

Forum on Financial Experiences of Older Adults

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Forum on Financial Experiences of Older Adults: Introduction and Framing

ANNA BOYD: Well, thank you so much Governor Stein, and particularly for that point about focusing us on the informal networks for older adults. I think I imagine that is something that will be debated today in panels, etcetera, but very important for us to focus on: what do those informal networks look like and what kind of influence do they have? Thank you, Governor Stein. So, my job now, for the next few minutes, is to give you a whirlwind tour of this survey, the study that we've done. And I want to start by saying that we really did something different here. In the -- usually the Fed has a long list of things we want to survey and research and we sort of have a sense of knowing the answer. This time we went out to a panel of experts and I believe many of those experts are here in the room with us today. And we asked: where were the research gaps? Where were the -- where were the things that were missing and what kinds of questions should we be asking? Because in a sense, this is very new territory for us from a community development perspective. So, the report really does two things. It summarizes the results from the older adult survey and related research in the field. So, as Governor Stein noted, we looked at the different kinds of research that were taking place in this area. And it also frames certain research and policy considerations for today's event. So, the results from this effort both confirm some insights about the financial lives of older adults while challenging our assumptions about others. So, some of the things you'll see are very much like, yeah, I knew that. That was -- that makes sense. Others were a little bit surprising to us and are worth probably more research and more debate. So, we hope that these issues make for a lively discussion. As we well know, today one-in-seven people in the United States are 65 or older. The census estimates show that the share of older adults will rise to one-in-five by 2060. So, in other words, by 2060, individuals

age 65 and older will make up 20% of the U.S. population. Today, they make up 14% of the population. And notably, people age 90 and older are one of the fastest growing groups. They are expected to nearly triple in number by 2060. Our expectations about the road to retirement have typically included graduating from school, working and earning, saving and spending and spending and spending, borrowing and investing and then retiring. But now, things are a bit different. Older adults are increasingly moving in and out of retirement to earn additional income. They're borrowing from retirement funds. They're caring for aging parents and supporting adult children. They're taking out student loans for themselves or for their children or for their grandchildren. And they're looking at getting retrained. In our survey, we set out to better understand the financial experiences of older adults, focusing really on three main questions. To what extent do older adults use various products and services? What's the main source of their financial stress? To whom do they turn to for financial advice? And you heard Governor Stein talk a lot about those informal kinds of networks that people have. Here's a sampling of what we learned from the survey results. First let's talk about debt. For many people, a commonly held assumption is that education debt will be paid off fairly early in one's working life. And I think that was certainly the case for me and for my contemporaries; not so much the case perhaps anymore. We found that one-in-seven, 14% of the survey respondents said they carried student loan debt, either for themselves or their children or grandchildren. In fact, this finding is part of a broader trend showing that student loan debt is on the rise and that's according to the Board's Survey of Consumer Finances. Perhaps not surprisingly, middle-aged respondents, those in their 40s and 50s, say that they are likely to carry credit card debt. They report this at a much higher rate than respondents that are 60 or older. Another finding illuminates that financial circumstances of older adults is the persistence of mortgage late --

mortgage debt - very late in life. six-in-ten 60 year olds and 37% of 70 year olds have mortgages or other debt secured by their homes. The Board Survey of Consumer Finances show these figures are up by about 10% since 2001. Mortgage debt is of particular significance because homes comprise the largest component of net worth of many older adults and often are a major source of funds for retirement. With home values still rebounding and a considerable number of mortgages still underwater, housing wealth for some older adults that was once available for retirement funds or other expenses may be significantly reduced or eliminated. We also observed middle-aged adults are particularly susceptible to financial stress. Compared to the oldest adults answering our survey, those in their 40s and 50s were more likely to need help covering bills and managing expenses. Certainly for me, it's flying my daughter back and forth from school. Middle-aged adults are also reported feeling financially squeezed. Middle-aged -- Middle-aged comprised the largest share also of the sandwich generation, which we've heard a lot about, a term that defines adults who are caring for aging parents or supporting an adult child.

[Pause]

So, when it comes to making financial decisions, we found that for major financial decisions like investments and refinancings, less than half of older adults seek advice. And for those that do, the majority tend to turn to a friend or a family member, a community, a church, etcetera. So, that is a whirlwind tour, really, of what -- there's so much more information that's in this survey. We hope you'll take a look at it when you have a chance. A copy has been placed in all of your folders so please avail yourself of it and hopefully it will set some of the questions in your minds for the debate later in the day. So this brings us -- we invited you today as experts across many issues to discuss the findings as well as broader questions about the financial stability of older

adults. It's our hope that today's discussion reveals new insights, identifies further gaps in research, and raises new questions.