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Older Adult Debt and Financial Frailty

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Abstract

Of particular interest in the present economic environment is whether access to credit is changing peoples' indebtedness over time, particularly as they approach retirement. This project analyzes older individuals' debt, debt management practices, and financial fragility using data from the Health and Retirement Study (HRS) and the National Financial Capability Study (NFCS). Specifically, we examine three different cohorts (individuals age 56-61) in different time periods, 1992, 2002 and 2008, in the HRS to evaluate cross-cohort changes in debt over time. We also draw on recent data from the National Financial Capability Study (NFCS) which provides detailed information on how families manage their debt. Our goal is to assess how wealth and debt among older persons has evolved over time, along with the potential consequences for retirement security. We find that more recent cohorts have taken on more debt and face more financial insecurity, mostly due to having purchased more expensive homes with smaller down payments. In addition, Baby Boomers are more likely to have engaged in expensive borrowing practices. Factors associated with better debt outcomes include having higher income, more education, and greater financial literacy; those associated with financial fragility include having more children and experiencing unexpected large income declines. Thus, shocks do play a role in the accumulation of debt close to retirement. But it is not enough to have resources, people also need the capacity to manage those resources if they are to stay out of debt as they head into retirement.

Keywords: older adults, debt, retirement, financial literacy, Baby Boomers[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2376493_code908624.pdf?abstractid=2376493&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2376493_code908624.pdf?abstractid=2376493&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2376493_code908624.pdf?abstractid=2376493&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2376493_code908624.pdf?abstractid=2376493&mirid=1&type=2)

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