ASSET DEVELOPMENT CAN BOOST SENIORS' ECONOMIC SECURITY

KEY FACTS

- More than one-third of seniors are economically insecure.[96]
- 90% of Latino and 83% of African-American seniors have insufficient retirement savings to last through their expected life spans.[97]
- 70% of single senior women do not own enough retirement assets to sustain them through their expected life spans.[98]
- More than one-third of senior households have no money left over or are in debt after paying essential monthly expenses.[96]
- 19% of seniors are unbanked or underbanked.[99]
- Each year, financial abuse costs seniors and their families $2.9 billion.[100]

THE ROLE OF ASSETS

- **Regular Income** Retirement accounts, savings and home equity products can provide a source of income to seniors who can no longer work full time.
- **Security** Assets can also cover unanticipated expenses, such as medical emergencies, to prevent seniors from falling into poverty.
- **Protection** Financial planning and education can help seniors protect themselves against financial exploitation.

IDEAS FOR HUMAN SERVICES

- Connect unbanked seniors to low-cost accounts at regulated financial organizations.
- Offer financial literacy education programs to prevent senior financial abuse.
- Connect seniors and their families to credit and debt counseling to help manage debts and plan for the future.

SUCCESS STORY

Learn about a 79-year-old senior from Cleveland, Ohio, who worked with a nonprofit financial counselor as part of the Economic Security Project in order to make a plan to pay off his $8,000 in credit card debt and begin saving for the future (page 64).

Senior Services

What is the challenge?

Millions of senior citizens and elderly contend with economic insecurity as they rely on shrinking financial resources to cover growing medical bills and housing costs over longer lifetimes. More than a third of seniors (36%) are economically insecure according to the Senior Financial Stability Index (SFSI), which measures medical and housing costs, savings opportunities and asset ownership.[96] The numbers are even more dismal for seniors of color: More than half of African-American and Latino seniors are economically insecure according to the SFSI, compared to 32% of whites. Further, 90% of Latino and 83% of African-American seniors have insufficient retirement savings to last through their expected life spans.[97] Single women are another group among seniors who face particular financial vulnerability. Nearly half of single senior women are economically insecure, and 70% do not own enough retirement assets to sustain themselves through their expected life spans.[98]

Asset poverty and debt are big parts of seniors' economic insecurity. More than one-third of senior households have no money left over each month or are in debt after paying for essential expenses,[96] and 14% have negative net worth.[101] In 2011, a third of senior homeowners with mortgages were financially burdened by housing, meaning more than 30% of their income went to housing costs, and 16% owed more on their homes than the homes were worth. In 2012, the average credit card debt among adults over 65 was more than $9,000.[101] Elders are also at risk for financial abuse and exploitation. Researchers have found rates of financial abuse as high as 18% among dependent elders, and at least a third of elder abuse complaints are financial in nature.[102,103] Each year, financial abuse costs seniors $2.9 billion.[100]

How can assets help?

Assets can enhance seniors' financial stability in many ways: Retirement accounts and savings can provide a source of income to older individuals who can no longer work full time; homeownership provides not only a place to live but also a potential source of regular income via home equity products like reverse mortgages. Assets can also cover unanticipated expenses, such as medical emergencies, to prevent seniors from falling into poverty. Senior service agencies can connect seniors to asset-building opportunities, advise them about financial-planning options, and educate them to protect against financial exploitation.

Which asset-building strategies can build financial stability for seniors and their families?

BANKING THE UNBANKED

More than 1.3 million people age 65+ live in unbanked households, and 2.3 million in underbanked households.[104] Basic bank accounts are important because they reduce individuals' reliance on check cashers and other high-cost, fringe financial outlets that often charge exorbitant fees and high interest rates: The typical two-week payday loan charges interest of more than three times the loan amount.[105] Senior service centers can help to build trust between unbanked elders and credible financial institutions and can connect seniors to regulated banking services. Visit www.joinbankon.org to see strategies for working with financial institutions and encouraging them to provide needed services in your community.

18-65 Law

In Massachusetts, the "18-65 law" requires state-chartered banks to offer low-cost savings and checking accounts to seniors age 65+ and to teens. The 18-65 accounts charge no service fees, maintenance costs or similar charges. They are not subject to minimum balance requirements, fees for deposit or withdrawal, or fees for checks.[106] Senior centers across Massachusetts have launched campaigns to spread the word about these low-cost bank accounts.
For more information: www.mass.gov/dob

FINANCIAL LITERACY EDUCATION (FLE)

Financial literacy education (FLE) can impart helpful strategies for financial planning that are particularly relevant to seniors, including income-oriented investments and reverse mortgages. As noted above, seniors also face a high risk of financial abuse and exploitation as well as identity theft and fraud. FLE can raise awareness among seniors and their families and caregivers about the risks for financial abuse, strategies for prevention, and steps to take in the case of suspicious activity. Senior service providers can get involved with financial literacy by referring seniors and their loved ones to FLE classes in their communities, inviting FLE specialists to provide brief workshops, or offering courses within their centers.

Institute for Financial Literacy

The Institute for Financial Literacy in South Portland, Maine, created the Senior Financial Safety program to teach seniors basic skills for managing and protecting their personal finances. Senior Financial Safety informs participants about common money-management tools, ongoing planning strategies, and how to identify and avoid financial abuse, identity theft and fraud. The Institute for Financial Literacy has offered grants to organizations wishing to offer Senior Financial Safety workshops; community organizations in 30 states use this curriculum. In 2012, the Leominster Credit Union in Leominster, Mass., received a grant to provide the Senior Financial Safety workshops to their community members free of charge.
For more information: http://seniorfinancialsafety.org

KEY RESOURCE

The National Community Reinvestment Coalition (NCRC) has created Age-Friendly Banking Principles to help financial institutions, regulators and community-based organizations address the financial needs of older adults. These principles include:

1. Protect older adults from financial abuse.
2. Customize financial products and services for older adults.
3. Expand affordable financial management.
4. Facilitate seniors' access to critical income supports.
5. Facilitate aging in the community.
6. Improve accessibility to bank locations and services.

To access NCRC's report: www.ncrc.org/resources/reports-and-research/item/889-a-new-dawn-age-friendly-banking

CREDIT AND DEBT COUNSELING

Many seniors struggle with debt, which can threaten their financial stability and make financial planning difficult. Credit and debt counseling agencies offer free financial advising services for those facing financial problems. Seniors with significant debt may benefit from debt-management plans (DMP), which allow counselors to negotiate with creditors on behalf of their clients in order to lower interest rates and waive fees. Under a DMP, the credit counseling agency also helps participants to manage their debt by acting as a consolidator: Individuals pay a single monthly payment to the credit counseling agency, which in turn pays the creditors. Credit counselors can also advise seniors about reverse mortgages, which allow homeowners to use their home equity to pay for their medical bills and other expenses. Reverse mortgages are increasingly being used as a way for seniors to refinance their homes and avoid foreclosure. The National Foundation for Credit Counseling (NFCC) maintains a list of credible credit-counseling agencies: www.debtadvice.org.

Economic Security Project

The Economic Security Project in Cleveland, Ohio, is a pilot program that provides comprehensive economic case-management services for seniors, including credit counseling. Through this program, the consumer credit-counseling agency Apprisen provides credit and debt counseling services, including reviewing seniors' budget and debts, making goals and formulating an action plan. The goal of the program is to help seniors manage their debt and make a sustainable plan for the future.
For more information: www.city.cleveland.oh.us/CityofCleveland/Home/Government/CityAgencies/Aging

SUCCESS STORY

Credit and debt counseling can make a difference for seniors. A 79-year-old senior met with a financial counselor from Apprisen as part of the Economic Security Project of Cleveland, Ohio. The senior's goal was to pay off more than $8,000 in credit card debt. "To help him reach his goal, he needed to decrease his expenses. The counselor recommended reducing cable and cell phone expenses to save $124 a month. Not only was the senior able to apply this money toward his debt, he was also able to put $40 a month into a savings account. He then entered a debt management program, which lowered the interest rate on his two credit cards. This saved him approximately $20,000 in interest, and 25 years of payments. He will be debt-free in four years." From: NFCC Member Agency "Spotlight" (Winter 2012, page 40). www.nfcc.org/NewsRoom/Notables/Notables_winter2012_fnl_med.pdf

KEY RESOURCES FOR AVOIDING AND RECOVERING FROM SENIOR FINANCIAL ABUSE

To help address the growing issue of financial abuse and fraud against seniors, the Office for Older Americans (OOA) was established within the Consumer Financial Protection Bureau (CFPB) in 2010. The mission of the CFPB is to educate the public, enforce laws that protect consumers, and conduct research in order to improve our laws and policies. The OOA is the first federal body whose primary concern is to safeguard the financial health of senior citizens. The OOA has created numerous resources for seniors, their loved ones and their caregivers to address important issues such as senior financial exploitation and financial caregiving.

- The CFPB and the Federal Deposit Insurance Corporation have collaborated to produce a guide on preventing financial exploitation among seniors. "Money Smart for Older Adults" covers several common types of fraud and financial abuse, such as telephone scams, identity theft, medical fraud and abuse by caregivers.
- The CFPB has created a series of guides for loved ones on how to approach and manage financial caregiving for older relatives. The "Managing Someone Else's Money" series includes sections for those acting under power of attorney, court-appointed guardians, trustees and government fiduciaries.

Access these and other resources related to senior financial wellness: www.consumerfinance.gov/older-americans