemic, the results in this report show pre-pandemic debt holdings among older households.[14]

[9] See 31 U.S.C. §3716(c)(3)(A); 31 C.F.R. §285.4(e).

[10] See, for example, Barbara A. Butrica and Stipica Mudrazija, *Financial Security at Older Ages*, Center for Retirement Research at Boston College, WP 2020-19, December 2020.

[11] Because the data are based on a survey, they are estimates and have sampling error—that is, the difference between a sample statistic used to estimate a population parameter and the actual value of the parameter known only by surveying the entire population. The SCF, like other surveys, also likely contains nonsampling error—error due to causes other than the fact that a sample was used in place of the entire population (for instance, respondents misremembering or misreporting income amounts, respondents failing to answer the questionnaire, or errors occurring during the processing of the data file).

[12] *Household* in the SCF is defined as "the primary economic unit, which consists of an economically dominant single individual or couple (married or living as partners) in a household and all other individuals in the household who are financially interdependent with that individual or couple." For information on the SCF, see Board of Governors of the Federal Reserve System, "Survey of Consumer Finances (SCF)," https://www.federalreserve.gov/econres/scfindex.htm.

[13] Other debt products may include loans for household appliances, furniture, hobby or recreational equipment, medical bills, a business or investment, or loans from friends or relatives. For more information on consumer finance, see CRS Report R45813, *An Overview of Consumer Finance and Policy Issues*.

[14] For information about household debt during the pandemic, see CRS Report R46578, *COVID-19: Household Debt During the Pandemic*.

Debt Holding for Aged Households

In 2019, about 62.1% of aged households held debt. Among aged households that held any debt, the median debt amount was $34,000, and the average amount was $98,959.[15]

In general, households can use assets to guard against financial risks. In many cases, the more assets a household has, the less likely it is to default on its debt. In 2019, 4.8% of aged households with debt had *negative net worth* (i.e., more debt than assets). Negative net worth may potentially suggest unsustainable debts and pose a serious financial risk for the household because, in case of income loss, the household could not sell assets to pay off its debts.

The *debt-to-asset ratio* (or leverage ratio) is the quotient of total debt to total assets, which indicates the share of a household's assets that are borrowed. Lenders usually use this ratio to determine if the household has the ability to meet debt obligations in case of income losses (e.g., unemployment) or unexpected increase in expenses (e.g., emergencies and medical bills). Generally, the lower the ratio, the greater the capability of the household to manage debt payments. The household can have a higher debt-to-asset ratio because it has relatively higher debt, lower asset values, or both. For example, households with large amount of mortgage debts may have moderate debt-to-asset ratios because a house, while a debt, is also usually the largest type of asset for households. A household that does not own a home may have a large debt-to-asset ratio for a small amount of debt due to a lower asset level.

This report uses two measures regarding the debt-to-asset ratio: (1) the median level among aged households with debt and (2) the share of aged households with debt who had a debt-to-asset ratio greater than 80%. The 80% leverage level is sometimes used by financial institutions to determine if a household qualifies for favorable mortgage interest rates.[16] In 2019, the median debt-to-asset ratio was 12.8% for aged households with any debt, and about 7.3% of those aged households had a debt-to-asset ratio greater than 80%.

Debt burden can also be calculated by comparing required debt payments to the income available to make those payments—the *debt-payment-to-income ratio*. The ratio can measure the effects of interest rate changes and loan sizes on a household's liquidity (e.g., cash available for consumption). The lower the ratio, the greater the availability of household funds to cover the debt payment as well as other household needs and the lower the risk the household will be unable to cover its debt payments. A household can have a higher debt-payment-to-income ratio because it has relatively higher debt payments, lower income, or both. Households that have limited income could have a higher debt-payment-to-income ratio with even a small amount of debt.

This report uses two measures related to the debt-payment-to-income ratio: (1) the median debt-payment-to-income ratio among aged households with debt and (2) the share of aged households with debt that had a debt-payment-to-income ratio greater than 40%. Financial institutions often use the 40% debt-payment-to-income ratio to make decisions on mortgage loan approval (meaning that households with a ratio of less than 40% are more likely to be approved for mortgage loans as less of their income is required to make debt payments). In 2019, the median debt-payment-to-income ratio was 13.7% among aged households with debt, and about 9.6% of

[15] The median debt lies at the middle of the debt distribution. Half of households have higher debt, and half have lower debt. The average debt is generally higher than the median debt because a relatively small percentage of households have very high amounts of debt. The median is therefore widely considered to be a more accurate measure of average debt.

[16] For more information, see CRS Report R42995, *An Overview of the Housing Finance System in the United States*.

those households had required debt payments accounting for more than 40% of income available to make those payments.

Delinquent payments may also suggest trouble meeting debt obligations. In 2019, about 2.5% of aged households with debt had debt payments past due 60 days or more.

Historical Trends in Debt Among Aged Households

Table 1 displays debt measures for aged households in 1992, 2001, 2010 and 2019 (or every nine years over the past three decades). The share of aged households that had any debt generally increased over time, while the median debt amount for aged households with debt peaked in 2010, the year after the recession from December 2007 to June 2009. Debt ratios also reached their highest levels in 2010, most likely resulting from the negative effect of the 2007-2009 recession on household finances. While these debt ratios generally decreased from 2010 to 2019, most of them appeared to be higher in 2019 than the levels in 1992 or 2001.

Table 1. Debt Measures for Aged Households in Selected Years, 1992-2019

	1992	2001	2010	2019
Share of aged households with debt	43.0%	43.2%	52.3%	62.1%
Median debt of aged households with debt (in 2019 dollars)	$7,294	$15,887	$46,894	$34,000
Share of aged households with negative net worth	2.7%	3.9%	5.4%	4.8%
Debt-to-asset ratio among aged households with debt				
Median ratio	5.3%	7.9%	16.0%	12.8%
Share with ratio greater than 80%	3.6%	5.0%	9.1%	7.3%
Debt-payment-to-income ratio among aged households with debt				
Median ratio	9.2%	12.0%	15.8%	13.7%
Share with ratio greater than 40%	9.3%	14.6%	12.0%	9.6%
Share of aged households with debt payments past due 60 days or more	1.3%	1.3%	5.0%	2.5%

Source: CRS analysis of the Survey of Consumer Finances in 1992, 2001, 2010, and 2019.

Notes: Aged households are those headed by individuals aged 65 and older. Negative net worth indicates that a household has more debt than assets. Debt-to-asset ratio is the quotient of total debt to total assets. Debt-payment-to-income ratio is the quotient of required debt payments to the income available to make those payments.

Comparing Aged Households with Younger Households

Table 2 displays various debt measures and their changes from 1992 to 2019 for two age groups—households whose heads were aged 45-64 (younger households) and those aged 65 and older (aged households). Aged households generally held less debt and had less debt burden than did younger households. However, aged households appeared to have a larger growth in debt than did younger households from 1992 to 2019.

Aged households had relatively larger growth in the share of debt holding and the median debt than younger households did. From 1992 to 2019, the share of aged households who had any debt increased by 19.1 percentage points, compared with 2.7 percentage points for younger households. The median debt among aged households with debt increased by 366.1%, compared with 95.8% for younger households.

From 1992 to 2019, the share of aged households with debt that had negative net worth increased 2.1 percentage points, while their median debt-to-asset ratio and the share with the ratio greater than 80% grew 7.5 and 3.7 percentage points, respectively. The increase in those relative debt measures appeared to be at a similar level as younger households. This change implies that the growth in debt slightly outpaced the growth in assets for many younger and aged households from 1992 to 2019.

From 1992 to 2019, the median debt-payment-to-income ratio and delinquency rate (i.e., share of households with debt payment past due 60 days or more) for aged households increased 4.5 and 1.2 percentage points, respectively, compared with almost no change for younger households.

Table 2. Changes in Debt Measures from 1992 to 2019, by Age of Household Heads

Percentage change is labeled in % and percentage points change in pp.

	Household Heads Aged 45-64			Household Heads Aged 65 and Older		
	1992	2019	Change 1992-2019	1992	2019	Change 1992-2019
Share of households with debt	78.6%	81.3%	2.7pp	43.0%	62.1%	19.1pp
Median debt of households with debt (in 2019 dollars)	$43,012	$84,200	95.8%	$7,294	$34,000	366.1%
Share of households with negative net worth	4.5%	8.3%	3.7pp	2.7%	4.8%	2.1pp
Debt-to-asset ratio among households with debt						
Median ratio	19.3%	26.1%	6.8pp	5.3%	12.8%	7.5pp
Share with ratio greater than 80%	7.5%	12.3%	4.8pp	3.6%	7.3%	3.7pp
Debt-payment-to-income ratio among households with debt						
Median ratio	15.6%	15.8%	0.2pp	9.2%	13.7%	4.5pp
Share with ratio greater than 40%	12.3%	9.9%	-2.4pp	9.3%	9.6%	0.3pp
Share of households with debt payments past due 60 days or more	5.1%	5.6%	0.4pp	1.3%	2.5%	1.2pp

Source: CRS analysis of the Survey of Consumer Finances in 1992 and 2019.

Notes: Negative net worth indicates that a household has more debt than assets. Debt-to-asset ratio is the quotient of total debt to total assets. Debt-payment-to-income ratio is the quotient of required debt payments to the income available to make those payments.

2019 Household Debt for Aged Households, by Demographic and Socioeconomic Characteristics

This section describes debt among aged households in 2019 and how their debt holdings, net worth, and other debt measures differ by demographic and socioeconomic characteristics, including age, race/ethnicity, education, marital status, home ownership, and household income or asset distributions.

Table 3 displays debt among aged households by demographic and socioeconomic characteristics in 2019, including the prevalence of debt, median and average amount of debt, and the share of aged households with debt that had negative net worth. **Table 4** shows debt ratios for aged households in 2019 along these same demographic and socioeconomic lines, including the debt-to-asset ratio, the debt-payment-to-income ratio, and the delinquency rate. Debt holdings and debt burden among older households generally vary by demographic and socioeconomic characteristics. These statistics show that while debt may not be a large concern for aged households overall, debt may be problematic for certain subgroups (discussions shown in the sections after **Table 4**).

Table 3. Debt Holding for Aged Households, by Demographic and Socioeconomic Characteristics, 2019

The highest value of each debt measure in each category is in bold.

		Among Households with Debt		
	Share of Households with Debt	Median	Average	Share with Negative Net Worth
Total	62.1%	$34,000	$98,959	4.8%
Age				
Age 65-69	69.6%	31,100	100,948	**5.6%**
Age 70-74	**70.4%**	**42,100**	**110,430**	4.6%
Age 75-79	57.2%	41,100	86,795	4.3%
Age 80 and older	44.8%	22,000	88,024	4.1%
Race/Ethnicity				
White (non-Hispanic)	62.0%	40,000	105,917	3.1%
Black/African American	**65.8%**	14,900	49,989	**14.1%**
Hispanic or Latino	56.7%	40,000	70,436	9.7%
Other	55.8%	**182,000**	**184,449**	0.0%
Education				
No high school diploma	49.7%	10,000	30,368	5.0%
High school diploma	57.1%	16,250	51,054	**7.1%**
Some college or associate degrees	**69.8%**	42,000	80,311	5.3%
Bachelor degree and higher	64.3%	**71,000**	**159,715**	3.1%

	Share of Households with Debt	Among Households with Debt		
		Median	Average	Share with Negative Net Worth
Marital Status				
Married	**68.1%**	**57,480**	**133,606**	1.4%
Divorced or separated	63.5%	18,000	68,338	9.7%
Widowed	52.6%	17,000	49,812	5.8%
Never married	48.0%	8,800	50,588	**17.0%**
Marital and Retirement Status				
Married and both retired	65.1%	49,200	111,667	1.4%
Married and one retired	65.4%	61,500	133,886	1.2%
Married and neither retired	**85.7%**	**102,000**	**200,552**	1.9%
Single and retired	56.2%	16,420	52,066	8.2%
Single and not retired	56.1%	15,000	85,306	**11.6%**
Home Ownership				
Own a house	**65.0%**	**50,000**	**115,433**	0.7%
Not own a house	50.5%	5,800	13,871	**26.0%**
Household Income Quintile				
First	43.9%	7,000	49,952	11.7%
Second	61.7%	14,000	39,257	**11.9%**
Third	63.9%	30,000	61,267	1.8%
Fourth	**73.1%**	52,000	93,477	1.6%
Fifth	67.8%	**124,000**	**227,263**	0.0%
Household Asset Quintile				
First	53.1%	5,830	12,068	**26.0%**
Second	66.6%	17,900	37,282	0.8%
Third	**67.1%**	50,090	81,913	0.8%
Fourth	62.4%	77,900	119,829	0.0%
Fifth	61.2%	**119,000**	**239,027**	0.0%

Source: CRS analysis of the 2019 Survey of Consumer of Finances.

Notes: Aged households are those headed by individuals at or over 65 years old. The SCF's question about race or ethnicity is asked only of the designated respondent. In 79% of sampled households, the designated respondent was the head of household. For simplicity, households in this report will be referred to as White (non-Hispanic) households, Black/African American households, Hispanic or Latino households, and "other" households, though the race/ethnicity designation in the SCF refers specifically to the household respondent's own identification. "Other" includes respondents who indicated that they identified as Asian, American Indian/Alaska Native, Native Hawaiian/Pacific Islander, or others. The SCF combined these categories in the public dataset. The SCF allows respondents to indicate more than one race or ethnicity. CRS used the first response to analyze data. Marital status refers to a household's status at the time of the survey. A household is considered to own a house if the household owns a ranch, farm, mobile home, house, condo, co-op, and or other type of home. Income is measured in 2018, including earnings, interest, dividend, business income, rent income, investment income, Social Security, pension and annuity payments, withdrawals from Individual Retirement Accounts (IRAs) and tax-advantaged retirement savings accounts (e.g., 401[k]), and other government transfers. Income is divided into household income quintiles. Each quintile represents approximately 20% of the aged households. The household income levels that divide the quintiles are $22,399, $37,670, $59,051, and $103,830. Assets include checking and saving accounts, money market deposit and similar accounts, certificates of deposit, all types of mutual funds, stocks and bonds, IRAs and 401(k)-type accounts, the cash value of life insurance, other managed assets, the value of vehicles, the value of real estate, business interests, and other miscellaneous assets. The household asset levels that divide the quintiles are $71,000, $227,570, $431,100, and $990,800.

Table 4. Debt Ratios for Aged Households with Debt, by Demographic and Socioeconomic Characteristics, 2019

The highest value of each debt ratio in each category is in bold.

	Median Debt-to-Asset Ratio	Percentage of Aged Households with Debt-to-Asset Ratio Greater Than 80%	Median Debt-Payment-to-Income Ratio	Percentage of Aged Households with Debt-Payment-to-Income Ratio Greater Than 40%	Percentage of Aged Households with Debt Payments Past Due 60 Days or More
Total	**12.8%**	**7.3%**	**13.7%**	**9.6%**	**2.5%**
Age					
Age 65-69	13.5%	**8.0%**	12.5%	9.5%	2.2%
Age 70-74	**13.9%**	7.4%	**14.4%**	9.7%	2.8%
Age 75-79	13.5%	7.2%	14.2%	7.9%	0.0%
Age 80 and older	8.6%	5.7%	11.2%	**12.4%**	**6.3%**
Race/Ethnicity					
White (non-Hispanic)	11.0%	15.8%	12.8%	8.2%	1.5%
Black/African American	26.4%	**32.6%**	15.4%	17.2%	6.4%
Hispanic or Latino	**28.0%**	20.8%	**20.6%**	**17.3%**	**10.4%**
Other	22.5%	0.0%	18.7%	1.1%	0.0%
Education					
No high school diploma	13.8%	8.9%	**14.7%**	8.6%	2.8%
High school diploma	15.1%	**11.2%**	12.9%	11.0%	**3.1%**
Some college or associate degrees	**15.3%**	7.6%	14.4%	**11.7%**	2.4%
Bachelor degree and higher	10.1%	4.5%	12.2%	7.6%	2.2%
Marital Status					
Married	11.8%	3.2%	13.7%	8.7%	2.7%

	Median Debt-to-Asset Ratio	Percentage of Aged Households with Debt-to-Asset Ratio Greater Than 80%	Median Debt-Payment-to-Income Ratio	Percentage of Aged Households with Debt-Payment-to-Income Ratio Greater Than 40%	Percentage of Aged Households with Debt Payments Past Due 60 Days or More
Divorced or separated	**16.4%**	14.6%	12.3%	**10.7%**	2.4%
Widowed	13.8%	8.2%	**14.5%**	**10.7%**	**2.9%**
Never married	9.5%	**19.2%**	10.0%	10.6%	0.0%
Marital and Retirement Status					
Married and both retired	10.8%	3.5%	14.2%	8.7%	1.6%
Married and one retired	16.2%	2.5%	14.4%	10.8%	**5.2%**
Married and neither retired	14.3%	3.3%	12.2%	5.7%	1.9%
Single and retired	13.8%	11.6%	**14.6%**	**12.4%**	2.1%
Single and not retired	**18.8%**	**15.6%**	10.9%	2.9%	3.7%
Home Ownership					
Own a house	11.2%	2.4%	**14.9%**	**10.3%**	1.8%
Not own a house	**35.3%**	**32.9%**	6.8%	6.3%	**6.4%**
Household Income Quintile					
First	**22.2%**	**16.0%**	**15.7%**	**23.4%**	3.7%
Second	14.1%	13.9%	14.9%	13.5%	2.1%
Third	15.1%	6.3%	14.7%	9.3%	**5.0%**
Fourth	11.4%	3.0%	13.6%	4.9%	2.3%
Fifth	8.8%	1.4%	10.1%	2.6%	0.0%
Household Asset Quintile					
First	**41.1%**	**33.9%**	9.4%	6.4%	**6.7%**
Second	16.0%	3.6%	**17.1%**	10.8%	0.8%
Third	14.9%	3.5%	14.9%	10.3%	2.8%
Fourth	12.1%	0.1%	16.7%	**11.9%**	2.5%
Fifth	4.7%	0.0%	9.3%	8.1%	0.5%

Source: CRS analysis of the 2019 Survey of Consumer of Finances.

Notes: Aged households are those headed by individuals at or over 65 years old. The SCF's question about race or ethnicity is asked only of the designated respondent. In 79% of sampled households, the designated respondent was the head of household. For simplicity, households in this report will be referred to as White (non-Hispanic) households, Black/African American households, Hispanic or Latino households, and "other" households, though the race/ethnicity designation in the SCF refers specifically to the household respondent's own identification. "Other" includes respondents who indicated that they identified as Asian, American Indian/Alaska Native, Native Hawaiian/Pacific Islander, or others. The SCF combined these categories in the public dataset. The SCF allows respondents to indicate more than one race or ethnicity. CRS used the first response to analyze data. Marital status refers to a household's status at the time of the survey. A household is considered to own a house if the household owns a ranch, farm, mobile home, house, condo, co-op, and or other type of home. Income is measured in 2018, including earnings, interest, dividend, business income, rent income, investment income, Social Security, pension and annuity payments, withdrawals from Individual Retirement Accounts (IRAs) and tax-advantaged retirement savings accounts (e.g., 401[k]), and other government transfers. Income is divided into household income quintiles. Each quintile represents approximately 20% of the aged households. The household income levels that divide the quintiles are $22,399, $37,670, $59,051, and $103,830. Assets include checking and saving accounts, money market deposit and similar accounts, certificates of deposit, all types of mutual funds, stocks and bonds, IRAs and 401(k)-type accounts, the cash value of life insurance, other managed assets, the value of vehicles, the value of real estate, business interests, and other miscellaneous assets. The household asset levels that divide the quintiles are $71,000, $227,570, $431,100, and $990,800.

Household Debt by Age Groups[17]

Among aged households, relatively younger households were generally more likely to hold debt than older households in 2019.

- For households aged 65-69, about 69.6% held debt, and for households aged 70-74, 70.4% held debt. The percentage of households with debt declines to 57.2% for households aged 75-79 and 44.8% for households aged 80 and older.
- The median debt for aged households with debt was also higher among aged households with relatively younger heads, with $31,100, $42,100, and $41,100 for those in the age groups 65-69, 70-74, and 75-79, respectively, compared with $22,000 for households headed by those at or over 80 years old.

Additionally, a small share (5.6%) of households with debt aged 65-69 had negative net worth in 2019, slightly higher than that for households aged 70 and older. This data shows that negative net worth persists among households in all age groups.

In 2019, households aged 80 and older had the lowest debt-to-asset ratio compared with other older households, including a lower median debt-to-asset ratio and a smaller share of households with a debt-to-asset ratio greater than 80%. However, households with debt whose heads were aged 80 and older were also more likely to have a debt-payment-to-income ratio greater than 40% and were more likely to be delinquent. Some households in the oldest age group may have more trouble servicing their debt because they are more likely to have lower or no earnings (as they phase out of the labor force), exhaust existing retirement resources or rely on fixed income such as Social Security or pension payments, and incur higher medical expenses. For example, in 2019, about 11.8% of households aged 80 and older had some wage income, compared to 35.6% of households aged 65-79.[18] In the same year, about 35% of households aged 80 and older had some retirement assets, compared to 49% of households aged 65-79.[19] In addition, the average

[17] Age refers to the age of the head of the household. In 2019, about 31.6% of older households were headed by those aged 65-69, 26.0% by those aged 70-74, 22.5% by those aged 75-79, and 19.9% by those aged 80 and older.

[18] In 2019, the median wage income among those with any wages was $15,272 for households headed by those aged 80 and older, compared with $33,598 for those aged 65-79. Data are based on CRS analysis of the 2019 SCF.

[19] In 2019, the median retirement asset level among households with any assets was $62,000 for households headed by those aged 80 and older, compared with $146,000 for households headed by those aged 65-79. Data are based on CRS analysis of the 2019 SCF. For more information, see Federal Reserve, "Codebook for 2019 Survey of Consumer Finances," https://www.federalreserve.gov/econres/files/codebk2019.txt; and Federal Reserve, "Macro-Variable Definitions," https://www.federalreserve.gov/econres/files/bulletin.macro.txt. The relatively lower percentage of

amount of personal health care spending was $32,903 for individuals aged 85 and older in 2014, compared with $16,977 for those aged 65-84.[20]

Household Debt by Race/Ethnicity[21]

Black/African American aged households were more likely to hold debt than were households that identified as another race or ethnicity in 2019 but had the lowest median debt across race/ethnic groups.

- About 65.8% of Black/African American aged households had any debt, compared with 62.0% or less among aged households that identified as other races.
- Black/African American aged households had the lowest median debt among all races, at $14,900 in 2019, compared with $40,000 or more for aged households that identified as other races.

As discussed later in this report, the relatively lower median debt among Black/African American households might be because those households were least likely to hold mortgages. Mortgages are typically a larger source of debt than other types of debt and are also considered a relatively safe type of debt to hold because they are secured by a home, which generally retains or increases its value over time.

Aged Black/African American households with debt were more likely to have negative net worth in 2019. Among aged Black/African American households, 14.1% had negative net worth, compared with 9.7% for Hispanic or Latino, 3.1% for White (non-Hispanic) and about zero for other.

The debt-to-asset ratios for aged households that identified as Black/African American or Hispanic or Latino were higher than those for White (non-Hispanic) aged households and other in 2019.

- Among households with debt, the median debt-to-asset ratio was 26.4% for Black/African American households and 28.0% for Hispanic or Latino households, compared with 11.0% for White (non-Hispanic) households and 22.5% for other.

households in the age group 80 and older who had retirement assets in 2019 may be due to the fact that the head of household who turned 80 or older in 2019 was born in 1939 and earlier and turned 50 before 1989. Those households were more likely to have defined benefit pensions than defined contribution plans due to the fact that the latter were not widely available in those years. For more information, see Sebastian Devlin-Foltz, Alice M. Henriques, and John Sabelhaus, *The Evolution of Retirement Wealth*, Board of Governors of the Federal Reserve System, 2015, https://www.federalreserve.gov/econresdata/feds/2015/files/2015009pap.pdf.

[20] See Department of Health and Human Services, Centers for Medicare and Medicaid Services, *NHE Fact Sheet*, 2019, Table 7, https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.

[21] The SCF's question about race or ethnicity is asked only of the designated respondent. In 79% of sampled households, the designated respondent was the head of household. For simplicity, households in this report will be referred to as White (non-Hispanic) households, Black/African American households, Hispanic or Latino households, and "other" households, though the race/ethnicity designation in the SCF refers specifically to the household respondent's own identification. "Other" includes respondents who indicated that they identified as Asian, American Indian/Alaska Native, Native Hawaiian/Pacific Islander, or others. The SCF combined these categories in the public dataset. The SCF allows respondents to indicate more than one race or ethnicity. CRS used the first response to analyze data. In 2019, about 79.4% of older households identified as White (non-Hispanic), 12.4% as Black/African American, 4.9% as Hispanic or Latino, and 3.0% as other.

- The share of aged households with debt accounting for more than 80% of assets was 32.6% for Black/African American households, 20.8% for Hispanic or Latino households, 15.8% for White (non-Hispanic) households, and zero for other.

The proportion of older households with relatively high debt-payment-to-income ratios and delinquency rates was also larger for Black/African American households and Hispanic or Latino households than those for the White (non-Hispanic) households and other households in 2019.

- The share of older households with debt that had debt payments accounting for more than 40% of income was about 17% for Black/African Americans and Hispanics or Latino households, compared with 8.2% for White (non-Hispanic) households and 1.1% for other households.
- The delinquency rate was 6.4% for Black/African American households and 10.4% for Hispanic or Latino households, compared with 1.5% for White (non-Hispanic) households and zero for other households.

Household Debt by Educational Attainment[22]

In 2019, aged households with college degrees or some college were more likely to hold debt, and their median debt was higher than those with just a high school diploma or those who did not finish high school.

- About 69.8% of aged households with some college or associate degrees and 64.3% of those with bachelor degrees or higher had debts, compared with 49.7% for those with no high school diploma and 57.1% for those who just completed high school.
- Median debt for older households with debt was also higher for those with more formal education ($42,000 for those with some college or associate degrees and $71,000 for those with bachelor degrees or higher) compared to those with less educational attainment ($10,000 for those with no high school diploma and $16,250 for those with only high school diplomas).

However, the share of aged households that had negative net worth in 2019 was lowest among those with bachelor degrees or higher. About 3.1% of aged households whose heads had bachelor degrees or higher had negative net worth, compared with 5.0% for those without high school diplomas, 7.1% for those with only high school diplomas, and 5.3% for those with some college or associate degrees.

Aged households whose heads had bachelor degrees and higher had lower debt-to-asset ratio and lower debt-payment-to-income ratio than other aged households (see **Table 4**).

[22] Household educational attainment refers to the educational attainment of the head of the household. In 2019, about 13.5% of older households had heads who did not earn high school diplomas, 23.6% had heads with high school diplomas, 26.0% had heads with some college education or associate degrees, and 36.9% had heads with bachelor degrees or higher.

Household Debt by Marital Status[23]

Married aged couples were more likely to have debt, and carried higher median debt levels, than aged households with other marital statuses (e.g., divorced, widowed and never married) in 2019.

- About 68.1% of married aged households held some debt, compared to 63.5% for divorced or separated aged households, 52.6% for widowed households, and 48.0% for never-married households.
- The median debt for married aged households with debt ($57,480) was also higher than other households ($18,000 for divorced or separated, $17,000 for widowed, and $8,800 for never married).

As discussed later in this report, married aged couples were more likely to hold mortgages and auto debt than single aged individuals.

Despite higher debt levels, married aged households were least likely to have a negative net worth compared to other marital statuses in 2019. About 1.4% of married aged households had negative net worth, compared with 9.7% among those divorced or separated, 5.8% among those widowed, and 17.0% among those never married.

The median debt-to-asset ratio for married households was close to the median level for all households, and the percentages of married households with (1) debt-payment-to-income ratio greater than 40% and (2) debt payments past due 60 days or more were close to percentages for all households, respectively. Married households were also less likely than others to have a leverage ratio greater than 80% or have debt payments accounting for more than 40% of household income. In contrast, never-married aged households had a relatively lower median debt-to-asset ratio, debt-payment-to-income ratio, and delinquency rate than households in other marital status groups. However, never-married households were more likely to have leverage ratio greater than 80%.

Household Debt by Marital and Retirement Status

In 2019, almost 70% of aged households were retired at the time of the survey, including married couples where both the head of the household and the spouse were retired and single retired individuals. The non-retired aged households include married couples with one person retired, married couples with neither member retired, and non-retired single individuals.[24]

As discussed earlier, in 2019, married aged couples were more likely to have debt and had a higher median debt than did single individuals aged 65 and older. Among married aged couples, 85.7% with both individuals still working held debt, compared with roughly 65% for married couples with one person working or both retired. The median debt for married working aged couples was $102,000, compared with $61,500 for married aged couples with one person working and $49,200 for married aged couples with both members retired. These numbers are consistent with the findings in one recent study that showed that older adults with debt were more likely to work and less likely to be retired and on average expect to work longer than do those with less

[23] In 2019, almost half of households headed by those aged 65 and older were married at the time of the survey, compared to 19.6% that were divorced or separated, 24.2% that were widowed, and 6.8% that had never married.

[24] In 2019, about 28.4% of aged households were married couples with both individuals retired, 14.0% were married couples with one individual retired, 7.0% were married couples with neither individual retired, 41.5% were single retired individuals, and 9.1% were non-retired single individuals.

debt.[25] However, there is a different pattern for aged, single individuals. The SCF data showed that, in 2019, the share of single working aged individuals who had some debt (56.1%) was similar to that for single retired aged individuals (56.2%).

Although aged single individuals were less likely to have debt, they were more likely to have negative net worth. In 2019, among single aged individuals, about 11.6% of non-retired and 8.2% of retired individuals had a negative net worth, compared with less than 2% among those married aged households.

In 2019, the median debt-to-asset ratio was generally higher among aged households who were still working at the time of the survey.

- The median leverage ratio was 16.2% for married aged couples with one person still working and 14.3% for married aged couples with both people still working, compared with 10.8% for married aged couples with both people retired.
- Similarly, the median leverage ratio was 18.8% for working single individuals, compared with 13.8% for retired single persons.
- The share of aged single individuals who had a leverage ratio greater than 80% was also higher among those still working (15.6%) than that for those retired (11.6%).

In contrast, the debt-payment-to-income ratio was generally higher among aged households with both people retired.

- The median debt-payment-to-income ratio was about 14% for aged married couples with at least one person retired, compared with 12.2% for aged married couples with both people still working.
- Similarly, the median debt-payment-to-income ratio was 14.6% for retired single individuals and 10.9% for those still working.
- The share of aged households who had a debt-payment-to-income ratio greater than 40% was also higher for aged households with retired members than for those with both people working.

These statistics are consistent with the idea that income in retirement is often lower than income while working.[26]

Household Debt by Home Ownership

In 2019, about 80.1% of aged households owned homes, which included ranches, farms, mobile homes, houses, condos, co-ops, and other types of homes.

Aged homeowners were more likely to hold debt than were aged households who did not own homes in 2019.

- About 65.0% of aged homeowners had debt, compared with 50.5% among those who did not own homes.

[25] See Barbara A. Butrica and Nadia S Karamcheva, *Is Rising Household Debt Affecting Retirement Decisions?*, Wharton Pension Research Council, Working Papers 536, 2019, https://repository.upenn.edu/prc_papers/536.

[26] Patrick J. Purcell, "Income Replacement Ratios in the Health and Retirement Study," *Social Security Bulletin*, vol. 72, no. 3 (2012).

- The median debt among aged homeowners with debt was $50,000, which was substantially larger than the median debt for aged debtors who did not own homes ($5,800).

As discussed in the following section of this report, mortgages on homes that were the household's primary residence were the largest type of debt among those aged homeowners.

Aged debtors who did not own homes were more likely to have negative net worth. In 2019, about 26.0% of aged households with debt who did not own homes had negative net worth, compared with less than 1% among aged homeowners. This may be because a house is usually the largest asset for a homeowner.

In 2019, aged homeowners tended to have relatively lower debt-to-asset ratios, mainly because their houses were usually large assets for the households. In contrast, they tended to have relatively higher debt-payment-to-income ratios, partly because their mortgage payments accounted for a larger proportion of income. However, aged homeowners were less likely to have debt payments past due 60 days or more.

Household Debt by Household Income Quintiles

Income for aged households can include earnings, Social Security, pension and annuity payments, withdrawals from Individual Retirement Accounts (IRAs) and tax-advantaged retirement savings accounts (e.g., 401(k) plans), interest, dividends, business income, rent income, investment income, and government transfers.[27]

Table 3 displays the share of aged households with debt and the share of those households that had negative net worth by household income quintiles in 2019. Each quintile represents approximately 20% of the aged household population. The first quintile depicts the 20% of the aged household population with the least household income, and the fifth quintile depicts the 20% of aged households with the most income.

- Aged households in the lowest income quintile were least likely to hold debt (with a likelihood of 43.9%), while aged households in the top two income quintiles were most likely to have debt (with a likelihood of 67.8% in the top quintile and 73.1% in the second highest quintile).
- The median debt for aged households in the lowest household income quintile ($7,000) was much lower than for those in the top two household income quintiles ($124,000 for the top quintile and $52,000 for the second highest quintile).

However, aged households with negative net worth were mainly concentrated in the lowest two household income quintiles. Nearly 12% of aged households in the two lowest household income quintiles had negative net worth in 2019.

Aged households with higher household incomes tended to have a lower median debt-payment-to-income ratio and were less likely to have such a ratio greater than 40% than were those with lower household incomes. Although aged households with higher incomes may not necessarily have higher assets, household income and assets were highly positively correlated with each other. Generally, aged household with lower income tended to have a higher median debt-to-asset ratio and were more likely to have debt accounting for more than 80% of the household's assets.

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[27] For definition of *household income*, see Board of Governors of the Federal Reserve System, "Survey of Consumer Finance (SCF)."

Household Debt by Household Asset Quintiles

Assets for aged households can include checking and saving accounts, money market deposit and similar accounts, certificates of deposit, all types of mutual funds, stocks and bonds, IRAs and 401(k)-type accounts, the cash value of life insurance, other managed assets, the value of vehicles, the value of real estate, business interests, and other miscellaneous assets.[28] The expected value of Social Security and defined benefit pensions are not included in this asset measure.

Aged households in the lowest household asset quintile were the least likely to hold debt, and their median debt was the lowest compared with other aged households. While aged households in the second and third household asset quintiles were more likely to have debt than were aged households at other asset levels, the median debt was highest among those in the highest household asset quintile. As discussed in the following section (see **Table 7**), in 2019, aged households in the highest asset quintile were most likely to have mortgage debt on a second property (other than their primary residential home), which might explain some aspects of the relatively high median debt for those aged households.

In 2019, about 26% of aged households with debt in the lowest household asset quintile had negative net worth (about 5% of aged households in total).

Aged households with debt that were in the lowest household asset quintile had the highest debt-to-asset ratio compared with other aged households with debt, with a median ratio of 41.1% and more than one-third of them having more than 80% of assets borrowed. About 6.7% of those aged households in the lowest 20% of the household asset distribution had debt payments past due 60 days or more. Those households, however, did not show a high median debt-payment-to-income ratio level.

Types of Debt for Aged Households in 2019

Household debt includes primary residence mortgages, other residential debt such as mortgages on a second home, auto loans, student loans, credit card balances, and other debt products.[29] In 2019, mortgage debt for a household's primary residence was the largest type of debt among aged households (in terms of total debt amount), and credit card debt was the most prevalent type of debt (see **Table 5**).

Table 5. Share of Aged Households by Types of Debt and Median and Average Debt for Each Type of Debt, 2019

		Aged Households with Debt by Type of Debt	
Types of Debt	Share of Aged Households with Debt, by Type of Debt	Median Debt	Average Debt
Any debt	62.1%	$34,000	$98,959

[28] For definition of *household income*, see Board of Governors of the Federal Reserve System, "Survey of Consumer Finance (SCF)."

[29] Other debt products may include loans for household appliances, furniture, hobby or recreational equipment, medical bills, a business or investment, or loans from friends or relatives. For more information on consumer finance, see CRS Report R45813, *An Overview of Consumer Finance and Policy Issues*.

Types of Debt	Share of Aged Households with Debt, by Type of Debt	Aged Households with Debt by Type of Debt	
		Median Debt	Average Debt
Primary residence mortgage	33.4%	86,000	132,184
Other residential mortgage	3.7%	110,000	184,626
Auto loans	23.9%	12,000	16,914
Student loans	3.2%	14,000	35,019
Credit card debt	35.6%	2,850	7,382
Other debt	11.2%	4,600	22,952

Source: CRS analysis of the 2019 Survey of Consumer of Finances.

Notes: Aged households are those headed by individuals at or over 65 years of age. Other debts include lines of credit, installment loans, loans against pensions or life insurance, margin loans, and miscellaneous debts.

A small share of aged households with debt (4.8%) had negative net worth in 2019. Those aged debtors were less likely to hold residential mortgage debt than were other aged households[30] but more likely to hold auto loans, student loans, credit card debts, and other debts (see **Table 5** and **Table 6**).[31]

Table 6. Share of Aged Households with Negative Net Worth by Types of Debt and Median and Average Debt for Each Type of Debt, 2019

Types of Debt	Share of Aged Households with Negative Net Worth and Each Type of Debt	Aged Households with Negative Net Worth and Each Type of Debt	
		Median Debt	Average Debt
Any debt	100%	$10,550	$47,730
Primary residence mortgage	12.1%	150,000	122,413
Other residential mortgage	0.0%	0	0
Auto loans	30.6%	10,000	10,996
Student loans	29.3%	20,000	54,930
Credit card debt	62.2%	4,300	8,973
Other debt	39.2%	2,500	19,963

Source: The 2019 Survey of Consumer of Finances.

Notes: Aged households are those headed by individuals at or over 65 years of age. Other debts include lines of credit, installment loans, loans against pensions or life insurance, margin loans, and miscellaneous debts.

[30] Based on the data in 2019 SCF, about 87.9% of aged households that had negative net worth did not own homes in the survey year.

[31] In 2019, 4.8% of households with debt had negative net worth.

Mortgage Debt Secured by Residential Properties

Households hold mortgages on their primary residence and other residential properties, such as second homes or rental properties. Mortgage debt among older adults increased substantially over the past several decades, mainly for primary residence homes. For example, the share of aged households that held mortgage debt from primary residences increased from 14.3% in 1992 to 33.4% in 2019.[32] In 2019, the median mortgage debt from a primary residence was $86,000, and the average was $132,184 (see **Table 5**). However, a relatively small share of aged households had residential mortgage debts on other types of properties, increasing slightly from 2.1% in 1992 to 3.7% in 2019. The median and average amounts of residential mortgage debt for properties other than the household's primary residence were $110,000 and $184,626, respectively, in 2019.

Several factors may have contributed to the increase in mortgage debt among older households in recent years. One factor is that recent cohorts tend to purchase higher priced homes with smaller down payments, thus resulting in more debt in retirement.[33] Another study finds that the increase in homeownership could explain some of the rise in mortgage debt.[34]

Owning a house and holding mortgage debt may be financially advantageous for some households. One study shows that owning a home was generally financially advantageous relative to renting.[35] In addition, research also shows that the increase in mortgage usage among older adults did not result in an increase in delinquency.[36] Others, however, argue that rising debt levels may suggest potentially worsening outcomes for some households. For example, one study reports that homeownership rates and mortgage usage among older adults have been increasing faster than the increase in financial assets, suggesting that financial stability among retirees is getting worse.[37]

The share of aged households with primary residential mortgages generally differ across demographic and socioeconomic groups (see **Table 7**). For example, in 2019, relatively younger aged households (e.g., heads of the household below 75 years old), aged households whose heads identified as White (non-Hispanic), and those whose heads had some college or higher levels of education were more likely to hold primary residential mortgages than their counterparts were. Married couples, especially those with both spouses currently working, were more likely to hold primary residential mortgages than single-person households were. The likelihood of holding primary residential debt was also relatively higher for aged households at the top of the household income or asset distribution.

Similarly, the share of aged households that had mortgage debt for properties other than their primary residence also differs across demographic and socioeconomic groups. For example, older households whose heads were relatively young, identified as White (non-Hispanic) and other or

[32] CRS analysis of the 1989 and 2019 SCF. Aged households that held reverse mortgages are included in the analysis. In 2019, about 2.2% of aged households with debt had reverse mortgages as reported in the SCF. One study finds that reverse mortgage borrowers are more likely to pay down existing debt. For more information about the reverse mortgage, see Stephanie Moulton, Cazilia Loibl, and Donald Haurin, "Reverse Mortgage Motivations and Outcomes: Insights from Survey Data," *Cityscape*, vol. 19, no. 1 (2017), pp.73-98.

[33] See, for example, Lusardi, Mitchell, and Oggero, *Debt and Financial Vulnerability on the Verge of Retirement*.

[34] See, for example, J. Michael Collins, Erik Hembre, and Carly Urban, *Exploring the Rise of Mortgage Borrowing Among Older Americans*, Center for Retirement Research, Working Paper no. 2018-3, May 2018.

[35] Laurie S. Goodman and Christopher Mayer, "Homeownership and the American Dream," *Journal of Economic Perspectives*, vol. 32, no. 1 (2018), pp. 31-58.

[36] Collins, Hembre, and Urban, *Exploring the Rise of Mortgage Borrowing Among Older Americans*.

[37] Christopher J. Mayer, "Housing, Mortgages, and Retirement," in *Evidence and Innovation in Housing Law and Policy*, ed. Lee Anne Fennell and Benjamin J. Keys (Cambridge University Press, 2017), pp. 203-230.

multiple races, and had bachelor's degrees or higher levels of education and married households with at least one working spouse were more likely to hold both mortgage debt on primary residences and other properties than other households were. Aged households in the top of the income or asset distribution were much more likely to hold mortgage debt on properties other than their primary residences than others were, regardless of their likelihood of holding a mortgage on a primary residence.

Auto Loans

In 2019, 23.9% of aged households had auto loans, rising from 10.4% in 1992. The median auto loan amount among aged households with auto loans was $12,000 in 2019, and the average auto loan amount was $16,914.

Rising auto loan debt among elderly households may have partly resulted from rising vehicle costs and longer auto loan maturities.[38]

Some demographic and socioeconomic groups of aged households were more likely to hold auto loans, such as relatively younger aged households, those that identified as Black/African American and Hispanic or Latino, those that were married, those with relatively higher household income, and those with negative net worth (see **Table 6** and **Table 7**).

Student Loans

In 2019, about 3.2% of aged households had student loan debt, increasing from 1.1% in 1992.[39] In 2019, the median student loan amount among aged households with student loans was $14,000, while the average amount was $35,019 (see **Table 5**).

In a 2020 report, the Congressional Budget Office found that the amount of outstanding federal student loan debt increased for all adults more than sevenfold, from $187 billion to $1.4 trillion (in 2017 dollars), between 1995 and 2017.[40] The report suggests that student loans have grown because the number of borrowers has increased, the average amount borrowed has increased, and the rate at which the loans are repaid has slowed. Stakeholders have expressed concern that some people may carry student loan debt into older ages, thus affecting the financial balance sheets of older households. Additionally, some older Americans may take out student loans for their children rather than themselves, which may affect their retirement security. The Government Accountability Office found that, in 2016, aged households with student loans were significantly more likely to have student loans for children than for themselves or their spouses.[41] Unlike other types of loans, student loans are usually not discharged if a borrower declares bankruptcy, and some Social Security benefits can be withheld to recover the student loan balance.[42]

Certain demographic and socioeconomic groups of aged households were significantly more likely to hold student loans than others were (see **Table 7**). For example, about 8.3% of aged households who were Black/African American had student loans in 2019, compared with less

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[38] CRS In Focus IF11192, *The Automobile Lending Market and Policy Issues*.

[39] Despite this growth, in 2019, the share of older households that had student loan debt was still significantly lower than the share of households headed by individuals aged 55-64 (12.5%). Among those households whose head was 55-64 years old, the median student loan amount was $23,000, and the average amount was $38,368 in 2019.

[40] Congressional Budget Office, *The Volume and Repayment of Federal Student Loans: 1995 to 2017*, November 2020.

[41] Government Accountability Office, *Debt Increased for Older Americans over Time, but the Implications Vary by Debt Type*, GAO-21-170, April 2021.

[42] See 31 U.S.C. §3716(c)(3)(A); 31 C.F.R. §285.4(e).

than 4% among other households. About 8.4% of aged married households with both spouses working and 7.5% of single households whose heads were still working had student loans, compared with 1.7% for retired married couples and 1.8% for retired single person households. In addition, about 29.3% of aged households with negative net worth held student loans, which was substantially more than other aged households. The median and average amounts for student loan holders with negative net worth were $20,000 and $54,930, respectively, which was greater than those for other aged households (see **Table 5** and **Table 6**).

Credit Card Debt

In 2019, about 35.6% of aged households had credit card debt, rising from about 26.9% in 1992. In 2019, the median balance was $2,850 among those with debt, and the average balance was $7,382 (see **Table 5**).

Similar to other types of debt, relatively younger aged households (i.e., heads of the households aged 65-74) were more likely to have credit card debt (see **Table 7**). About 44.9% of Black/African American aged households had credit card balances in 2019, compared to less than 40% for households that identified as another race/ethnicity. Aged households in the top of the household asset distribution were least likely to have credit card debt. Credit card debt was the most common type of debt among aged households in 2019, but it was less common than residential mortgage debt for certain demographic and socioeconomic groups, including White (non-Hispanic) households, households with bachelor's degrees or higher, married households, homeowners, and households in the top two quintiles of the income or asset distribution.

Among households with negative net worth in 2019, about 62.2% had credit card debt. The median and average credit card balance was $4,300 and $8,973, respectively (see **Table 6**).

Table 7. Share of Aged Households Holding Types of Debt, by Demographic and Socioeconomic Characteristics, 2019

The highest share in each category is in bold.

	Primary Residence Mortgage	Other Residential Mortgage	Auto Loans	Student Loans	Credit Card Debt	Other Debt
Total	**33.4%**	**3.7%**	**23.9%**	**3.2%**	**35.6%**	**11.2%**
Age						
65-69	36.5%	**4.6%**	27.1%	**4.5%**	39.9%	11.4%
70-74	**39.0%**	4.5%	**27.7%**	3.8%	**42.7%**	**14.8%**
75-79	32.4%	2.4%	23.5%	1.4%	32.9%	7.2%
80 and older	22.4%	2.8%	14.1%	2.3%	22.4%	10.8%
Race/Ethnicity						
White, non-Hispanic	**34.9%**	4.1%	23.5%	2.3%	34.0%	10.4%
Black/African American	25.9%	1.4%	25.7%	**8.3%**	**44.9%**	13.0%
Hispanic or Latino	28.4%	1.8%	**26.9%**	3.4%	35.0%	**18.3%**
Other	34.8%	**5.6%**	22.0%	3.7%	38.5%	14.8%

	Primary Residence Mortgage	Other Residential Mortgage	Auto Loans	Student Loans	Credit Card Debt	Other Debt
Education						
No high school diploma	17.1%	3.7%	17.2%	1.4%	25.3%	10.1%
High school diploma	27.3%	2.2%	22.3%	1.5%	37.2%	9.2%
Some college or associate degree	**39.4%**	3.0%	25.8%	3.8%	**43.8%**	**12.7%**
Bachelor degree and higher	39.1%	**5.3%**	**26.0%**	**4.4%**	32.4%	11.9%
Marital Status						
Married	**42.0%**	**6.1%**	**32.4%**	3.6%	37.2%	12.0%
Divorced or separated	28.9%	0.7%	16.5%	**5.0%**	**37.8%**	**12.1%**
Widowed	24.1%	2.2%	16.7%	0.7%	31.7%	10.4%
Never married	17.4%	0.5%	8.5%	3.7%	30.9%	5.9%
Marital and Retirement Status						
Married and both retired	37.6%	4.6%	32.8%	1.7%	34.8%	10.7%
Married and one retired	43.8%	7.8%	29.4%	5.0%	38.9%	10.9%
Married and none retired	**56.1%**	**8.9%**	**36.6%**	**8.4%**	**43.3%**	**19.9%**
Single and retired	26.2%	1.2%	15.8%	1.8%	33.6%	10.3%
Single and not retired	19.9%	2.4%	14.4%	7.5%	35.5%	11.0%
Home Ownership						
Own a house	**41.8%**	**4.5%**	**25.0%**	2.9%	**36.4%**	10.0%
Not own a house	0.0%	0.5%	19.5%	**4.4%**	32.2%	**16.1%**
Household Income Quintiles						
First	14.5%	0.9%	7.9%	1.7%	27.2%	12.1%
Second	28.1%	0.2%	19.6%	2.8%	41.0%	10.8%
Third	32.4%	1.8%	27.0%	4.3%	34.7%	9.2%
Fourth	44.2%	6.6%	**32.9%**	2.6%	**43.7%**	11.1%
Fifth	**48.0%**	**9.2%**	32.0%	**4.5%**	31.4%	**12.9%**
Household Asset Quintiles						
First	3.9%	0.0%	20.5%	3.6%	35.7%	**16.2%**

	Primary Residence Mortgage	Other Residential Mortgage	Auto Loans	Student Loans	Credit Card Debt	Other Debt
Second	34.9%	0.1%	22.2%	2.3%	41.3%	10.9%
Third	41.8%	3.1%	27.1%	**4.2%**	**43.2%**	9.0%
Fourth	**46.6%**	4.8%	**27.9%**	2.9%	36.0%	10.5%
Fifth	40.0%	**10.7%**	21.6%	2.9%	21.6%	9.6%

Source: The 2019 Survey of Consumer of Finances.

Notes: Aged households are those headed by individuals at or over 65 years old. Other debts include lines of credit, installment loans, loans against pensions or life insurance, margin loans, and miscellaneous debts. Income is measured in 2018, including earnings, interest, dividend, business income, rent income, investment income, Social Security, pension and annuity payments, withdrawals from Individual Retirement Accounts (IRAs) and tax-advantaged retirement savings accounts (e.g., 401[k]), and other government transfers. Assets are measured in 2019 and include checking and saving accounts, money market deposit and similar accounts, certificates of deposit, all types of mutual funds, stocks and bonds, IRAs and 401(k)-type accounts, the cash value of life insurance, other managed assets, the value of vehicles, the value of real estate, business interests, and other miscellaneous assets. A household is considered to own a house if the household owns a ranch, farm, mobile home, house, condo, co-op, or other type of property.

Policy Options

Some aged households with debt, such as people with limited income or assets, may have limited income to service debt. Policymakers have several options to assist these households by improving their financial literacy in debt management and retirement planning, as well as improving their retirement income by reducing the negative effect from certain debt payments.

Improving Financial Literacy

Financial literacy is generally defined as the "the skills, knowledge and tools that equip people to make individual financial decisions and actions to attain their goals." Research has shown that financial knowledge can help older people manage unsustainable debt exposure. For example, one study analyzed the population approaching retirement age (between ages 51 and 61) and found that individuals with higher financial literacy are less likely to carry excessive debt, be contacted by debt collectors, or carry medical debt or student loans.[43] Another study found that financial literacy can explain about 30%-40% of wealth inequality.[44]

Government agencies, workplaces, financial institutions, and local nonprofit organizations can provide financial literacy programs. The Financial Literacy and Education Commission (FLEC) coordinates financial literacy and education efforts across relevant federal government agencies. For example, the Consumer Financial Protection Bureau, a federal agency that participates in the FLEC, educates the public on basic financial capabilities, including managing payment of bills and debts and planning for retirement.[45] According to the FLEC report, the federal government's

[43] Annamaria Lusardi, Olivia S. Mitchell, and Noemi Oggero, *Understanding Debt in the Older Population*, National Bureau of Economic Research, Working Paper no. 28236, December 2020.

[44] Annamaria Lusardi, Pierre-Carl Michaud, and Olivia S. Mitchell, "Optimal Financial Literacy and Wealth Inequality," *Journal of Political Economy*, vol. 125, no. 2 (2017), pp. 431-477.

[45] FLEC, *U.S. National Strategy for Financial Literacy 2020*. For more information about retirement planning, see CRS Report R46441, *Saving for Retirement: Household Decisionmaking and Policy Options*.

goals relating to financial literacy include supporting the development of core financial competencies in consumers through access to effective information, financial education resources, and programs so consumers can make informed financial decisions.[46]

In addition to financial education programs provided by government, policies can also be made to promote workplace financial literacy programs, which can benefit individuals during their working years as well as into their retirement.[47] Retirement planning workshops can also be designed to include components of debt risk and debt management skills (if not currently available).

Promoting Retirement Income: Policy Options Related to Student Loans

Social Security

Student loan debt can impact the financial status of older Americans in retirement in ways that other types of debt do not. For example, in the event of default on federal student loans,[48] a portion of the borrower's Social Security benefits can be claimed to pay off the loans. Under current law, Social Security benefits may be offset in an amount up to the lesser of 15% of the borrower's monthly benefit amount or the amount that his or her monthly benefit exceeds $750.[49] The number of individuals aged 65 and older whose Social Security benefits were offset to pay student loans increased from about 6,000 in FY2002 to 38,000 in FY2015.[50] Most of these federal student loans were incurred primarily for older Americans' own education rather than for their dependents' education.[51]

To reduce the negative effect of defaulted student loans on Social Security benefits, some policymakers have proposed to exempt Social Security benefits from garnishment for defaulted student loans.[52]

Retirement Savings

Employer-sponsored defined contribution plans, such as a 401(k), are retirement savings accounts funded through tax-deductible contributions by the worker and frequently matched in part or full by the employer. Some workers who are obliged to make student loan payments may save little or

[46] FLEC, *Promoting Financial Success in the United States: National Strategy for Financial Literacy*, 2011, pp. 8-9, https://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf; and FLEC, *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 Update*, 2016, https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%202016%20Update.pdf.

[47] Craig Copeland, *Who Is Most Vulnerable to the Ticking Debt Time Bomb in Retirement: Families with the Oldest, Black/African American, and Hispanic Family Heads*, Employee Benefit Research Institute, December 17, 2020.

[48] Federal student loans administered by the U.S. Department of Education make up the largest portion of student loans in the United States. Student loans from private lenders, such as banks and credit unions, account for roughly 10%-15% (as of 2012) of the student loan market.

[49] 31 U.S.C. §3716(c)(3)(A); 31 C.F.R. §285.4(e).

[50] Government Accountability Office, *Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief*, GAO-17-45, December 2016, https://www.gao.gov/assets/690/681722.pdf.

[51] Ibid.

[52] For example, see No Garnishing of Social Security for Student Debt Act (H.R. 5907) in the 116th Congress.

a lower amount in their retirement accounts than those without student loans, thus losing the matching contributions from their employers.

Policymakers have proposed allowing employers to make matching contributions into workers' retirement plans for their employees' student loan payments, essentially treating those student loan payments as if they were employee contributions to the retirement plans. This allows workers who cannot afford to make their own retirement plan contributions because of their student loan payments to build their retirement savings even while they are paying down their student loan debt.[53] This policy would be likely to result in more available funds to withdraw during retirement. It is, however, unclear how employers would respond to this policy, because this proposal would potentially increase the cost of hiring for workers with outstanding student loans.

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53 For example, see Retirement Parity for Student Loans Act (H.R. 6276 and S. 1428) in the 116th Congress.