

BANKRUPTCY BY THE NUMBERS

BY: ED FLYNN Executive Office for United States Trustees Edward.Flynn@usdoj.gov
GORDON BERMANT Burke, Virginia gordon.bermant@verizon.net
KAREN BAKEWELL Executive Office for United States Trustees¹ Karen.Bakewell@usdoj.gov

A Closer Look at Elderly Chapter 7 Debtors

In this article we focus on a small subset of chapter 7 debtors - those aged 70 or older. Our sample comes from a set of 5,824 no-asset chapter 7 filings drawn from all districts served by the United States Trustee Program between 1998 and 2000. Debtors are not required to list their ages on Schedule I of their bankruptcy petitions. However, our sample contained 884 cases in which the debtor's age was listed. This included 39 debtors between the ages of 70 and 92² (whom we will refer to as elderly debtors).

Elderly debtors accounted for 4.4% of the total debtor population for which we were able to determine the age. The Bureau of the Census reports that 12.4% of the adult population in the U.S. is aged 70 or more. If elderly debtors are as likely to report their age on Schedule I as younger debtors,³ we can estimate that elderly people file for chapter 7 bankruptcy at about one-third the rate that would be expected by their proportion in the population at large.

Chapter 7 no asset filings averaged about 900,000 per year between 1998 and 2000. If 4.4% of these debtors were elderly, nationwide there were about 40,000 chapter 7 debtors per year aged 70 or more.

DEMOGRAPHICS: There are no real surprises in the basic non-financial demographics of the elderly debtors. As shown in the following chart, most live alone, about one-half are homeowners, few are still employed, females outnumber males by about two to one, and a substantial percentage are widowed. They do differ on these factors from other chapter 7 debtors, however.⁴

¹ All views expressed in this article are those of the authors, and do not necessarily represent the views of the Executive Office for United States Trustees or the Department of Justice.

² We include only the ages of the first listed debtors (not co-debtors). This does not include the debtors who were under age 70 who had spouses aged 70 or older.

³We recognize that there are reasons to question this assumption.

⁴ We have recorded certain information regarding income, debts and expenses for each of the three years. Other information has not been recorded for each year's sample. In this article information on chapter 7 debtor family size, income, expenses, secured and unsecured debt are based on a sample of 5,824 cases filed from 1998 - 2000. Information on homeownership, gender, marital status, real property and personal property is based on a sample of 3,869 cases filed in 1999 and 2000. Information on employment, bank issued credit card debt, store-issued credit card debt, and medical debt is based on 1,931 cases filed in 2000.

	ELDERLY DEBTORS	ALL DEBTORS
FAMILY SIZE	1.49	2.38
HOMEOWNERSHIP RATE	48.7%	38.6%
PERCENT EMPLOYED	20.5%	80.8%
MALE	25.6%	29.3%
FEMALE	51.3%	36.0%
JOINT	23.1	34.7%
MARRIED	33.3%	42.9%
SEPARATED/DIVORCED	5.1%	21.7%
SINGLE⁵	17.9%	33.1%
WIDOWED	43.6%	2.4%

FINANCIAL CHARACTERISTICS: The financial figures for the elderly debtors paint a rather dismal picture. Their average gross monthly income (\$1,544) is more than one-third below the average for chapter 7 debtors (\$2,354), and Social Security benefits are the main source of income. Their net monthly income after deductions (\$1,497) is closer to that of other chapter 7 debtors (\$1,840) because the elderly debtors are subject to very little withholding. As is the case with other sub-groups of chapter 7 debtors, their monthly expenses tend to be a little higher than their net income.

The real and personal property totals of the elderly debtors are about the same as for other chapter 7 debtors. Their secured debt levels are lower, because of greater home equity and fewer car payments. Perhaps surprisingly, only six of the 39 elderly debtors reported any medical debts on Schedule J, and only two of them had more than \$1,000 in medical debt (but see below).

⁵Elderly debtors may not observe the distinction between “single” and “separated/divorced” as carefully as other debtors do.

Category	Elderly Debtors Average	Elderly Debtors Median	All Chapter 7 Debtors Average	All Chapter 7 Debtors Median
Gross Monthly Income	\$1,544	\$1,450	\$2,354	\$2,028
Net Monthly Income	\$1,497	\$1,450	\$1,840	\$1,617
Monthly Expenses	\$1,579	\$1,317	\$2,086	\$1,823
Real Property	\$33,848	\$4,600	\$35,304	\$0
Personal Property	\$11,785	\$6,500	\$14,845	\$8,140
Secured Debt	\$28,794	\$10,000	\$41,962	\$10,834
Unsecured Debt	\$45,530	\$29,923	\$37,831	\$23,088
Bank Credit Card Debt	\$38,187	\$24,360	\$17,891	\$10,587
Store Credit Card Debt	\$3,812	\$2,233	\$2,392	\$1,035
Medical Debt	\$349	\$0	\$2,582	\$0

CREDIT CARD DEBT: The major distinguishing characteristic of the elderly debtors was their large bank credit card debt. All of the elderly debtors reported at least some credit card debt, and 35 of 39 had more than \$10,000 in credit card debt. On average the credit card debt levels for the elderly filers was a little more than double their annual income. If there are 40,000 elderly chapter 7 filers each year with an average of about \$38,000 in credit card debt, these debtors represent about \$1.5 billion per year in discharged credit card debt.

Some of the elderly debtors reported enormous credit card debt levels. Following is a brief description of the 10 elderly filers with the highest credit card debt levels.

AGE	GENDER	GROSS MONTHLY INCOME	CREDIT CARD DEBT	# OF ACCOUNTS
75, 71	JOINT	\$1,844	\$126,146	25
74	MALE	\$1,020	\$122,605	19
85	MALE	\$2,176	\$110,896	22
70, 69	JOINT	\$2,609	\$94,590	28
70, 70	JOINT	\$1,959	\$82,108	23
82	MALE	\$1,653	\$72,227	16

89	FEMALE	\$768	\$69,240	13
81, 76	JOINT	\$4,033	\$67,685	15
78, 72	JOINT	\$1,683	\$59,500	8
72	FEMALE	\$1,450	\$53,483	9

Unfortunately, there is much that the files of the elderly debtors do not tell us. For example, we cannot tell:

- How much of the credit card balances was for purchases versus interest, late fees, and over-the-limit fees;
- How much was for cash advances for daily living expenses;
- The time period during which these debts were incurred;
- The proportion of credit card debts arising from medical expenses;
- The level of financial sophistication and education of these elderly debtors.

Conclusion: Although the elderly are less likely to file chapter 7 bankruptcy than younger people, a significant number of them do file each year. They are characterized by very low incomes with very high concentrations of credit card debt. The number of elderly filers is likely to grow in the coming years. The U.S. Department of Commerce's National Institute of Aging projects that by 2010, the number of people over age 60 in the U.S. will be growing at a rate three and-a-half times as high as that of the population at large.