



**The Graying of  
Consumer Bankruptcy:**

**Older Americans More Likely to File**

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# **A Bit of Background: The Consumer Bankruptcy Project (CBP)**

First Data Collection: 1981

PIs: Professor/Senator Elizabeth Warren, Dr. Teresa Sullivan, Professor Jay  
Westbrook

1991, 2001, 2007, 2013-Ongoing

PIs: Professor Pamela Foohey, Professor Robert Lawless, Dr. Deborah Thorne

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## Most Compelling Findings from the Consumer Bankruptcy Project—To Date

- ▶ Consistently, the leading causes of bankruptcy are job loss (decline in income) and medical expenses
  - ▶ Households typically struggle for years in the “sweatbox” before they file bankruptcy
  - ▶ Bankruptcy is not a low socioeconomic status phenomenon—mostly homeowners with some college
  - ▶ Chronic issues—inadequate income, health struggles, and being old—make the fresh start unlikely
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## Specific to Today's Chat

- ▶ The age distribution of filers is shifting to the right—folks getting older
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## Bankruptcy Filing Rates per 1,000 U.S. Population, By Age Cohorts

Age group	1991	2001	2007	2013-16	Relative percentage change: 1991-2016
	------(rate)-----				
18-24	3.9	3.7	1.7	0.9	-77.8%
25-34	10.2	12.7	5.8	3.7	-63.8%
35-44	9.3	14.4	6.7	5.6	-39.6%
45-54	7.3	11.4	5.8	7.1	-2.4%
55-64	3.5	5.5	4.9	5.8	+66.2%
65-74	1.2	3.1	2.9	3.6	+203.9%
75+	0.3	2.3	1.3	1.3	+345.1%
65+	<i>n/a</i>	<i>n/a</i>	2.5	2.8	
<65	<i>n/a</i>	<i>n/a</i>	5.2	4.8	

*Notes:* This table shows the estimated filing rate per 1,000 persons, extrapolating the CBP data across the country using U.S. Census data. The 2007 and 2013-16 estimates are from national random samples and are directly computed. The 1991 and 2001 figures are taken from Thorne, Warren & Sullivan (2009). Estimates include an adjustment for the number of joint filings in each database.

## Percent of U.S. Bankruptcy Filers by Age Cohort

Age group	1991	2001	2007	2013-2016	Relative percentage change: 1991-2016
	----- (percent) -----				
18-24	8.7	5.3	4.2	2.1	-75.8%
25-34	36.7	26.1	21.9	15.5	-57.7%
35-44	30.6	33.7	28.1	20.4	-33.4%
45-54	15.8	23.2	23.6	28.3	+79.3%
55-64	6.1	7.2	14.7	21.5	+252.1%
65-74	1.8	3.0	5.3	8.9	+392.6%
65+	2.1	4.5	7.6	12.2	+478.9%
75+	0.3	1.5	2.3	3.3	+996.9%

*Notes:* The percentages are based on total number of filers, not number of petitions. Thus, a joint bankruptcy petition from a married couple results in two filers.

**Financial Characteristics of Younger and Older Bankruptcy Filers, and Older Non-Bankrupt Americans**

	Bankrupt 65 and Over	Non-Bankrupt 65 and over
Total debt	\$202,592 (\$101,560)	\$50,231 (\$1,000)
Secured debt	\$158,616* (\$70,047)*	
Homeownership	66.4%*	83.2%
Total assets	\$186,928* (\$90,476)*	\$899,721 (\$252,500)
Unsecured debt (incl. priority debt)	\$43,989* (\$32,713)*	
Pretax annual income	\$42,544* (\$30,575)	\$76,403 (\$36,523)
Total debt/income	4.94 (3.20)*	0.78 (0.03)

*Notes:* Medians are shown in parentheses. The bankruptcy data are from the 2013-16 CBP. Nonbankruptcy data are from the Survey of Consumer Finances.

## Elder Reasons for Filing

Medical expenses = 64%

Missed work for medical reasons = 40%

▶ BOTH medical expenses and missed work = 70%

▶ Decline in income = 69%

▶ Financially help out family or friends = 36%

▶ Debt collection attempts = 72%

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# What In the World Is Going On?

## The 1980s and 1990s were the “Golden Years” of retirement

- ▶ Social Security provided 40% of pre-retirement income
    - ▶ 65 was the age for full Social Security benefits
  - ▶ Medicare coverage was good—out-of-pocket expenses were approximately 12% of income
    - ▶ Defined benefit (DB) plans (62%) and post-retirement health insurance were common
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## **Beginning in the 1980s: Great Risk Shift**


**“Myriad risks that were once managed and pooled by government and private corporations shifted onto individuals and families”**

(Hacker 2006).

- ▶ DB plans (17%) have been replaced with DC plans – investment decisions left to individuals
    - ▶ Full retirement age for Social Security has increased to 70
  - ▶ Inadequate coverage from Medicare—out-of-pocket has increased to 20% of income, \$250,000 post-retirement  
(1995: Newt Gingrich: “Let it wither on the vine.”)
    - ▶ Employers are dropping retirees’ post-retirement healthcare
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## Implications of the risk shifts for older folks:

- ▶ Obviously, increased rates of filing bankruptcy
  - ▶ Half of elderly households lack basic economic security in their retirement.
  - ▶ Almost one-third of households with one member who is at least 55 have **no** retirement savings or pension plan.
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▶ Among those households 65-74 **with** savings, median is just under \$150,000 total.

▶ Among those who slide into bankruptcy, their wealth is stripped. At the time of filing, older folks had **negative** wealth of \$17,390.

▶ Many **emptied their retirement accounts** to repay their debts. The wealth that should have been there to sustain them until they die is gone; it has been transferred to the health care industry and the lending industry.

▶ Emotional and physical distress

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# The research on older folks and bankruptcy is heavy, disheartening, and frightening.

- ▶ What they are experiencing, at the ends of their lives, is tragic.
  - ▶ The current political tone does not suggest that our country will move back toward shared risk anytime soon. Individuals will be left to manage on their own.
  - ▶ Each of us, almost without exception, will be in the same precarious circumstances when we are old.  
Just one economic downturn or one medical crisis....
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Non-wealthy elders were frequently shunted off to poorhouses, which were “dreary, vermin-infested, and laden with human waste” (Fleming, Evans and Chutka 2003:916).

Elderly poor were regarded as “a burden on the local taxes” and were “despised and often treated as outcasts” (Fleming, Evans and Chutka 2003:914).

In some communities, despite their advanced age, they were auctioned off for farm labor. Toward the end of the nineteenth century, contempt for older Americans peaked—old age was considered a disease and old people were obsolescent.

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## **So much research still needs to be done!**

- ▶ What is behind the decline in their income.
- ▶ Which medical costs are unmanageable.
- ▶ At what age did they retire? Maybe “too soon”?
- ▶ Longitudinal research: Was their bankruptcy beneficial?



▶ Post-bankruptcy, is there enough wealth to carry them for the rest of their lives?

▶ If older folks who file sooner, rather than later, are in better financial shape?

▶ What of the stress of the debt and bankruptcy?

The physical and emotional costs? From their stories, many experience profound medical and emotional problems.

▶ What of the gendered element of elder bankruptcy? Women commonly outlive their husbands, and often live in poverty... so are they over-represented in bankruptcy?

# Questions?

