

Racial Differences in Debt Delinquencies and Implications for Retirement Preparedness

March 30, 2023

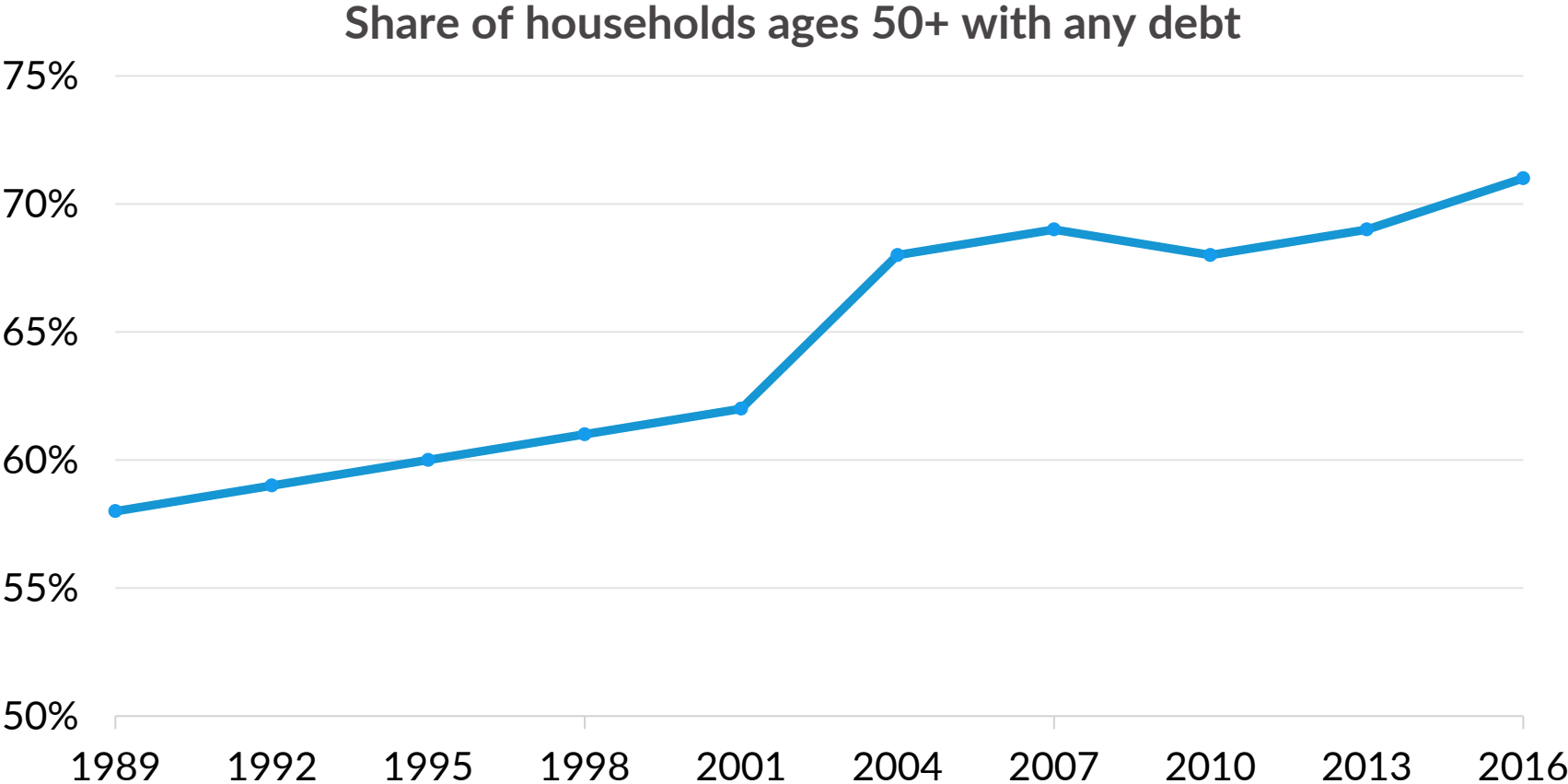


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More Adults Are Carrying Debt into Retirement



Source: GAO analysis of the Federal Reserve’s Survey of Consumer Finance

Notes: Older households are defined as those with the head of household older than 50. The median debt amount for older households with debt was about three times higher in 2016 (\$55,300) than in 1989 (\$18,900 in real 2016 dollars)

Research Questions

- Although recent studies have documented increased debt for older adults, little is known about their ability to pay off their debt.
- **Q1:** Do older adults have trouble paying down their debt?
- **Q2:** Are there racial disparities in the amounts of delinquent debt older adults carry?
- Unlike previous research, this study uses **debt delinquency** to better understand whether people saved enough for retirement.
 - High **delinquent debt** suggests lack of sufficient income and assets and retirement insecurity.

Data

- Individual-level credit bureau data in August 2022
- 4.8 million adults ages 50+ (4% nationally representative sample of older consumers with a credit bureau record)
- Community-level race and ethnicity characteristics determined by the majority race in each zip code using American Community Survey 2021 5-year estimates

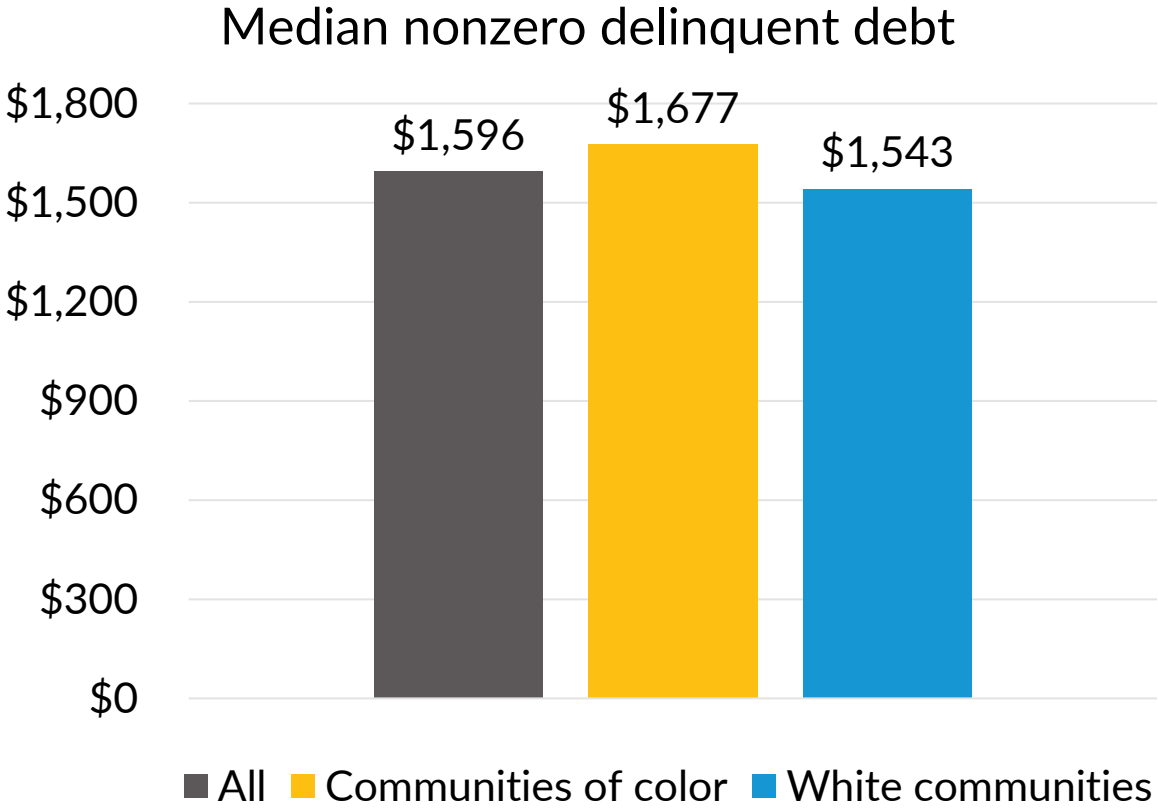
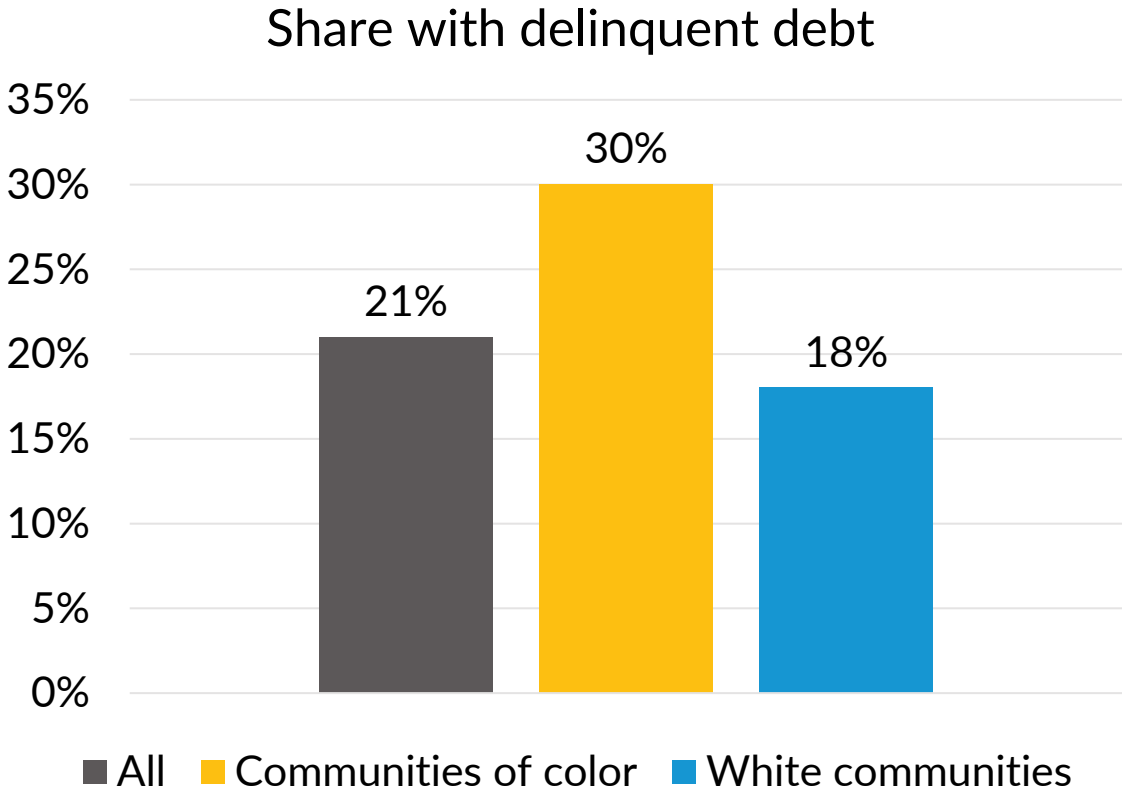
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Note: Definitions may vary based on credit type.

Older Adults in Communities of Color Are More Likely to Have **Delinquent Debt** and Carry a Higher Level of **Delinquent Debt** Than Those in Majority-White Communities

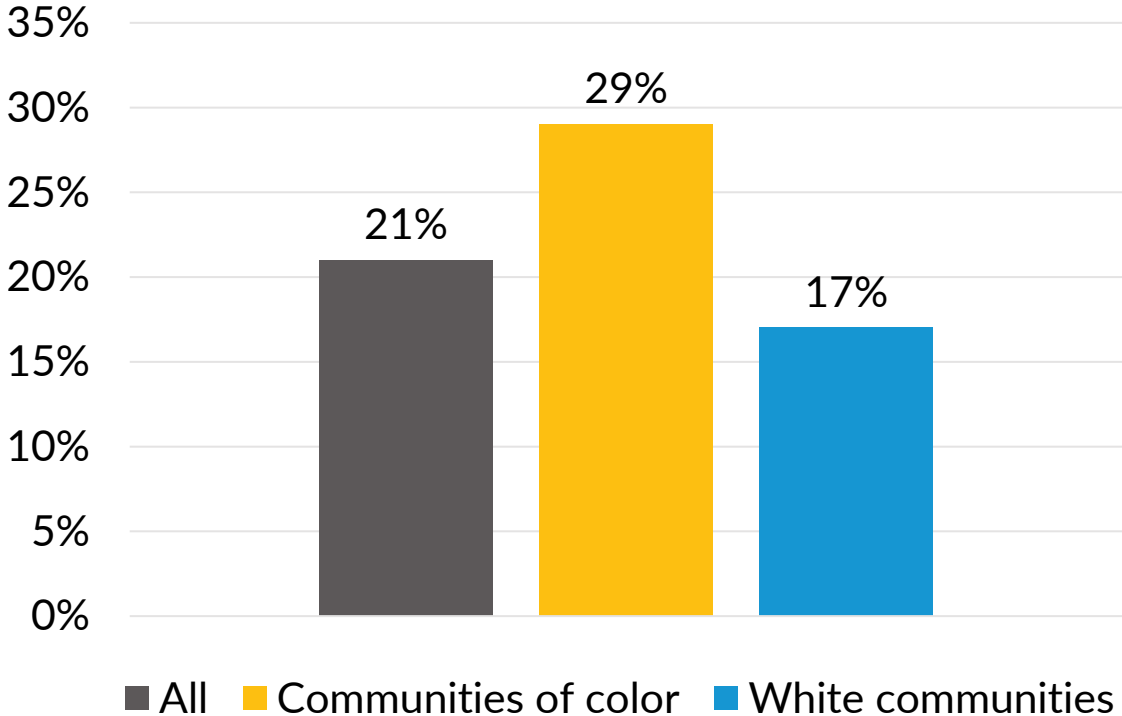


Source: 4.8 million individual-level records for adults ages 50+ with a credit record in August 2022

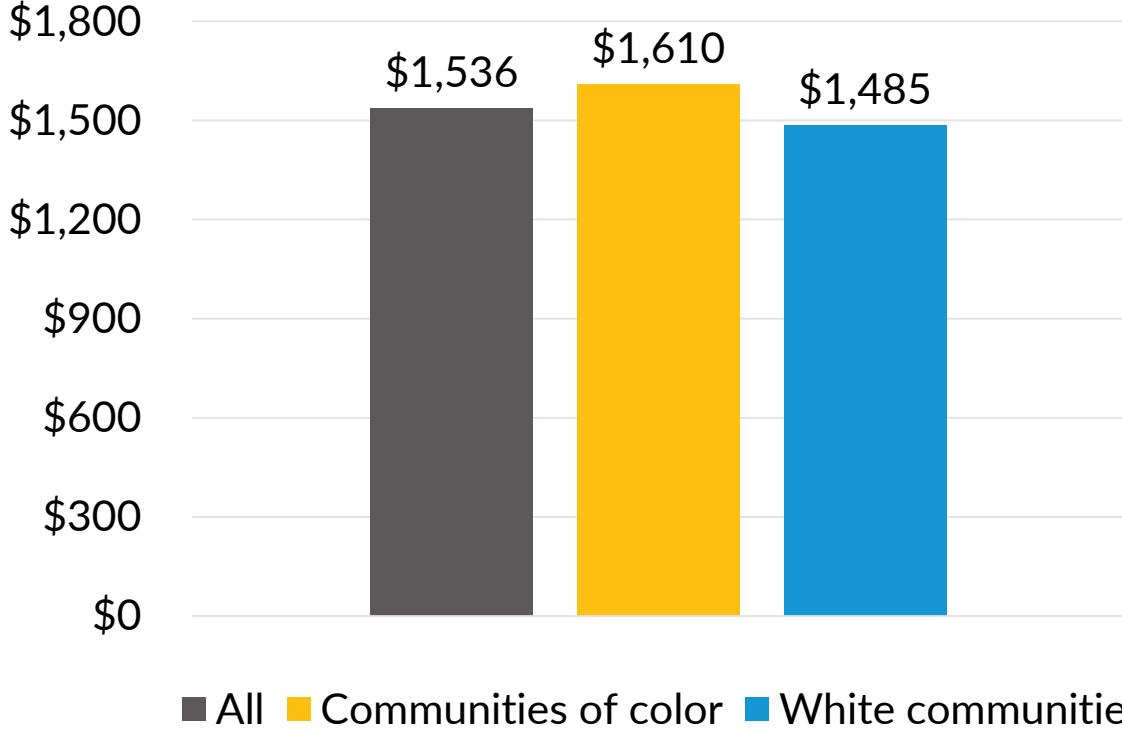
Note: Delinquent debts are those past due 60+ days, including debt in collections.

Most Delinquent Debts Were Sent to Collection Agencies (180+ Past Due)

Share with debt in collections

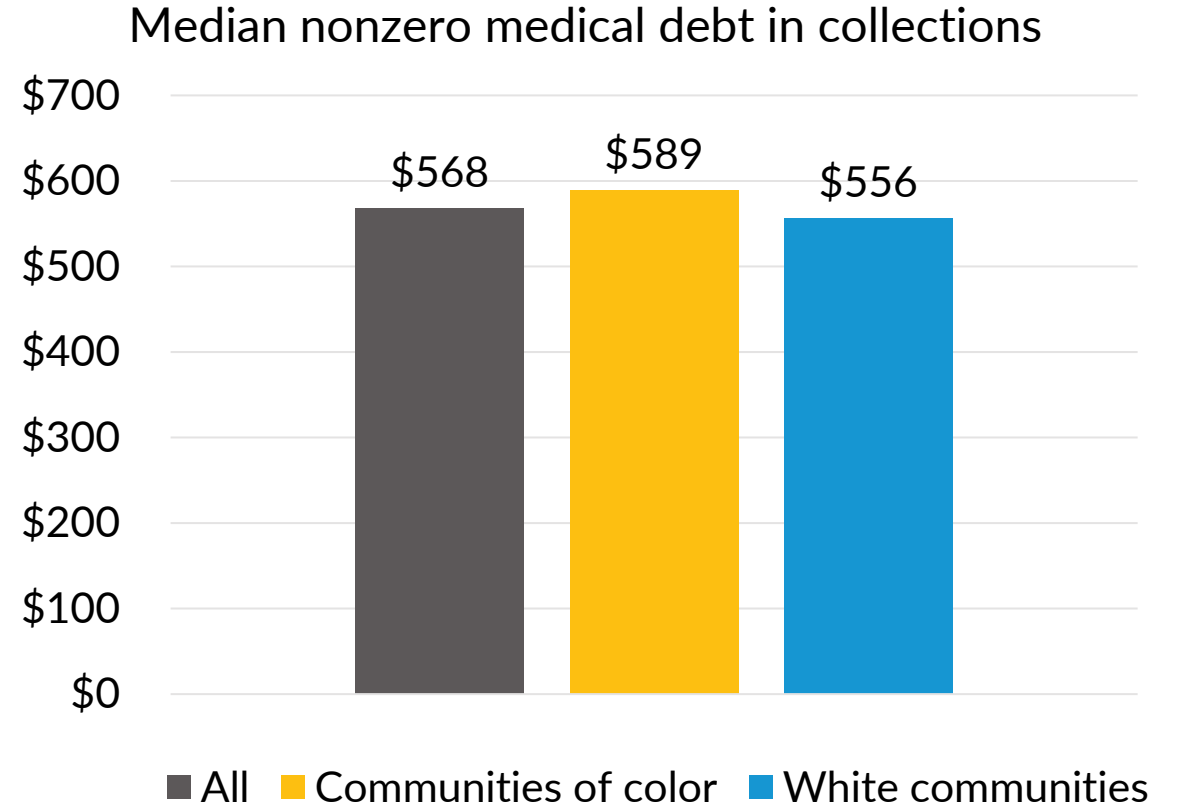
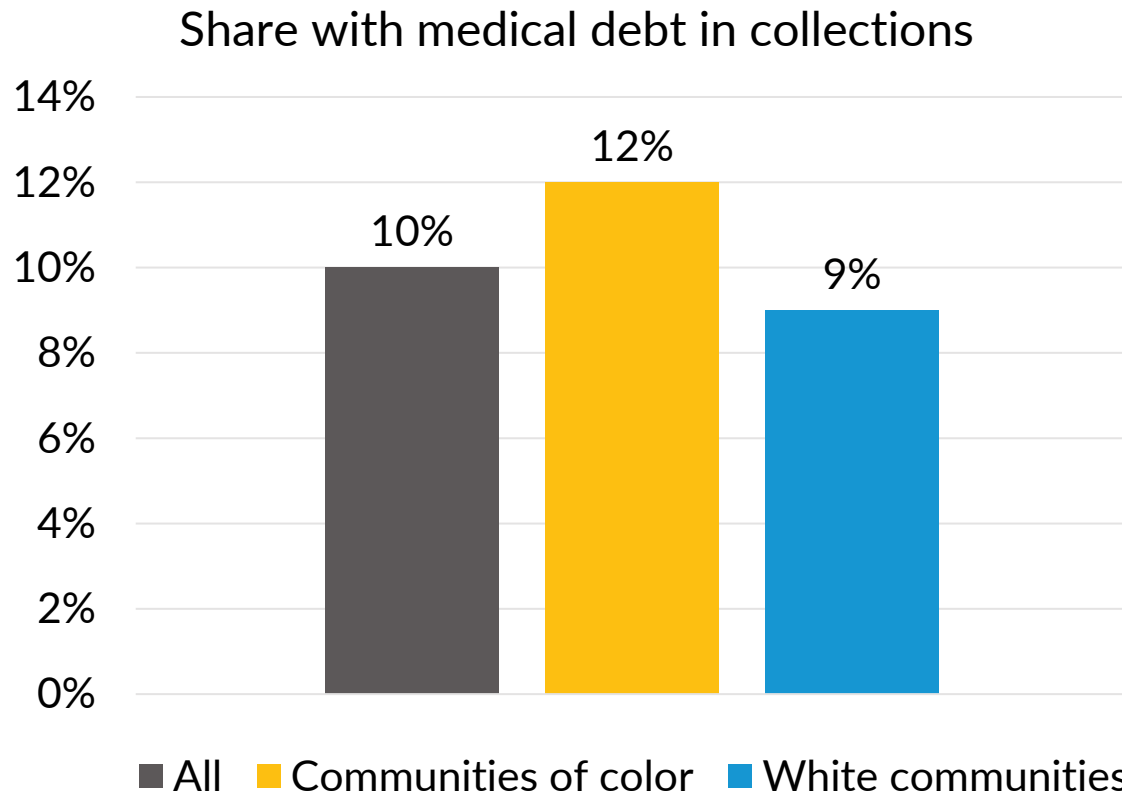


Median nonzero debt in collections



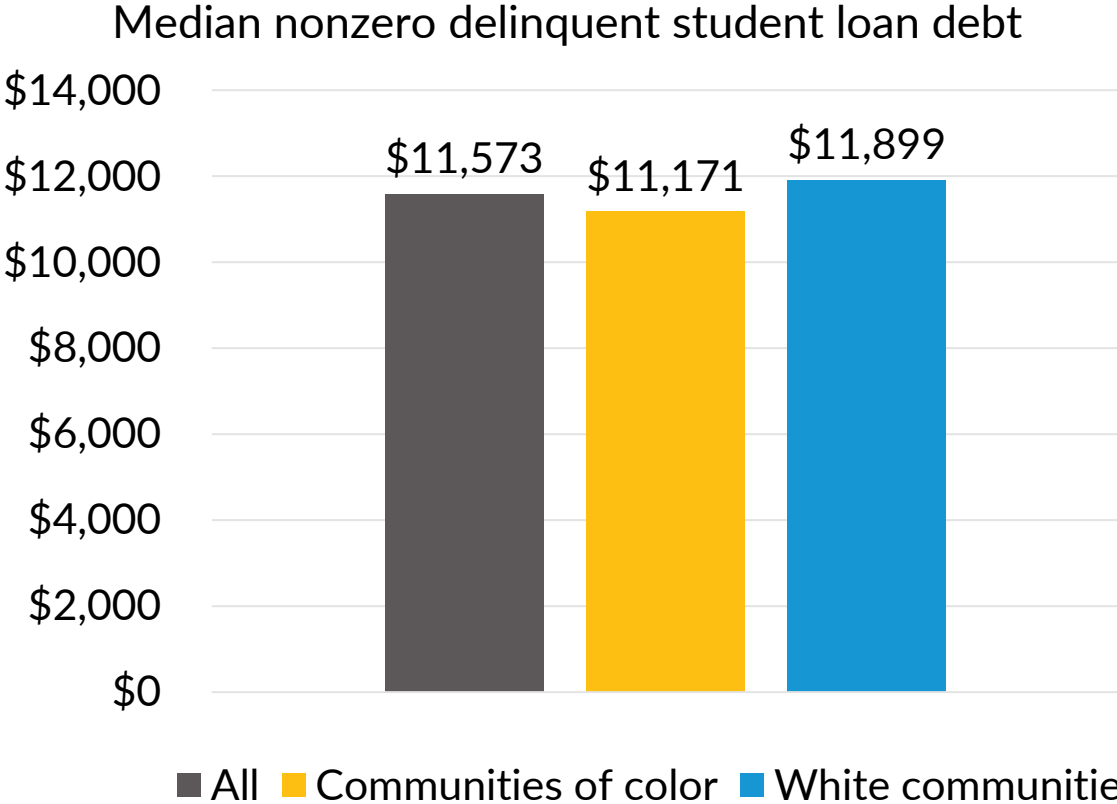
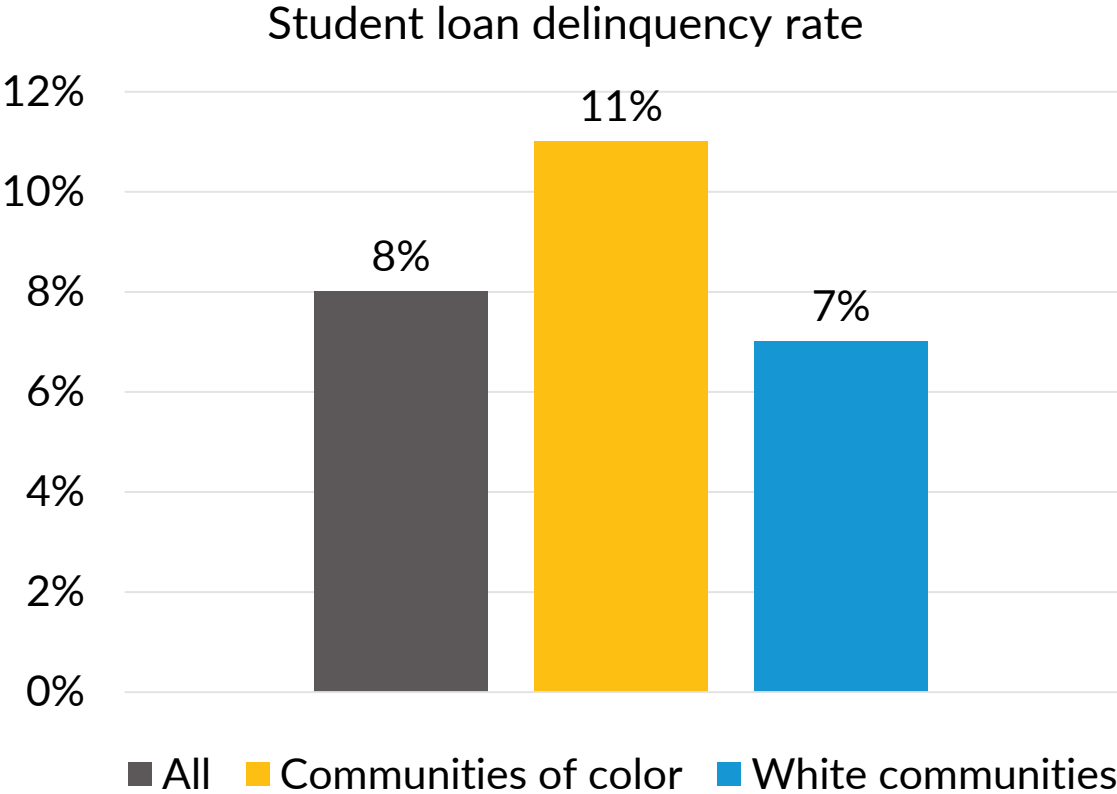
Source: 4.8 million individual-level records for adults ages 50+ with a credit record in August 2022

Older Adults in Communities of Color Have More Medical Debt In Collections Than Those in Majority-White Communities



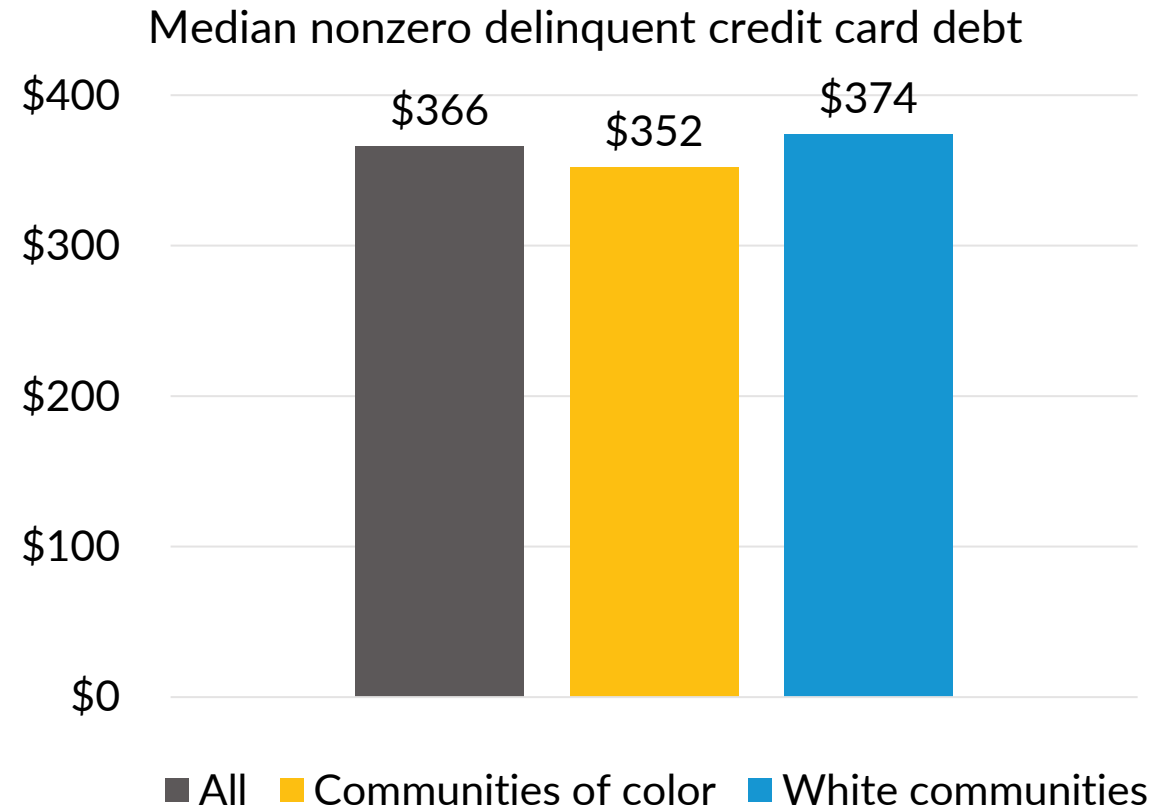
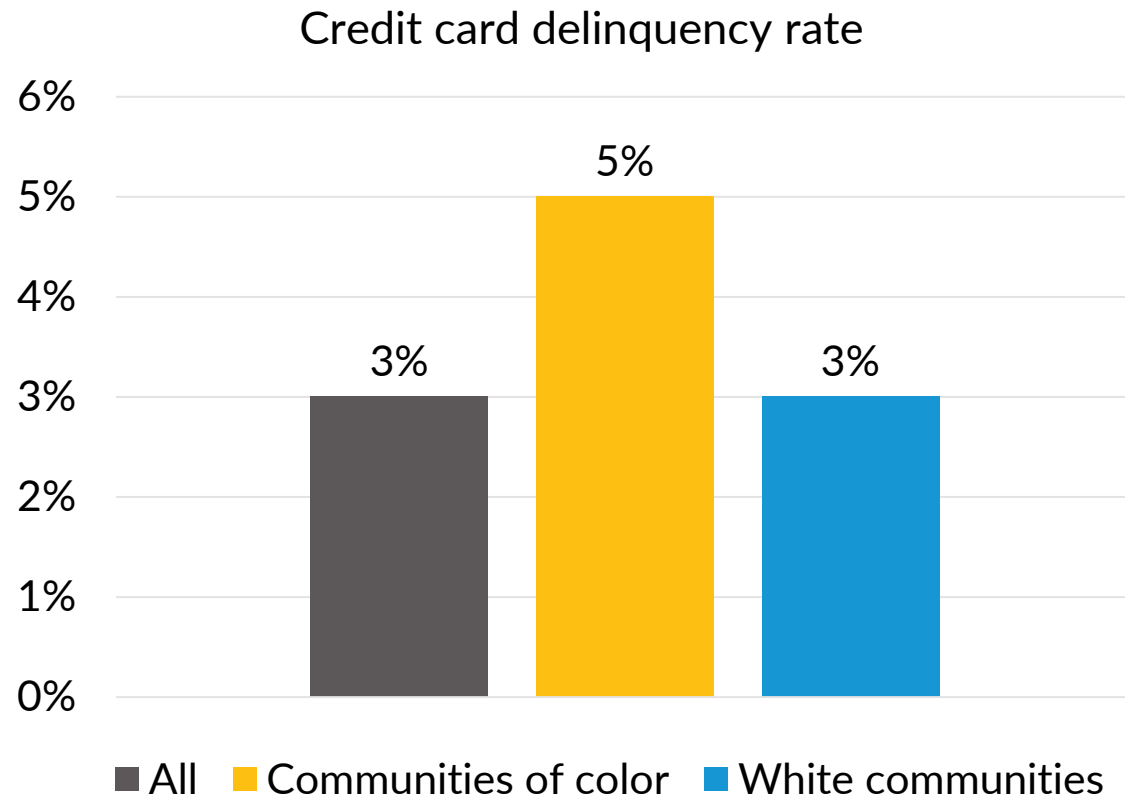
Source: 4.8 million individual-level records for adults ages 50+ with a credit record in August 2022

Older Adults in Communities of Color Are More Likely to Be Delinquent on Student Loans While Those in Majority-White Communities Carry a Higher Delinquent Balance



Source: 300,000 individual-level records for adults ages 50+ with student loan debt in any status (open, deferred, delinquent, or in collections) in August 2022

Older Adults in Communities of Color Are More Likely to Have Delinquent Credit Card Debt While Those in Majority-White Communities Carry a Higher Delinquent Balance



Source: 3.2 million individual-level records for adults ages 50+ with open or delinquent credit card debt in August 2022

Note: Delinquent credit card debt is 30+ days past due.

States with Highest Delinquency Rates and Racial Disparities

Highest delinquency rates	Largest racial disparities in delinquency rate*
Texas (32%)	North Dakota (3.5 times)
Louisiana (31%)	Wyoming (3.4)
South Carolina (30%)	South Dakota (3.3)
West Virginia (30%)	Wisconsin (3.3)
Georgia (29%)	District of Columbia (3.1)

Source: 4.8 million individual-level records for adults ages 50+ with a credit record in August 2022

Note: Data for older adults in communities of color are not available in West Virginia, Maine, New Hampshire, and Vermont due to small sample size.

* Disparities in delinquency rate is the ratio of delinquency rate between older adults in communities of color and those in majority-white communities.

Takeaways

- About **1 in 5 older adults age 50+** have delinquent debt and debt in collections, suggesting difficulties meeting financial obligations in retirement age.
- Compared with a typical older adult in a majority-white community, a typical older adult in a community of color is more likely to
 - have any type of delinquent debt,
 - carry a higher balance of total delinquent debt, and
 - have a higher balance of medical debt in collections.
- A typical older adult in a majority-white community has a higher balance of delinquent student loan debt and delinquent credit card debt.



Next Steps

We are extending our analysis to address the following questions:

- How do the amounts of delinquent debt differ across age groups and generations?
 - Ages 50-61 vs. age 62+
 - Baby boomers, Gen X, and Millennials
- Which type of debt do older adults prioritize to pay down?
- Do older adults face structural barriers or discrimination that cause them to carry delinquent debt?
- How can we inform policy and industry solutions to improve people's readiness for retirement?