Older Americans Filing for Bankruptcy in Record Numbers

August 6, 2018 - According to a new research study by the Consumer Bankruptcy Project, older Americans are filing for bankruptcy at nearly six times the rate they did in 1991. The trend is occurring for a variety of reasons, but the high cost of medical care and reductions in safety-net benefits such as pensions and Medicare appear to be some of the largest contributing factors according to the study.

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In 1991, Americans who were 65 and older made up just 2.1% of those filing for bankruptcy. Today, they make up 12.1% of people filing.

The study found that 1/3 of people who were 65 and older received 90% of their ongoing income from Social Security. At the same time, 41% of that income was spent on medical care not covered by Medicare. But that number becomes significantly higher as people grow older. Those who are 85 and older and rely predominantly on Social Security for their income spend 74% of their income on medical care. That doesn't leave them with any room to maneuver if they have other unexpected financial issues. And many of them do.

The study notes that many older adults are now carrying financial debt that was actually incurred by their children in the form of student loans. Other issues such as children who still live at home or family emergencies in which grandparents find themselves responsible for raising their grandchildren can be enough to force them into bankruptcy.

This situation is likely to get worse. Fewer and fewer companies offer their employees traditional pension plans anymore. Instead, they offer 401K accounts. But participation in those accounts is optional so only those who plan ahead are likely to participate. And because these plans rely on investment income, there is always a chance that any money saved could be lost prior to retirement.

Congress has also made the situation worse than it needs to be. The Social Security Trust Fund doesn't have enough money in it to offer full retirement benefits beyond 2034. Medicare is even worse off and won't be able to offer full benefits beyond the mid 2020's without additional funding. At the same time, both Social Security and Medicare pay benefits to people who have never contributed to them. Essentially, Congress has turned these programs into another form of welfare at the expense of taxpayer who have contributed into them for all of their lives.

The Consumer Bankruptcy Project's study findings have been submitted for peer review. Once that is complete, we'll bring you updated information on its conclusions.
byJim Malmberg
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