

# Bankruptcy filings surge among older Americans

## Dwindling income, medical bills, debt push seniors into financial ruin

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For an increasing number of older Americans, life in retirement is the diametric opposite of the “golden years.” Instead of being comfortably cushioned by a pension and Social Security, a significant section of the senior population faces dwindling income, vanishing pensions, inadequate savings, mounting health care costs and rising debt. Debt collectors are visiting them at their low-paying jobs or knocking at their door.

A new study by the Consumer Bankruptcy Project finds that this “perfect storm” of adversity is translating into desperation. “When the costs of aging are offloaded onto a population that simply does not have access to adequate resources, something has to give,” the study states, “and older Americans turn to what little is left of the social safety net—bankruptcy court.”

The research documented in “The Graying of US Bankruptcy: Fallout for Life in a Risk Society,” finds that the rate of people 65 and older filing for bankruptcy is three times what it was in 1991. The same age group also accounts for a far greater share of all bankruptcy filers. The study suggests that this surge in filings by seniors is being driven by a three-decade-long shift of financial risk from the government and employers to individuals.

Seniors must wait longer for full Social Security benefits (age 70 rather than 65), defined benefit pensions have been replaced with 401(k)s, and older people are spending more out of pocket for medical care not covered by Medicare. Stagnant and declining incomes, job loss and the inability to find a decent-paying job to make ends meet are compounding the problem. Many seniors are one illness, accident or income drop away from financial ruin.

The Consumer Bankruptcy Project, in operation since 1981, is currently led by the authors of the study: Deborah Thorne, University of Idaho; Robert M. Lawless, University of Illinois; Pamela Foohey, Indiana University and Katherine Porter, University of California, Irvine. The project, financed by their universities, collects and analyzes court records of bankruptcy filings. Their latest study is based on sample personal bankruptcy cases and questionnaires filled out by 895 filers, ages 19 to 92.

Excerpts from the questionnaires give a glimpse of the respondents’ precarious personal and financial situations.

\* The consequences of inadequate retirement and employment income:

All things went up in price. Retirement never went up. Had a part-time job that was helping to meet monthly payments. House payment kept going up. Was fired from my part-time job that I had for over 10 years without any warning. Being 67 and having back problems, not many people will hire you even as part time worker.

\* The financial risk from plans like 401(k)s, which individuals are left to manage on their own:

Mismanaged my retirement savings due to depression. Invested in stock market but over-leveraged my account. Tried to restructure my debts but creditors refused. Unable to find suitable employment to pay my credit cards. Filed bankruptcy.

\* The impact of debt and debt collectors:

My wife developed medical problems and had to leave her job, resulting in a loss of income. About two years later, I developed medical problems and was not able to continue working. We got to a point where we simply could not handle the debt load. The constant calls from bill collectors forced us to contact an attorney for help.

\* Forced to forgo medical care, exposing the inadequacy of Medicare and Social Security to cover health care costs:

I went without medical and dental. Even with Medicare and supplemental dental insurance, the co-pays were more than we could afford. I still need dental work. It will have to wait until I can save up the money. Our income is just over the limit to get [governmental] help.

The authors provide background to the rise and fall of the social safety net in America. “During the nineteenth century, only the wealthy could count on familial care in their final years,” they write. “Most others were shunted off to poorhouses, which were ‘dreary, vermin-infested, and laden with human waste.’ Elderly poor were regarded as ‘a burden on the local taxes’ and were ‘despised and often treated as outcasts.’” [1]

In the wake of the Great Depression, approximately two-thirds of older Americans were impoverished, living the “stark terror of penniless, helpless old age,” the study says. The Social Security Act was signed into law in 1935 by Franklin D. Roosevelt. Following World War II, workers began to receive public pensions with defined benefits. Medicare and Medicaid followed, signed into law by Lyndon B. Johnson in 1965. [2]

None of these reforms were granted out of the beneficence of the ruling elite—they were wrested from them in great struggles by workers. Conceding these social improvements bought time for the ruling class to hold back a movement of the working class. Now, with the plundering of the economy by the financial oligarchy—with the inflation of stock values serving as a mechanism for the upward redistribution of wealth to the super-rich—workers have seen their wages stagnate and decline in real value.

As the two big-business parties authorize trillions for the Pentagon budget and war, income inequality is soaring to new heights. Bankrupting the economy to enrich their bank accounts, the financial aristocrats are demanding that what’s left of the social safety net be dismantled.

The plight of growing numbers of seniors who are being forced to file for bankruptcy is a direct result of this process. The study quotes Stephen Katz, who describes the political establishment’s efforts over the past several decades to destroy Social Security, Medicare and pensions as pressure to “responsibilize a new senior citizenry to care for itself.”

As explained by the study, it is the poorest sections of the senior population that face the greatest financial squeeze. In 2001, about half of households headed by someone 60 or older had some debt. By 2013 this had risen to more than 61 percent. The median amount that older adult households owed more than doubled, from \$18,385 in 2001 to \$40,900 in 2013.

Since 1991, younger Americans’ rates of filing for bankruptcy have been steadily decreasing. During this same period, older Americans’ rates of bankruptcy filing have increased two- and three-fold, for those 65-75 and 75 and older, respectively. One in seven bankruptcy filers in America is 65 or older, a nearly five-fold increase over two-and-a-half decades ago. Among those age 75 and older, there has been a near ten-fold increase in filings since 1991.

The study says that financial problems facing seniors likely have resulted from “inadequate retirement income, job loss, or from jobs that pay older people less.” Seniors are also paying in retirement for student loans for their children.

The study also notes that “bankruptcy is not and never has been a panacea, especially for older people.” Compared to younger people filing bankruptcy, seniors were more likely to report “that their financial situations were either worse than or as bad as when

they initially filed bankruptcy.”

Those filing for bankruptcy after age 65 had far more debt than their non-bankrupt peers—reporting median total debt of \$101,560 compared to \$1,000. Non-bankrupt older Americans also had an average \$251,500 in wealth, compared to bankrupt seniors’ average net *negative wealth* of \$17,390.

As in all of American society, a tiny fraction of the super-rich over-65s can pay out of pocket for whatever they need, while the vast majority of seniors struggle to get by. These conditions contribute to ill-health and even premature death under conditions where medical science has developed the ability to treat and cure all sorts of diseases and prolong life.

The study’s authors correctly point to the significance of the rise of senior bankruptcy filings for the greater population. As the *World Socialist Web Site* has often explained, the attack being waged by both the Democrats and Republicans on Social Security and Medicare is aimed at the working class as a whole. The attack on the right of older Americans to live a financially secure, healthy and dignified existence after a lifetime of work must be opposed by all workers and young people.

The Democrats have stood by in virtual silence as the Trump administration has pursued a ruthless policy ultimately aimed at privatizing Social Security, Medicare and Medicaid. The working class must adopt a socialist perspective, independent of the two big business parties, that fights for the social rights of the working class, including a secure retirement, high-quality health care, education and housing.

#### Notes:

1. *A Cultural and Economic History of Old Age in America*, Kevin C. Fleming, Jonathan M. Evans, and Darryl S. Chutka, 2003

2. *The Legal Background of the Social Security Act*, Thomas H. Eliot, 1961.



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