

The Physicians for a National Health Program have published an August 4, 2018 report titled “Graying of U.S. Bankruptcy: Fallout from Life in a Risk Society”. Below is a recap of this interesting report.

The social safety net for older Americans has been shrinking for the past couple decades. The risks associated with aging, reduced income, and increased healthcare costs, have been off-loaded onto older individuals. At the same time, older Americans are increasingly likely to file consumer bankruptcy, and their representation among those in bankruptcy has never been higher. Using data from the Consumer Bankruptcy Project, we find more than a two-fold increase in the rate at which older Americans (age 65 and over) file for bankruptcy and an almost five-fold increase in the percentage of older persons in the U.S. bankruptcy system. The magnitude of growth in older Americans in bankruptcy is so large that the broader trend of an aging U.S. population can explain only a small portion of the effect. In our data, older Americans report they are struggling with increased financial risks, namely inadequate income and unmanageable costs of healthcare, as they try to deal with reductions to their social safety net. As a result of these increased financial burdens, the median senior bankruptcy filer enters bankruptcy with negative wealth of \$17,390 as compared to more than \$250,000 for their non-bankrupt peers. For an increasing number of older Americans, their golden years are fraught with economic risks, the result of which is often bankruptcy.

National concern for the well-being of older Americans soon declined, beginning in the early-1980s, especially as the cost of funding their social safety net strained state and federal budgets. This financial tension and emerging ideological shifts promoted an intergenerational war. Conservatives, free market advocates, and media promoted the image of older Americans as “a threat to economic viability,” as thieves of our children’s futures, and as “responsible for the nation’s economic problems.” In just a few decades, norms of privatized citizenship and individual responsibility upstaged the ideal of America’s social welfare system. Financial risks were shunted off onto individuals, regardless of age. Many older Americans suffered greatly because of this movement toward “private responsibility,” with their Social Security, retirement, and healthcare, among other protections, coming under attack.

Since the early-1990s, scholars on the Consumer Bankruptcy Project (CBP) have collected data on the age of bankruptcy filers. These data are used to determine the percent of older Americans within the U.S. population who file bankruptcy, and the percent of older filers within the bankrupt population. Comparing CBP data between 1991 and now shows significant increases in both categories. The changes are so great that the broader trend of an aging U.S. population can explain only a small proportion of what is happening in the bankruptcy courts. Older Americans’ reported reasons for filing strongly suggest that they are experiencing the fallout from our current individualized risk society and the corresponding shrinkage of their social safety net.

The full report has much more detail and can be found at

<http://www.pnhp.org/news/2018/august/growing-trend-for-bankruptcy-for-seniors>