Increasing number of US seniors living in poverty

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With retirement confidence at a 23-year low, recent reports shows that a growing number of America's senior citizens are taking on increasing amounts of debt and plunging into poverty. Many elderly Americans are being forced out of retirement or are working well into their retirement years to cover their debts, living expenses, and health care needs.

The growth of debt amongst the elderly is largely accounted for by the entrenched economic crisis precipitated by collapse of the housing market in 2008, along with the rapidly increasing cost of health care. Growing debt and increasing health care costs are exhausting many individuals' retirement funds, plunging an increasing number of retired workers into poverty.

The $275 billion in new cuts to Medicare and Medicaid in the US Senate's 2014 budget proposal would spell further hardship for the elderly. Millions of retired Americans rely on these social programs, in addition to Social Security, to cover a significant share of their increasingly expensive health care costs.

According to the Employee Benefit Research Institute's (EBRI) "Time Trends in Poverty for Older Americans" report for 2001-2009, the poverty rate for workers ages 65 to 74 rose from 7.5 percent in 2005 to 9.4 percent in 2009. As elderly retirees age, their economic conditions only worsen. The poverty rate for retirees ages 75 to 84 rose from 7.6 percent in 2005 to 10.7 percent in 2009. The oldest Americans, those over 84, were the worst off, with 14.6 percent living in poverty in 2009.

The most significant factor for rising poverty rates amongst senior citizens is increasing costs of health care. A 2012 report by Fidelity estimated that a 65-year-old couple retiring in that year required $240,000 to cover medical expense through retirement. This is a 50 percent increase from its estimate of $160,000 in 2002. Despite the promises of President Obama's Affordable Care Act, the cost of health care is expected to continue its upward trend over the coming years.

The need for health care is greatest amongst the most vulnerable segment of elderly Americans, as they suffer the most from health issues. According to the EBRI report, 70 percent of retirees living below the poverty line suffer from acute health conditions, including cancer, lung disease, heart problems, or stroke.

Nearly all retirees living below the poverty line, 96 percent, suffer from some sort of health condition, including high blood pressure, diabetes, psychological problems, or arthritis. Among those living above the poverty line, 61.7 percent suffer from the same health conditions.

Also contributing to the steadily growing number of senior citizens living in poverty is the decline in the number of workers saving for retirement. The percentage of Americans who report saving for retirement in 2013 stands at 68 percent, down from 75 percent in 2011. The decline in retirement savings is most significant among households with an income less than $35,000. Among low-income workers, the percentage of those reporting having saved for retirement has dropped dramatically, from 49 percent in 2009 to 24 percent in 2013. (See "US retirement confidence at 23-year low")

A 2012 report by The Schwartz Center for Economic Policy found that in 2011, 75 percent of workers between the ages of 50 and 64 had less than $30,000 in their retirement accounts. A report by the *Wall Street Journal* in 2011 found that the typical American household nearing retirement with a 401(k) savings account had less than one quarter of what was required to maintain their current standard of living.

The increasing amount of debt held by older Americans has made saving for a comfortable retirement increasingly difficult. Recently released data from the US Census Bureau reveals that the median amount of debt held by households headed by someone 65 or older rose nearly 120 percent between 2000 and 2011, from $12,000 to $26,000. A significant portion of this increase is accounted for by rising mortgage debt since the collapse of the housing bubble in 2008.

Since the collapse of the housing bubble, many retirement-age workers have found themselves stuck with underwater mortgages in drastically devalued homes. Those 65 and older saw their typical secured debt in mortgages rise from $25,000 to $50,000. Since 2000, Americans over 65 have grown more likely to hold a mortgage or any other kind of debt, while those under 55 have grown less likely to hold mortgage debt.

Americans who are on the verge of retirement are also taking on increasing amounts of debt, particularly in the form of home mortgages. In 2010, 39 percent of households with heads aged 60 to 64 held a primary mortgage and 20 percent held a secondary mortgage. This was up significantly from 22 percent and 12 percent respectively in 1994.