

# Help Prevent the Effects of Senior Poverty



According to the National Council on Aging (NCOA) 2010 report, [\*Current Economic Status of Older Adults in the United States: A Demographic Analysis\*](#), 1 in 10 American seniors lives at or below the poverty level, and almost a third are considered economically insecure.

This issue is especially important for seniors who are retired or nearing retirement. With life-spans increasing, those who retire in poverty are often doomed to struggle financially for many years to come. Professionals who work with seniors can help their clients by clearly understanding the financial hurdles they face and providing resources to help them manage finances more effectively.

## Contributing factors

Many factors contribute to seniors' future financial instability, including:

- longer life-spans, with a large number of people living into their 90s
- 401(k) plans now replacing company-backed pensions
- diminishing Social Security benefits
- too little savings
- rising medical costs
- unreliable stock market
- plummeting long-term interest rates

Situational factors also play a role in causing seniors to face financial instability, such as:

- financial losses
- medical expenses
- other unplanned losses/expenses (accidents, disasters, family emergencies)
- credit card debt (often caused by other contributing factors)

## **Race as a contributing factor**

The Dēmos-sponsored Institute on Assets and Social Policy (IASP) study titled *Severe Financial Insecurity Among African-American and Latino Seniors* analyzed the Senior Financial Stability Index (SFSI), including such factors as housing expenses, healthcare expenses, household budget, home equity and assets. The study concluded that 91 percent of African-American and Latino seniors face financial vulnerability. Even more worrisome is that this data was collected before the recession, meaning that an even larger proportion of minority seniors are likely at risk today.

## **Recession**

The current recession has affected all Americans, but especially seniors, who are often already on limited incomes. Notably, the recession has led to:

- a decline in consumer wealth
- reduced incomes
- record unemployment
- increased poverty

## **Seniors in debt**

In general, seniors have more debt than in the past, especially credit card debt. Credit card debt among adults 65 and older increased 26 percent between 2005 and 2008 — to an average debt of more than \$10,000! The most common reasons older adults are racking up this debt are to meet their basic living expenses and to pay for medical care.

## **Battling credit card debt**

Getting out of credit card debt can be a daunting task for anyone, and especially seniors who have limited incomes and don't have the option of taking years to pay down their debt. Tips for seniors to get their credit card debt under control include the following:

- negotiate better terms from creditors
- consult a financial advisor
- seek credit counseling
- trim unnecessary expenses

## Long-term financial goals

The Dēmos /IASP study makes several recommendations to promote long-term economic stability for all seniors, including:

- enhancing existing programs and resources for seniors, including Social Security, pension provisions, long-term care insurance, and flexible employment before and during retirement
- supporting the development of assets for all adults, including healthcare, tax-deferred savings and pension plans, financial literacy education, adequate income opportunities and regulations to support asset protection.

With so many seniors facing financial instability in their retirement years, it's important to address this issue sooner, rather than later — before it's too late to prevent the effects of senior poverty.

Lynn Schmidt is a Certified Senior Advisor (CSA) which has provided her with advanced knowledge and practice tools in the areas of key health issues as well as financial and social issues that are important to seniors. Lynn is eager to serve the tax, financial and family concerns of seniors at the highest level possible. When you work with a professional who has added the CSA designation to his or her achievements, you know you're working with someone who has invested the time and effort into learning about the things that are important to **you** or **your loved one**. For more information, please visit our website at [www.LyncoFinancial.net](http://www.LyncoFinancial.net)