Aging, Debt and Financial Exploitation

Older adults struggle with finances and the struggle grows as they age. A number of financial issues have arisen for the baby boomer generation that their parents did not have to confront. Issues related to mortgage debt, consumer debt and financial exploitation are financial factors older adults increasingly have to confront. The Urban Institute 2013 Older American's Economic Security Report indicates that household debt is growing for older Americans. The report shows that between 1998 and 2010 the share of adults with some debt increased from 30% to 43%.
http://www.urban.org/UploadedPDF/412742-Is-Household-Debt-Growing-for-Older-Americans.pdf

Mortgage Debt Faced by Older Americans

According to the US Census Bureau approximately 80% of persons age 65 and older own their own home. While persons age 65 and older have some of the highest homeownership rates among all age groups over the past decade the percentage of this population who carry mortgages on their homes have increased.

A report by the Consumer Financial Protection Bureau (CFPB) indicates that older adults are now carrying more mortgage debt than they can reasonably expect to pay off during their lifetime. One of the causes of increased mortgage debt was mortgage refinancing by older adults of previously paid off mortgages. In addition some older adults took out home equity loans. The report indicates that nearly 30% of seniors age 65 and over carry mortgage debt representing an 8% increase in the last ten years. In addition persons age 75 and older with a mortgage debt doubled in the past decade.

Mortgage debt is forcing older adults to delay their retirement and remain in the workforce longer than the previous generations. The median mortgage debt for seniors has increased over the past decade. Coupled with the recent events in the housing market where home values declined along with less home equity, older adults are now faced with a smaller net worth than they expected.

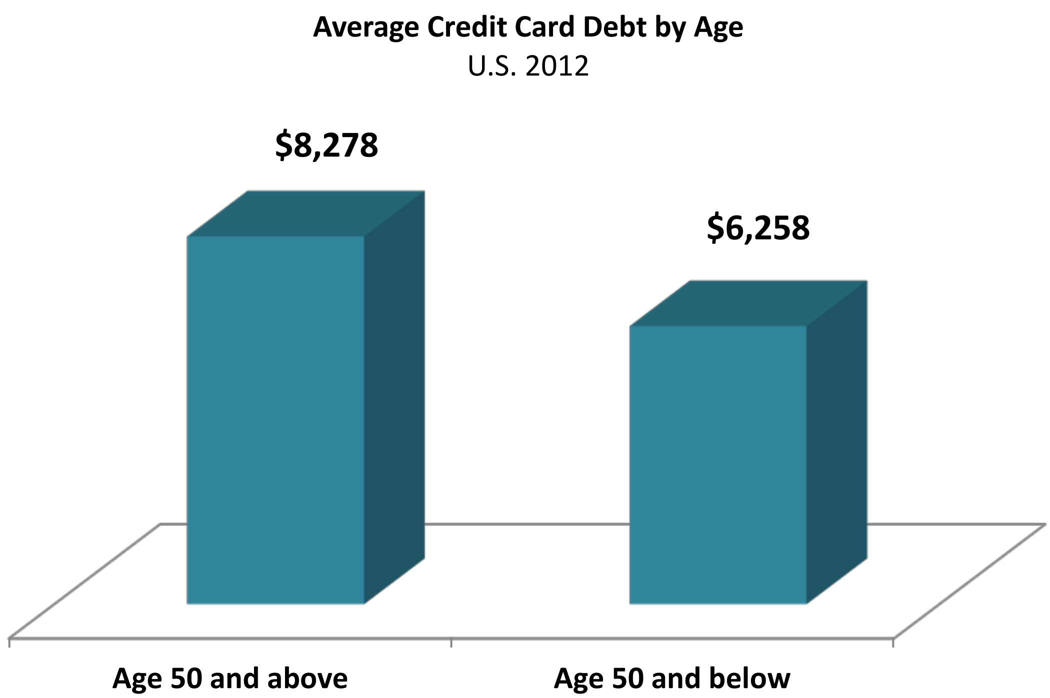
The CFPB report indicates that a number of persons age 65 to 74 years of age are facing delinquency and or foreclosure on the primary residence. Older adults are less likely to recover from the housing downturn than younger persons due to the increased likelihood of health issues and limited earning potential. The report also indicates that senior delinquency and foreclosure rates increased five-fold after the great recession.
http://www.consumerfinance.gov/newsroom/cfpb-spotlights-mortgage-debt-challenges-faced-by-older-americans/
http://www.consumerfinance.gov/blog/consumer-advisory-3-things-to-keep-your-retirement-plan-on-track/

Older Adults and Consumer Debt

A study conducted by the Institute on Assets and Social Policy indicated that one-third of senior households has no money left over each month or is in debt after meeting essential expenses. The report also showed that in 2012, the average credit card debt among adults aged 65+ was $9,283 and 14% of adults aged 65+ faced retirement with a negative net worth. It has become increasingly common for older Americans to be faced with large amounts of debt with not enough retirement income to pay off the debts in a reasonable amount of time.
http://www.ncoa.org/press-room/fact-sheets/economic-security-for.html#sthash.fta7pySJ.dpuf

An AARP study *In the Red: Older Americans and Credit Card Debt* indicates that 34% of persons age 50+ use credit cards to pay for basic living expenses such as rent/mortgage payments, groceries, utilities or insurance because they do not have enough in their checking or savings accounts. In addition, the report found that 18% of persons age 50-64 reports that they drew from retirement funds to pay off credit card debt.

The chart below from the report indicates that middle income households of older Americans age 50+ carry higher overall credit card debt than younger persons.



http://www.aarp.org/research/ppi/security/in-the-red-older-americans-credit-card-debt-AARP-ppi-sec.html

Financial Exploitation of Older Adults

There are several reasons that older adults are at risk of financial exploitation. Older adults are more likely to have some form of steady income, have accumulated assets, inherited income, be lonely and socially isolated, be vulnerable due to grief from loss of a spouse/family member, be dependent upon a family caregiver and be unfamiliar with managing financial matters.

In addition, older Americans may face many financial challenges as they age such as bad financial advice, increased likelihood of being targeted with financial scams and a general lack of understanding of complicated financial products from financial institutions such as banks, mortgage companies and investment options.

The National Center on Elder Abuse (NCEA) indicates that financial exploitation of older adults is the most prevalent form of elder abuse and the most difficult to prevent. NCEA has identified two primary types of financial exploitation of older adult's pure financial exploitation and hybrid financial abuse. When financial exploitation occurs with non-relatives from perpetrators who are not financially dependent on the victim and no physical abuse or neglect is involved, the financial fraud is shorter in duration and the financial losses are lower.

Hybrid financial abuse, which combines financial abuse with physical abuse or neglect, involves a relative or a trusted person who may be financially dependent on the victim. In these situations, the abuse is likely to occur over a longer period of time and the financial losses are greater for the victim.
http://www.ncea.aoa.gov/Site_Utilities/Search.aspx?cx=012624277387271114612:lvkcudhdrmm&cof=FORID:11&q=pure%20financial%20exploitation

Reverse Mortgages

Home Equity Conversion Mortgages for Seniors (HECM), often called Reverse Mortgages, are well-advertised options for seniors who have equity in their home and want to supplement their income. The federal government insures HECMs provided through FHA approved lenders.

The U. S. Department of Housing and Urban Development recommends that consumers consult with HECM counselors before obtaining a HECM. In Nashville, both Residential Resources, Inc. and Woodbine Community Organization are HECM Counseling Agencies.

http://residentialresourcesinc.com

http://www.woodbinecommunity.org

Financial Protection for Older Americans

The Consumer Financial Protection Bureau has developed a resource guide The Money Smart for Older Adults may be helpful in preventing financial exploitation of older adults. A Link to the guide and training resources are available at the link below.
http://files.consumerfinance.gov/f/201306_cfpb_msoa-participant-guide.pdf

Tennessee Vulnerable Adult Coalition is a state wide organization dedicated to addressing issues of physical abuse and financial exploitation. This organization funded in part by the Tennessee Commission on Aging and Disability provides materials and a speaker bureau to address this growing issue across the state.
http://tvaconline.org/

The Council on Aging of Greater Nashville has formed an elder abuse committee to address elder abuse, physical neglect and financial exploitation in Middle Tennessee.
http://www.councilonaging-midtn.org/

Additional information is available from the Consumer Financial Protection Bureau:

http://www.consumerfinance.gov/older-americans/

http://files.consumerfinance.gov/f/201405_cfpb_snapshot_older-consumers-mortgage-debt.pdf

An official website of the United States Government

cfpb Consumer Financial Protection Bureau