Advertisement

Journal of Money, Credit and Banking / Volume 52, Issue 5 / pp. 1005-1034

Article

Debt and Financial Vulnerability on the Verge of Retirement

ANNAMARIA LUSARDI, OLIVIA S. MITCHELL, NOEMI OGGERO

First published: 17 December 2019

https://doi.org/10.1111/jmcb.12671

The authors thank Carlo de Bassa Scheresberg, Ana Gazmuri, and Yong Yu for expert programming and research assistance. Additionally, for suggestions and comments, they thank Barbara Butrica, Carolina Fugazza, Elizabeth Llanes, Melinda Morrill, Karen Pence, participants at the 2018 TIAA Institute Fellows Symposium, the 2018 American Economic Association in Philadelphia, the 15th Annual Joint Conference of the Retirement Research Consortium, the 2016 Working Longer and Retirement Conference at SIEPR/Stanford University, and the CMV/OECD Seminar on Emerging Trends in Financial Education, Rio de Janeiro, Brazil. The research was supported by a grant from the US Social Security Administration (SSA) to the Michigan Retirement Research Center (MRRC) as part of the Retirement Research Consortium (RRC). Support was also provided by the TIAA Institute and the Pension Research Council/Boettner Center of the Wharton School at the University of Pennsylvania. The findings and conclusions are solely those of the authors and do not represent the views of SSA, any agency of the Federal Government, the MRRC, or any other institutions with which the authors are affiliated. ©2019 Lusardi, Mitchell, and Oggero.

PDF

Abstract

We analyze older individuals' debt and financial vulnerability using data from the Health and Retirement Study (HRS) and the National Financial Capability Study (NFCS). In the HRS, we compare three groups of people age 56–61 in 1992, 2004, and 2010, to assess cross-cohort changes in debt over time. Two waves of the NFCS (2012 and 2015) provide additional insights into debt management and older individuals' capacity to shield themselves against shocks. We conclude that recent cohorts hold more debt and face more financial insecurity than in the past. This will render them particularly vulnerable to forecasted interest rate increases.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Agarwal, Sumit, Gene Amromin, Itzhak Ben-David, and Douglas D. Evanoff. (2016) " Loan Product Steering in Mortgage Market." NBER Working Paper 22696.

Google Scholar

Barsky, Robert B., F. Thomas Juster, Miles S. Kimball, and Matthew D. Shapiro. (1997) "Preference Parameters and Behavioral Heterogeneity: An Experimental Approach in the Health and Retirement Study." *Quarterly Journal of Economics*, **112**, 537–79.

Web of Science® Google Scholar

Bennett, Paul, Richard Peach, and Stavros Peristiani. (2001) "Structural Change in the Mortgage Market and the Propensity to Refinance." *Journal of Money, Credit and Banking*, **33**, 955–75.

Web of Science® Google Scholar

Bernile, Gennaro, Vineet Bhagwat, and P. Raghavendra Rau. (2017) "What Doesn't Kill You Will Only Make You More Risk-Loving: Early-Life Disasters and CEO Behavior." *Journal of Finance*, **72**, 167–206.

Web of Science® Google Scholar

Bertrand, Marianne, Dean Karlan, Sendhil Mullainathan, Eldar Shafir, and Jonathan Zinman. (2010) "What's Advertising Content Worth? Evidence from a Consumer Credit Marketing Field Experiment." *Quarterly Journal of Economics*, **125**, 263–305.

Web of Science® Google Scholar

Beshears, John, David Laibson, and Brigitte C. Madrian. (2012) " The Availability and Utilization of 401(k) Loans." In *Investigations in the Economics of Aging*, edited by David A. Wise, pp. 145–72. Chicago, IL: University of Chicago Press.

Google Scholar

Beshears, John, James J. Choi, David Laibson, Brigitte C. Madrian, and William L. Skimmyhorn. (2019) "

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Bricker, Jesse, Lisa J. Dettling, Alice Henriques, Joanne W. Hsu, Kevin B. Moore, John Sabelhaus, Jeffrey Thompson, and Richard A. Windle. (2014) "Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin*, **100**, 1–41.

Google Scholar

Butrica, Barbara A., and Nadia S. Karamcheva. (2013) " How Does 401(k) Auto-Enrollment Relate to the Employer Match and Total Compensation?" CRR Working Paper 13-14.

Google Scholar

Cecchetti, Stephen G., Madhusudan Mohanty, and Fabrizio Zampolli. (2011) " The Real Effects of Debt." BIS Working Papers 352.

Google Scholar

Chai, Jingjing, Wolfram Horneff, Raimond Maurer, and Olivia S. Mitchell. (2011) "Optimal Portfolio Choice over the Life Cycle with Flexible Work, Endogenous Retirement, and Lifetime Payouts." *Review of Finance*, **15**, 875–907.

Web of Science® Google Scholar

Christelis, Dimitris, Michael Ehrmann, and Dimitris Georgarakos. (2015) " Exploring Differences in Household Debt across Euro Area Countries and the US." Bank of Canada Working Paper 2015–16.

Google Scholar

Cox, Jeff. (2018) " Chances of a Fourth Rate Hike This Year Just Took a Big Jump Higher." CNBC.com, April 23. https://www.cnbc.com/2018/04/23/the-market-is-now-pricing-in-almost-a-5050-chance-of-four-rate-hikes-this-year.html

Google Scholar

Debelle, Guy. (2004) " Macroeconomic Implications of Rising Household Debt." BIS Working Papers 153.

Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Web of Science® Google Scholar

Dynan, Karen E., and Donald L. Kohn. (2007) " The Rise in U.S. Household Indebtedness: Causes and Consequences." Finance and Economics Discussion Series. Divisions of Research & Statistics and Monetary Affairs. Federal Reserve Board Working Paper. 37, 1–36.

Google Scholar

Edelberg, Wendy. (2006) "Risk-Based Pricing of Interest Rates for Consumer Loans." *Journal of Monetary Economics*, **53**, 2283–98.

Web of Science® Google Scholar

Federal Reserve Bank of New York. (2016) " Quarterly Report on Household Debt and Credit." https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2016Q1.pdf.

Google Scholar

Gabaix, Xavier, and David Laibson. (2006) "Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets." *Quarterly Journal of Economics*, **121**, 505–40.

Web of Science® Google Scholar

Gine, Xavier, Cristina Martinez Cuellar, and Rafael Keenan Mazer. (2014) " Financial (Dis-) Information: Evidence from an Audit Study in Mexico." World Bank Policy Research Working Paper 6902.

Google Scholar

Gurun, Umit, G., Gregor Matvos, and Amit Seru. (2016) "Advertising Expensive Mortgages." *Journal of Finance*, **71**, 2371–416.

Web of Science® Google Scholar

Helman, Ruth, Craig Copeland, and Jack Vanderhei. (2015) " The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor in Americans' Retirement Confidence." EBRI Issue Brief. 413, April.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Hurd, Michael D. (1990) “Research on the Elderly: Economic Status, Retirement, Consumption, and Saving.” *Journal of Economic Literature*, **28**, 565–637.

Web of Science® | Google Scholar

Hurst, Erik, and Frank P. Stafford. (2004) “Home is Where the Equity Is: Mortgage Refinancing and Household Consumption.” *Journal of Money, Credit and Banking*, **36**, 985–1014.

Web of Science® | Google Scholar

Hyytinen, Ari, and Hanna Putkuri. (2018) “Household Optimism and Overborrowing.” *Journal of Money, Credit and Banking*, **50**, 55–76.

Web of Science® | Google Scholar

Kumhof, Michael, Romain Rancière, and Pablo Winant. (2015) “Inequality, Leverage, and Crises.” *American Economic Review*, **105**, 1217–45.

Web of Science® | Google Scholar

Levitin, Adam J., and Susan M. Wachter. (2012) “Explaining the Housing Bubble.” *Georgetown Law Journal*, **100**, 1177–258.

Web of Science® | Google Scholar

Li, Wenli, Michelle J. White, and Ning Zhu. (2011) “Did Bankruptcy Reform Cause Mortgage Defaults to Rise?” *American Economic Journal: Economic Policy*, **3**, 123–47.

PubMed | Web of Science® | Google Scholar

Lu, Timothy, Olivia S. Mitchell, Stephen P. Utkus, and Jean A. Young. (2017) “Borrowing from the Future: 401(k) Plan Loans and Loan Defaults.” *National Tax Journal*, **70**, 77–110.

PubMed | Web of Science® | Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Lusardi, Annamaria, Daniel J. Schneider, and Peter Tufano. (2011) "Financially Fragile Households: Evidence and Implications." *Brookings Papers on Economic Activity*, Spring, 83–134.

Web of Science® | Google Scholar

Lusardi, Annamaria, and Olivia S. Mitchell. (2007) "Baby Boomer Retirement Security: The Roles of Planning, Financial Literacy and Housing Wealth." *Journal of Monetary Economics*, **54**, 205–24.

Web of Science® | Google Scholar

Lusardi, Annamaria, and Olivia S. Mitchell. (2008) "Planning and Financial Literacy: How Do Women Fare?" *American Economic Review*, **98**, 413–7.

Web of Science® | Google Scholar

Lusardi, Annamaria, and Olivia S. Mitchell. (2011a) " The Outlook for Financial Literacy." In *Financial Literacy: Implications for Retirement Security and the Financial Marketplace*, edited by Olivia S. Mitchell and Annamaria Lusardi, pp. 1–13. Oxford: Oxford University Press.

Google Scholar

Lusardi, Annamaria, and Olivia S. Mitchell. (2011b) " Financial Literacy and Planning: Implications for Retirement Wellbeing." In *Financial Literacy: Implications for Retirement Security and the Financial Marketplace*, edited by Olivia S. Mitchell and Annamaria Lusardi, pp. 17–39. Oxford: Oxford University Press.

Google Scholar

Lusardi, Annamaria, and Olivia S. Mitchell. (2011c) "Financial Literacy and Retirement Planning in the United States." *Journal of Pension Economics and Finance*, **10**, 509–25.

Web of Science® | Google Scholar

Lusardi, Annamaria, and Olivia S. Mitchell. (2013) " Debt and Debt Management among Older Adults." GFLEC Working Paper 2013-2.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Lusardi, Annamaria, and Olivia S. Mitchell. (2017) "How Ordinary Consumers Make Complex Economic Decisions: Financial Literacy and Retirement Readiness." *Quarterly Journal of Finance*, **7**.

Web of Science® | Google Scholar

Lusardi, Annamaria, Olivia S. Mitchell, and Vilsa Curto. (2014) "Financial Literacy and Financial Sophistication among the Older Population." *Journal of Pension Economics and Finance*, **13**, 347–66.

PubMed | Web of Science® | Google Scholar

Lusardi, Annamaria, and Peter Tufano. (2009) "Teach Workers about the Peril of Debt." *Harvard Business Review*, **87**, 22–4.

Web of Science® | Google Scholar

Lusardi, Annamaria, and Peter Tufano. (2015) "Debt Literacy, Financial Experiences, and Overindebtedness." *Journal of Pension Economics and Finance*, **14**, 332–68.

Web of Science® | Google Scholar

Lusardi, Annamaria, Pierre-Carl Michaud, and Olivia S. Mitchell. (2017) "Optimal Financial Literacy and Wealth Inequality." *Journal of Political Economy*, **125**, 431–77.

PubMed | Web of Science® | Google Scholar

Malmendier, Ulrike, and Stefan Nagel. (2016) "Learning from Inflation Experiences." *Quarterly Journal of Economics*, **131**, 53–87.

Web of Science® | Google Scholar

Mayer, Christopher. (2017) " Housing, Mortgages, and Retirement." In *Evidence and Innovation in Housing Law and Policy*, edited by Lee Fennell and Benjamin Keys, pp. 203–30. Cambridge: Cambridge University Press.

Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Cambridge: Cambridge University Press.

Google Scholar

Nam, Tong-yob, and Seungjoon Oh. (2018) " Non-Recourse Mortgage Law and Housing Speculation." Available at SSRN: http://doi.org/10.2139/ssrn.2316539.

Google Scholar

Pottow, John A.E. (2012) "The Rise in Elder Bankruptcy Filings and Failure of U.S. Bankruptcy Law." *Elder Law Journal*, **19**, 119–57.

Google Scholar

Schmidt, Sebastian. (2013) "Optimal Monetary and Fiscal Policy with a Zero Bound on Nominal Interest Rates." *Journal of Money, Credit and Banking*, **45**, 1335–50.

Web of Science® Google Scholar

Utkus, Stephen P., and Jean A. Young. (2011) " Financial Literacy and 401(k) Loans." In *Financial Literacy: Implications for Retirement Security and the Financial Marketplace*, edited by Olivia S. Mitchell and Annamaria Lusardi, pp. 59–75. Oxford: Oxford University Press.

Google Scholar

Venti, Steven F., and David A. Wise. (1990) " But They Don't Want to Reduce Housing Equity." In *Issues in the Economics of Aging*, edited by David A. Wise, pp. 13–32. Chicago, IL: University of Chicago Press.

Google Scholar

Venti, Steven F., and David A. Wise. (1991) "Aging and the Income Value of Housing Wealth." *Journal of Public Economics* **44**, 371–97.

Web of Science® Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

ABOUT WILEY ONLINE LIBRARY

Privacy Policy
Terms of Use
About Cookies
Manage Cookies
Accessibility
Wiley Research DE&I Statement and Publishing Policies

HELP & SUPPORT

Contact Us
Training and Support
DMCA & Reporting Piracy
Sitemap

OPPORTUNITIES

Subscription Agents
Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network
Wiley Press Room

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences
Accept All
Reject Non-Essential