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4/17/2013 7:00 PM ET | By Liz Weston, MSN Money

Rising debt weighs down seniors

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(Continued ...)

Add in a recession plus a weak recovery, and it's not surprising more older people are winding up in bankruptcy court. Bankruptcy filings by people aged 45 and older rose 19% from 2006 to 2010, according to a study by the Institute for Financial Literacy (.pdf file). People 55 to 64 made up 18% of bankruptcy filings in 2010, compared with 14% in 2006. Those 65 and older constituted 9% of the filings, up from about 8%.

But many debt-ridden people try to avoid Chapter 7 bankruptcy, which generally wipes out credit card and medical debt. Instead they often try to repay their debt, sometimes through Chapter 13 bankruptcy, which requires a five-year repayment plan.

Many don't succeed. The dropout rate for those who enroll in credit counseling debt management plans is 45%, according to the National Foundation for Credit Counseling; Rhode suspects the failure rate is actually higher.

All that money poured into doomed attempts to avoid bankruptcy angers Rhode. Too many people with debt, he said, don't think enough about how their efforts to pay off the past will affect their futures. He estimates the Bosticks' repayment plan likely cost them half a million dollars in lost retirement income, if the money sent to creditors had been invested instead. (Rhode has a calculator that can help people of any age estimate the potential impact of debt repayment plans on their retirements.)

"People talk about the moral obligation to repay their debts," Rhode said. "There's also a moral responsibility to take care of themselves (in retirement) when they can't earn money."

Francine says she doesn't regret the couple's decision to repay their debt. Now 62, she has retired and works only occasionally to supplement the couple's pensions. They have "a real savings account" for the first time, and Francine recently bought her first-ever new car, using a zero-percent auto loan made possible by her good credit scores.

"That made it less expensive than the used vehicle I was considering," Francine said.

She says the credit counselor advised them that they qualified to have their debts erased in Chapter 7 bankruptcy, but the couple didn't want to take that route.

Because the debts stemmed from overspending, rather than emergencies or medical bills, the couple felt morally obligated to pay. Francine also worried that if the way out were too easy, they wouldn't learn their lesson.

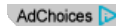
"Some of my family members thought I had rocks for brains because we didn't want to file for bankruptcy," Francine said. "I just had a feeling . . . who's to say if we had filed then we wouldn't be in trouble now? I wouldn't have learned the difference between wants and needs."

Liz Weston is the Web's most-read personal-finance writer. She is the author of several books, most recently "The 10 Commandments of Money: Survive and Thrive in the New Economy" (find it on Bing). Weston's award-winning columns appear every Monday and Thursday, exclusively on MSN Money. Join the conversation and send in your financial questions on Liz Weston's Facebook fan page.

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69

69 Comments

NEWEST OLDEST **BEST** WORST CONTROVERSIAL

Ekonoman Apr 17, 2013 9:29PM

What a great story! People with the character to keep their promises. It's a dying concept.

When others brag about how they weaseled out of their debts, obligations, and promises, they can have the life-long satisfaction of knowing they did the right thing.

Bravo!

123 | 16 | Replies (0)

Sensible31648 Apr 18, 2013 7:43AM

My wife and I are retired...we have no debt, and everything we own is paid for. It's getting old trying to blame mostly responsible "boomers" for this nation's problems. The couple who paid off their debt belong to a generation that believed in being responsible for their obligations...unlike the society we live in today. We adjust our needs to our income...we have never made over 45,000 dollars in any given year, yet we owe NOBODY ANYTHING, outside of our parents who instilled in us the notion that you don't want to get in debt.

88 | 11 | Replies (1)

HOME-LESS Apr 17, 2013 9:54PM

Liz Weston, thank you for writing this article -- that there are some older RESPONSIBLE persons.

79 | 7 | Replies (0)

Wizard670 Apr 18, 2013 8:49AM

"She sacrificed her remaining good time with her husband when she should have been saving that money for her retirement," said Rhode, who now runs the website that helps consumers evaluate different debt payoff methods. "She paid a huge cost, and for what?"

Uh....well, how about to MEET THEIR OBLIGATIONS TO PAY OFF THEIR DEBT!

Jeez, have we really gotten to the that point?

79 | 10 | Replies (1)

Fuligni

Apr 18, 2013 9:53AM



"Debt expert Steve Rhode, who once founded a credit counseling agency like the one that advised the Bosticks, thinks repayment was a colossal mistake." This guy pretty much represents everything that has gone wrong with america. The Bosticks acquired the debt and this JA thinks the smart thing to do is just "walk away" and screw the people that they borrowed from to pay their bills. What a piece of work.

68 | 9 | Replies (1)

The_Mick

Apr 18, 2013 12:40PM



Whenever I hear of these large debts and no paid-off mortgage late in life, I'd like to see a list of what cars these people owned, what vacations they took, how often they go to expensive restaurants, what money-pits they owned like a boat, etc. What evidence is there that they spent any time making sure they were getting the best bang for the buck in food purchases, bank interest, etc. - it all adds up. I've toured the world, but each trip occurred only after long research to find great prices - many of them less than what a week at a beach resort in my state would have cost.

Yes, there are people who've been hit with unfortunate circumstances through bad luck, but for every one of them I personally know, I know ten who failed to live beneath their means through life and wasted money.

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36 | 3 | Replies (1)

the melting heat

Apr 18, 2013 9:49AM



See? In these strange times, even the older generations that work hard to pay off their debt are castigated.

If this couple had salted away their money into a mere savings account, then, they would also be castigated.

If this couple decided to use some of their money to help their kids keep that house, they would have been castigated.

Yet, We the people are being told Social Security is the most horrible spending program in the USA and should be taken away post haste who cares so many already have 10-20 years invested?

Some people my age have been taught since at least the 8th grade, don't count on Social Security to be around when you retire...

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34 | 3 | Replies (1)

Pha-Q123

Apr 17, 2013 11:43PM



I'm 70 and have a 820 fica score, owe no credit cards ,no mortgage and have a 401k retirement account. Because of city,state and federal taxes ,which account for over 30% of the money I must withdraw to live on, I will be broke in 5-10 years. Every year I have to withdraw in the early months of the next year,\$35k to pay my property ,state and federal taxes. This means,i already owe taxes on that money when my tax bill comes due next year. Because I have to withdraw more than \$35 K per year to live on,my ss checks are taxed as regular income. I can't win because of taxes and inflation. I do the grocery shopping because my wife is severely disabled and have seen some products go up as much as 40% in one year. Most are up 25-30% in two years. Obama's policies are bankrupting me. Next year when ObamaCare comes around we will not have enough money left over to pay the mandatory fees for healthcare nor will we be able to afford the penalties. I intend on doing just the

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72 | 46 | Replies (7)

senisble tipper

Apr 18, 2013 8:35AM



Am I supposed to feel bad for them or something? They borrowed the money and knew that sooner or later they'd have to pay it back. It just so happened this group of people chose "later" rather than "sooner"

39 | 15 | Replies (0)

keviepooH

Apr 18, 2013 9:23AM

Good ending to the story for this couple. Salute. However old fashioned it might seem,why not avoid



burdensome debt in the first place ? Point taken about some medical emergency causing a financial wipeout but for most,avoiding financial woes simply involves financial discipline. Children need to be taught the importance of having savings an keeping that value for life. Also,don't spend what you don't have. Other than food,clothing and shelter,most other spending is discretionary. If you have to dip into next week's paycheck for a movie,ballgame or dining out,then postpone. Visit your library or take in a little league game down the street. Sorry if this sounds pretentious or preachy,but most of the financial valleys can be avoided by simply having the discipline to save and only spend what you you can pay for in cash.

26 5 | Replies (0)

inport duty

Apr 17, 2013 11:21PM



Take note: The people are being destroyed by INFLATION. You save money and Uncle Sam turns your savings into nothing. Cuts interest rates on savings to nothing. Changes the rules anytime the Fed. or president wants to. Made GM bonds worth nothing. I dropped 50K on that deal. Turned \$5000. of worthless land into \$500,000. It's still worthless. 1930 to 2010. Slow inflation has sent old folks to the poor house, savings taken by INFLATION. What do you believe will happen to the next couple of generations, with the printing press and money hand outs going at top speed ? Look at Germany, two wipeouts in 30 years. This generation of Americans has never seen a total wipeout. Just a slow wipeout. Cook US slow.

44 24 | Replies (2)

dave1230

Apr 18, 2013 8:46AM



As it has been stated in the Old Times, you shall reap what you sow. The Money Changers are charging Loan Shark Rates. Those that support them shall fall with them. When the ish hits the fan, keep that in mind. When it does, it won't be as easy putting things back together again. While the naive focus on the weak, poor, and elderly, the top elite are literally laughing all the way to the BANK!

25 7 | Replies (0)

Brian Kohn (awol)

Apr 18, 2013 1:10PM



Let's face it. For many people, retirement from work will occur at death or total disability.

Enter retirement with a fully paid for main home you can afford to own. A late model car in good condition fully paid for. Take in a roommate if you are single and that will pay for most of your everyday housing expenses like property taxes, utilities and maintenance.

Anything saved beyond that is icing on the cake. Even someone with minimal retirement income can live a decent retirement life if they do this.

16 3 | Replies (0)

Floating

Apr 18, 2013 8:31PM



Quote:

By the time the couple finished paying the debt, though, Jim's dementia had advanced to the point where he didn't understand what they were celebrating, Francine said." - End quote

Not exactly a happy story:

and Quote:

"She sacrificed her remaining good time with her husband when she should have been saving that money for her retirement," said Rhode, who now runs the 'Get Out of Debt Guy' website that helps

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12 2 | Replies (0)

trainsarebetter

Apr 18, 2013 7:01PM



OK, we can continue to sit and scold each other, or we can look objectively at the situation. Estimated up to 25% of our population is unemployed or underemployed. (The country isn't taking any action to really find out the actual count, either.) Wage discrepancy between highest- and lowest-paid is worse than all of Europe, Asia, and most of Africa. We're now on par with many of the Banana Republic types whivh continually have uprisings due to such wage inequality. American workers now work more hours/week than their European counterparts. Health care for the average American is dropping rapidly in comparison to other countries, and our longevity is being passed by other nations. We're 27th in infant mortality (Brian Williams just announced this last on the evening

news today). And on and on... Why do we keep berating each other when there are so many obvious problems with the economy, on top of everyone's personal problems (which alone can

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11 2 | Replies (2)

carollbr67

Apr 20, 2013 12:18PM



It took my husband and me about five years into marriage to learn that debt was not a good thing. We worked hard to pay for our foolishness and from then on were very careful. It is much more fun that wy.

10 2 | Replies (0)

Fatuu Secundu

Apr 19, 2013 5:03PM



The question isn't really which is the best choice of two bad options. What's more apropos is asking how people get into such debt going into their senior years in the first place. I'll spare the trite platitudes, because the reasons are too numerous for simple explanation.

But I will say, nothing feels better than being debt free...

6 0 | Replies (0)

juwannaplay

Mon 7:28 PM



if it's okay for corporations to file for bankruptcy then individuals should be able to as well. what's good for the goose is good for the gander

5 0 | Replies (0)

Mr. Soul

Apr 17, 2013 8:20PM



Obamaville is too big to fail but the individual is to be sacrificed

66 62 | Replies (3)

dave1230

Apr 21, 2013 12:06PM



Proverbs 27:1

Don't boast about tomorrow, for you don't know what the day may bring.

2 1 | Replies (0)

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