Don't Start Your Golden Years in the Red: Tips for a Debt-Free Retirement

National nonprofit credit counseling agency provides seniors with savvy tips for tackling debt

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PHOENIX--(BUSINESS WIRE)--For many Americans, the Golden Years are anything but. Increasing debt among seniors, disappearing pension plans and the uncertainty of Social Security are causing tension and stress.

According to the Institute on Assets and Social Policy, one third of senior households have no money left over or are in debt after paying their basic expenses each month. Moreover, the Federal Reserve Board reported that in 2013, 61.3 percent of households headed by an adult 60+ carried debt; of those households, debt averaged $40,900. Seniors are even grappling with student debt: the U.S. Government Accountability Office says that 706,000 senior households held a record $18.2 billion in student loans in 2013.

"Living on a fixed income while paying off debt can be a real hardship for older adults," said Mike Sullivan, a financial expert with Take Charge America, a national nonprofit credit counseling and debt management agency. "Even so, there are smart ways they can tackle their debt before and even during retirement to restore their financial wellbeing and peace of mind."

Sullivan offers seniors five tips for paying off debt:

- **Start with bad debt:** People nearing retirement should first focus on bad debt such as car loans and credit cards, paying down high-interest loans while making minimum payments on other debts. Once one debt is paid, they can move onto the next until all balances are cleared.
- **Downsize:** Rising home prices have resulted in longer-term mortgages, which means many people are still paying off home loans when they reach retirement. Though it's an emotional topic for many, downsizing to a less expensive home is

worth considering – especially for seniors with sizable mortgages or other debt.

- **Pay off mortgage loans:** Whether or not they choose to downsize, seniors who pay off their mortgages will have a large increase in disposable dollars – money that can pay off other debts or fund retirement savings. This option is best for seniors with cash reserves, and only after other high-interest debt has been paid. It may also make sense for seniors to refinance their mortgage loan to secure a lower interest rate and take advantage of federal programs for homeowners.
- **Consider a reverse mortgage.** Reverse mortgages aren't right for everyone, as they come with high fees, high interest rates, and must be repaid when the owner dies or moves away. However, retirees with equity in their homes who are struggling to make ends meet may benefit, as it frees up cash that can be directed at other debts. People considering a reverse mortgage should consult a HUD-approved counselor for help.
- **Delay retirement:** Many people of retirement age are in excellent health and capable of working longer, allowing them to bring in income, pay off debts and delay tapping their Social Security benefits or other sources of retirement income. Seniors who carry deep debt may want to postpone retirement for a few years.

For more financial tips, visit Take Charge America.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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