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Notes

AT A GLANCE

Debt of the Elderly and Near Elderly, 1992–2010, *by Craig Copeland, Ph.D., EBRI*

- The percentage of American families with heads age 55 or older that have debt held steady at around 63 percent from 2007–2010. Furthermore, the percentage of these families with debt payments greater than 40 percent of income—a traditional threshold measure of debt load trouble—decreased in 2010 to 8.5 percent from 9.9 percent in 2007.
- However, total debt payments as a percentage of income increased from 10.8 percent in 2007 to 11.4 percent in 2010, and average debt increased from $73,727 in 2007 to $75,082 in 2010, while debt as a percentage of assets increased from 7.4 percent in 2007 to 8.5 percent in 2010.
- Housing debt was the major component of debt for families with a head age 55 or older. The debt levels among those with housing debt have obvious and serious implications for the future retirement security of these Americans, perhaps most significantly that these families are potentially at risk of losing what is typically their most important asset—their home.

Employer and Worker Contributions to Health Reimbursement Arrangements and Health Savings Accounts, 2006–2012, *by Paul Fronstin, Ph.D., EBRI*

- This report presents findings from the 2012 EBRI/MGA Consumer Engagement in Health Care Survey, as well as earlier surveys, examining the availability of health reimbursement arrangements (HRAs) and health-savings-account (HSA)-eligible plans (consumer-driven health plans, or CDHPs). It also looks at employer and individual contribution behavior.
- The percentage of workers reporting that their employers contribute to the account increased. Among those with employer contributions, overall contribution levels for individuals with employee-only coverage increased in 2012, and have been increasing since 2009.
- Workers with employee-only coverage did not increase their own contributions, but those with family coverage did.

Debt of the Elderly and Near Elderly, 1992–2010

By Craig Copeland, Ph.D., Employee Benefit Research Institute

Introduction

When projecting the future income security of retirees, researchers typically focus on measures concerned with retirees' accumulated financial assets, particularly within tax-qualified retirement plans (e.g., 401(k) plans and individual retirement accounts (IRAs)), and coverage by supplemental health insurance to Medicare provided through a former employer. However, any debt that a near-elderly or elderly family has accrued entering or living in retirement is likely to offset its asset accumulations, resulting in a lower level of retirement income security. The near-elderly are defined as those ages 55–64, while the elderly are defined as those 65 and older.

This article focuses on the trends in debt levels among those ages 55 and older, as financial liabilities are a vital but often ignored component of retirement income security.[1] The Federal Reserve Board's Survey of Consumer Finances (SCF) is used in this article to determine the level of debt.[2] Debt is examined in two ways:

- Debt *payments* relative to *income.*
- Debt relative to *assets.*

Each measure provides insight regarding the financial abilities of these families to cover their debt before or during retirement. For example, higher *debt-to-income* ratios may be acceptable for younger families with long working careers ahead of them, because their incomes are likely to rise, and their debt (often related to housing or children) is likely to fall in the future. On the other hand, high debt-to-income ratios may represent more serious concerns for older families, which could be forced to reduce their accumulated assets to service the debt when their active earning years are winding down. However, if these high-debt-to-income older families have low-*debt-to-asset* ratios, the effect of paying off the debt may not be as financially difficult as it might be for those with high-debt-to-income and high-debt-to-asset ratios.

As described in more detail below, debt levels of the current elderly and near-elderly are at much higher levels than they have been for past generations. Among families with heads age 75 or older, both housing and consumer debt levels increased in 2010. Moreover, for this cohort, a larger percentage had debt levels above the threshold considered problematic. While a high debt level is not necessarily a sign of financial danger for all elderly or near-elderly families (especially if they are also high-income), housing debt (typically the most financially significant asset elderly families have) is of particular concern, because leveraging it at this point in their lives may leave them without a major resource to finance an adequate retirement.

Percentage With Debt

The share of older American families with debt in 2010 was virtually unchanged from 2007, although there was a significant increase in the share of those families with the oldest heads (ages 75 or older). The percentage of American families headed by individuals age 55 or older with some level of debt was 63.4 percent in 2010, almost unchanged from the 2007 level of 63.0 percent (Figure 1). However, the 2010 level was up nearly 10 percentage points from the 1992 level of 53.8 percent.

The incidence of debt decreases significantly as the family heads age; i.e., in 2010, 77.6 percent of families with heads ages 55–64 held debt, compared with 38.5 percent of those with heads ages 75 or older. While the percentages with debt decreased for families headed by individuals ages 55–64 and stayed the same for families headed by individuals ages 65–74, the percentage with debt among those with heads age 75 or older increased to

38.5 percent in 2010 from 31.2 percent in 2001. Each age group in 2010 has a significantly higher percentage with debt than it had at the low point for each age during 1992–2010 study period.

The presence of debt increases with family income. In 2010, 44.6 percent of families in the lowest-income quartile had debt, compared with 77.7 percent of those in the top-income quartile (Figure 2). While families in the second-income quartile (26 percent to 50 percent) had the largest percentage point increase in the incidences of debt from 2007–2010, prior to 2004 the increases in the percentages with debt across the income quartiles were similar. In 2004, there were larger increases in the percentages of debt among families in the two lower-income quartiles than those in the two higher-income groups. The percentages with debt in 2007 showed increases for the two higher-income groups, while the percentages in the two lower groups experienced declines. However, in 2010, the lower-income groups had increases in the percentages with debt, while the higher-income groups had decreases.

Debt Levels

As the percentage of families with heads age 55 or older *with any debt* increased from 1992–2010, the *average total debt* level also increased: from $33,726 (2010 dollars) in 1992 to $75,082 in 2010. At the same time, the *median debt level* (half above, half below) of those with debt increased from $16,683 to $55,400 (Figure 3). This was a real increase from 1992 in the average and median debt levels of 122.6 percent and 232.1 percent, respectively.[3]

However, debt levels differed significantly across various family characteristics. Families with younger or more educated heads, higher incomes, or higher net worth had significantly higher average and median debt levels. Furthermore, families with working or white family heads and married families also had significantly higher average levels of debt. For example, in 2010, among those with debt, families with heads ages 55–64 had a median debt of $76,600, compared with $30,000 for those headed by people age 75 or older.

While the substantial increases in debt levels from 1992–2010 can be construed as a negative result, debt levels may not tell the full story. If income and assets grow at a pace faster than these debt levels, these families might actually be in an improving financial position despite the increased debt levels.[4] The next two sections examine these debt levels relative to income and assets:

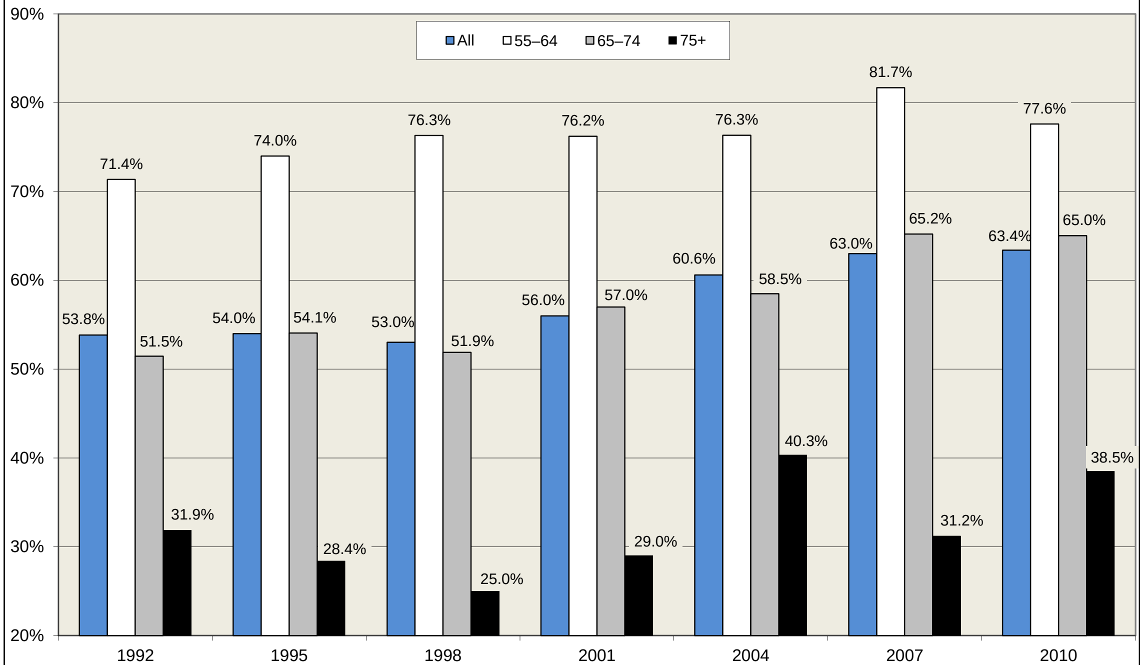
- For income, the amount of debt service is examined by using required debt payments relative to *family income.*
- In contrast, for assets, outstanding debt is measured relative to *total assets.*

Debt Payments

The first measure of the indebtedness of the near elderly (ages 55–64) and elderly (age 65 and over) is the percentage of family income that debt payments represent. From 1992 to 2004, debt payments were approximately 9 percent of family income, at which point they began trending upward: 10.3 percent in 2004 to 11.4 percent in 2010 (Figure 4). As the age of the family heads increased, the debt payment percentages decreased, from 12.4 percent for families with heads ages 55–64 in 2010 to 7.1 percent for those headed by individuals age 75 or older. While the percentage of income that debt payments represented for families with heads ages 55–74 increased only slightly, debt payments as a percentage of income increased substantially for families with heads age 75 or older; from 4.5 percent in 2007 to 7.1 percent in 2010.

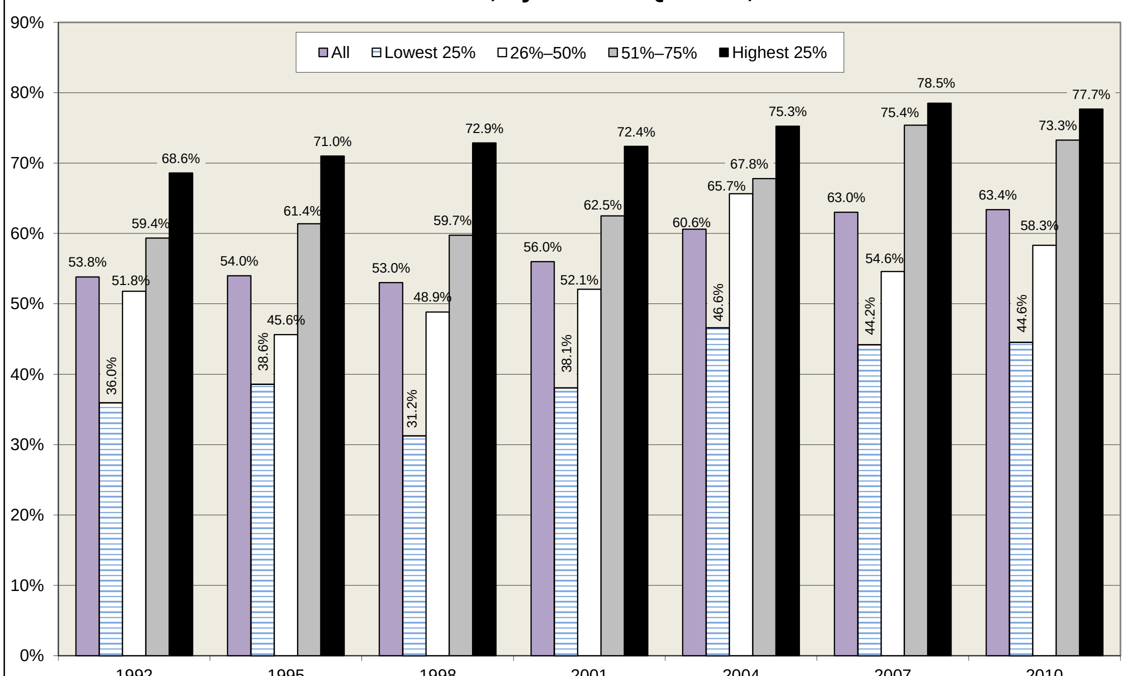
Across the three lowest-income quartiles of these families, the percentages of income that debt payments represented in 2010 were 15.2 percent for those with incomes in the second quartile; 15.8 percent for those in the third quartile; and 18.0 percent for those in the first (lowest-) income quartile. (Figure 5); There was a significant drop-off for those in the fourth (highest-) income quartile, at 9.3 percent. The debt payment percentages of income

Figure 1
Percentage of American Families With Head Age 55 or Older With Debt, by Age of Family Head, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Figure 2
Percentage of American Families With Head Age 55 or Older With Debt, by Income Quartile, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Figure 3

Average Total Debt and Median Total Debt for Those With Debt For Families With Head Age 55 or Older, by Various Characteristics, 1992–2010

	1992		1998		2001		2004		2007		2010	
Category	Average	Median With Debt	Average	Median With Debt	Average	Median With Debt	Average	Median With Debt	Average	Median With Debt	Average	Median With Debt
All	$33,726	$16,683	$46,297	$29,641	$47,518	$28,189	$59,595	$36,822	$73,727	$45,051	$75,082	$55,400
Age of Family Head												
55–64	58,621	30,332	82,664	46,823	79,863	42,896	97,207	54,082	112,075	62,904	107,060	76,600
65–74	25,648	7,583	37,305	16,008	42,791	16,055	42,009	28,767	72,922	42,044	70,875	44,600
75 or older	8,940	4,853	10,423	10,779	10,988	6,128	23,283	17,030	13,665	15,506	27,409	30,000
Race of Family Head												
White, NonHispanic	33,805	18,199	47,619	31,215	47,981	26,718	63,665	39,123	75,328	49,871	80,310	60,000
Other	33,370	9,024	39,007	20,677	45,094	30,640	43,235	31,069	66,914	29,336	57,471	44,600
Family Income (2010$)												
Less than $10,000	7,273	1,972	4,524	2,668	4,387	1,348	21,758	3,452	24,219	6,642	43,089	9,000
$10,000 to $24,999	7,596	3,337	12,260	4,722	9,621	7,721	13,188	10,127	14,382	11,839	20,732	14,000
$25,000 to $49,999	18,596	12,133	24,247	25,413	22,468	16,607	27,748	22,438	32,720	26,193	42,518	38,300
$50,000 to $99,999	30,648	27,299	48,133	44,022	39,493	32,295	59,113	45,280	87,464	71,244	81,413	71,300
$100,000 or more	156,757	85,840	165,820	97,382	168,739	124,263	173,764	146,137	220,742	190,681	210,863	167,000
Family Status												
Married	50,642	25,206	66,526	40,553	64,820	34,317	88,754	51,781	112,841	77,530	106,156	73,000
Single Male	30,757	15,469	51,218	41,354	41,172	31,866	42,159	34,521	47,622	21,184	44,296	35,000
Single Female	11,550	5,172	16,977	11,606	18,877	11,030	23,379	14,384	28,592	18,859	39,595	32,000
Education of Family Head												
Below HS Diploma	13,018	6,294	11,959	10,805	13,782	10,565	14,251	11,507	20,445	20,954	25,367	17,000
HS Diploma	21,263	11,299	25,922	25,346	23,886	19,622	27,137	23,014	41,707	21,059	44,449	38,000
Some College	36,693	23,401	50,664	40,553	43,748	25,737	75,423	44,129	76,851	57,624	72,665	60,000
College Degree	77,785	45,498	100,640	56,348	102,762	73,536	109,331	94,356	135,466	104,770	124,525	94,000
Net Worth Percentile[a]												
Lowest 25%	6,743	3,564	15,304	8,538	17,523	7,942	19,157	12,048	26,471	13,620	38,038	20,000
25%–49%	13,549	9,721	32,747	27,480	22,122	18,225	41,120	31,667	53,411	41,908	56,257	54,500
50%–75%	23,040	23,007	25,835	33,350	38,913	42,773	50,601	46,028	61,958	48,194	46,263	43,970
75%–90%	38,937	41,859	43,104	49,358	53,619	37,957	78,701	69,041	82,168	94,293	109,356	103,500
Top 10%	170,605	61,575	213,430	112,055	198,290	147,072	191,118	187,562	259,673	225,256	235,447	230,000
Working Status of Family Head												
Works for someone else	48,829	27,087	68,774	44,022	66,128	39,636	88,869	55,118	111,350	80,201	99,048	70,500
Self-employed	146,414	60,816	142,204	42,688	141,649	74,762	141,503	81,699	190,061	102,675	187,947	112,500
Retired	15,482	9,100	21,200	13,473	19,821	12,256	27,443	19,562	31,928	20,954	36,349	33,100
Other Nonwork	10,960	2,275	30,902	20,010	20,853	6,128	101,094	14,844	130,051	51,442	81,894	52,330

Source: Employee Benefit Research Institute estimates from the 1992, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

[a] Net worth percentiles are for the families with a head age 55 or older, not for all families.

Note: All dollar amounts are in 2010 dollars.

for the lowest three income quartiles rose significantly since 2004. Consequently, as these data show, between 2004 and 2010, families in the lower three income quartiles accumulated a significant and growing amount of debt relative to income.

Housing: The Driver of Debt

The change in the level of debt payments in 2010 was driven by the level of housing debt, while the nonhousing (consumer) debt-payment share held stable from 2007. The share of income that went to housing debt payments increased from 6.7 percent in 2004 to 7.7 percent in 2007, and to 8.3 percent in 2010. Among the age groups, the share of income that housing debt payments represented among families with heads ages 65–74 increased from 5.6 percent in 2004 to 8.6 percent in 2010, and for families with heads age 75 or older, it increased from 3.6 percent in 2004 to 4.7 percent in 2010 (Figure 6).

Excessive Debt Levels

Looking at the *average debt payment* as a percentage of income does not generally reveal how many people are in difficult situations with debt, because the average can mask a wide distribution of individual circumstances. A threshold commonly used for determining a problem with excessive debt is when family debt payments exceed 40 percent of income. By that standard, excessive debt decreased in 2010: While the proportion of near elderly and elderly families surpassing this threshold decreased significantly from 9.9 percent in 2007 to 8.5 percent in 2010 (Figure 7), these lower levels are still above the percentages in 2004. The increase from 2004–2007 was a result of a surge in families with heads ages 55–74 whose debt payments were above the 40 percent threshold, while families with heads age 75 or older experienced a decline in the percentage with debt payments above this threshold. In contrast, the change from 2007–2010 was the result of declines in the proportion above the 40 percent threshold among those with heads ages 55–74, while the percentage with these high debt payments increased for the families with heads age 75 or older (rising to 4.9 percent in 2010 from 4.3 percent in 2007).

The share of families with debt payments above 40 percent of income was lowest for those families in the highest-income quartile in 2010, as it was in all prior years in the study (Figure 8). The proportion of families above the 40 percent threshold was higher for the lower-income groups, and highest among the lowest-income quartile (11.9 percent). Families in the second-lowest quartile not only had an increased likelihood of having debt payments above this threshold in 2010, but the percentage in that category (9.9 percent) was also higher than at any point going back to 1992 (although families in each of the other income quartiles had lower probabilities of having these high debt payments in 2010 than in 2007).

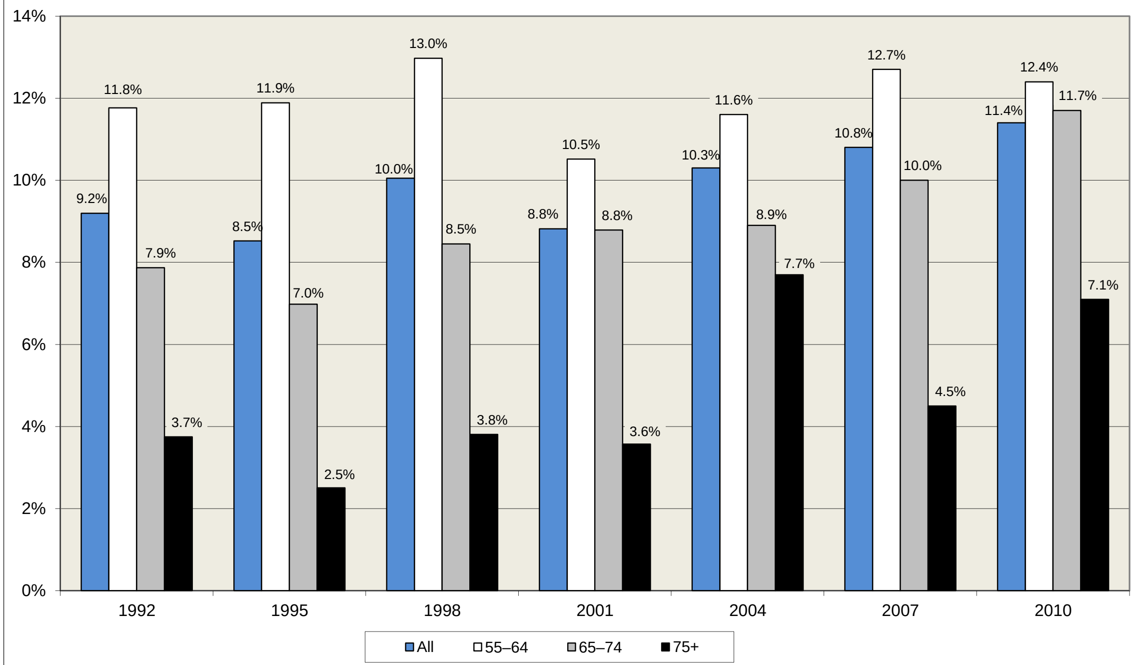
Overall debt levels, percentage with debt, debt payments as a percentage of income, and percentage of families with debt payments greater than 40 percent of their income all increased from 1992 to 2010. Furthermore, housing debt increased across all age groups, representing more than 70 percent of all debt. However, while the percentage of families with debt payments greater than 40 percent of their income decreased from 2007–2010, the percentage remained above the 1992 level. The growth in debt levels in 2010 was particularly strong among families with heads age 75 or older.

Debt as a Percentage of Assets

Debt as a percentage of *total assets* for near elderly and elderly families was virtually unchanged at approximately 7.0 percent from 1992–1998 but decreased in 2001 to less than 6.0 percent before rebounding to just above 7 percent (at 7.4 percent) in 2007 (Figure 9). In 2010, the percentage jumped to 8.5 percent—the highest percentage (by more than 1 percentage point) during the study period. Nearly all of the decrease from 1998–2001 was due to a lower percentage of nonhousing debt relative to assets; nonhousing debt decreased from 3.2 percent in 1998 to 2.3 percent of assets in 2001. After a relatively steady level of housing debt relative to assets from 1992–2001, housing debt increased from 3.5 percent in 2001 to 5.3 percent in 2007, and reached 6.1 percent in 2010.

Figure 4

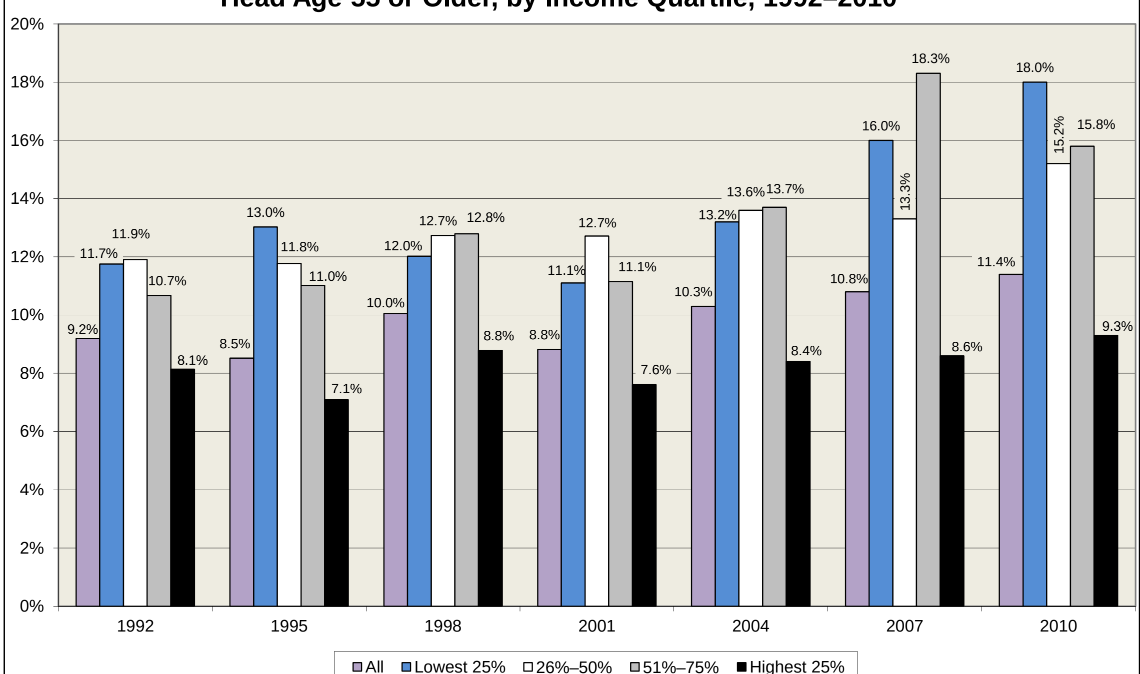
Total Debt Payments as Percentage of Income Among Families With Head 55 or Older, by Age of Family Head, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Figure 5

Total Debt Payments as a Percentage of Income for Families With Head Age 55 or Older, by Income Quartile, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

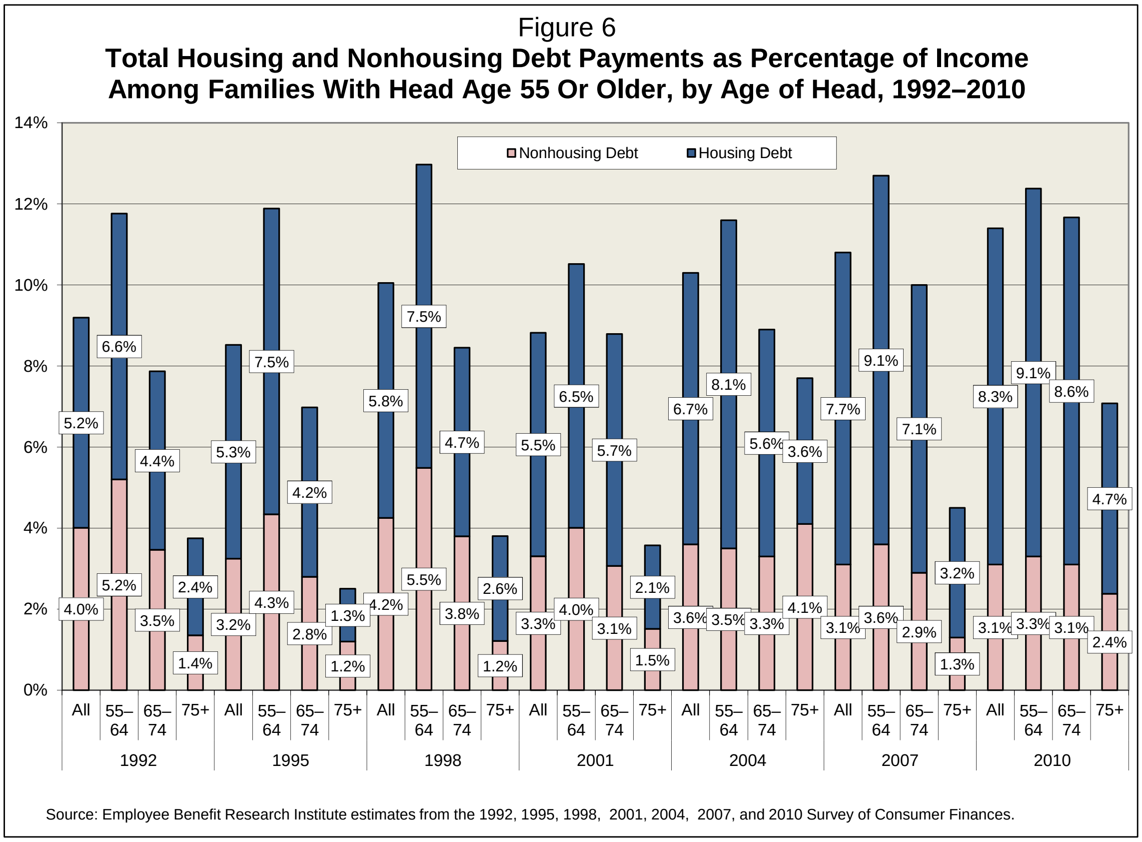


Figure 6
Total Housing and Nonhousing Debt Payments as Percentage of Income Among Families With Head Age 55 Or Older, by Age of Head, 1992–2010
Nonhousing Debt
Housing Debt
14%
12%
10%
8%
6%
4%
2%
0%
All
55–64
65–74
75+
1992
1995
1998
2001
2004
2007
2010
Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

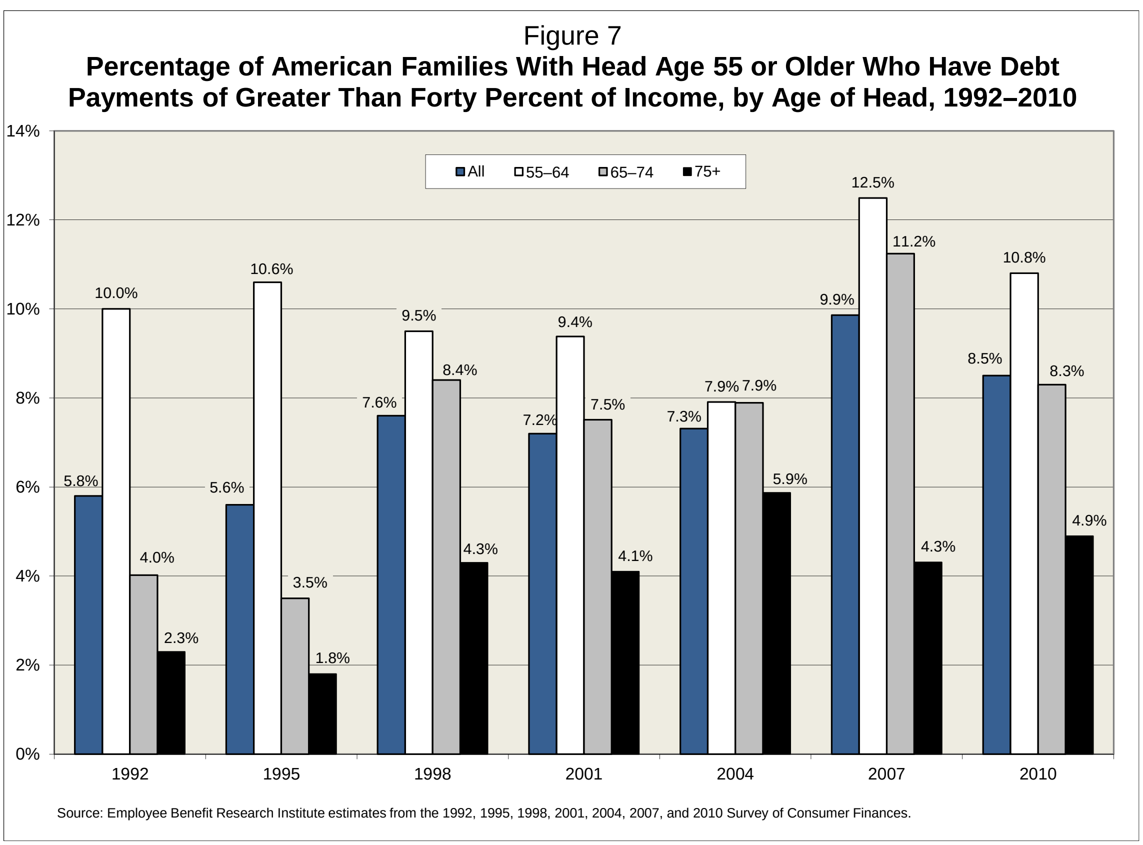
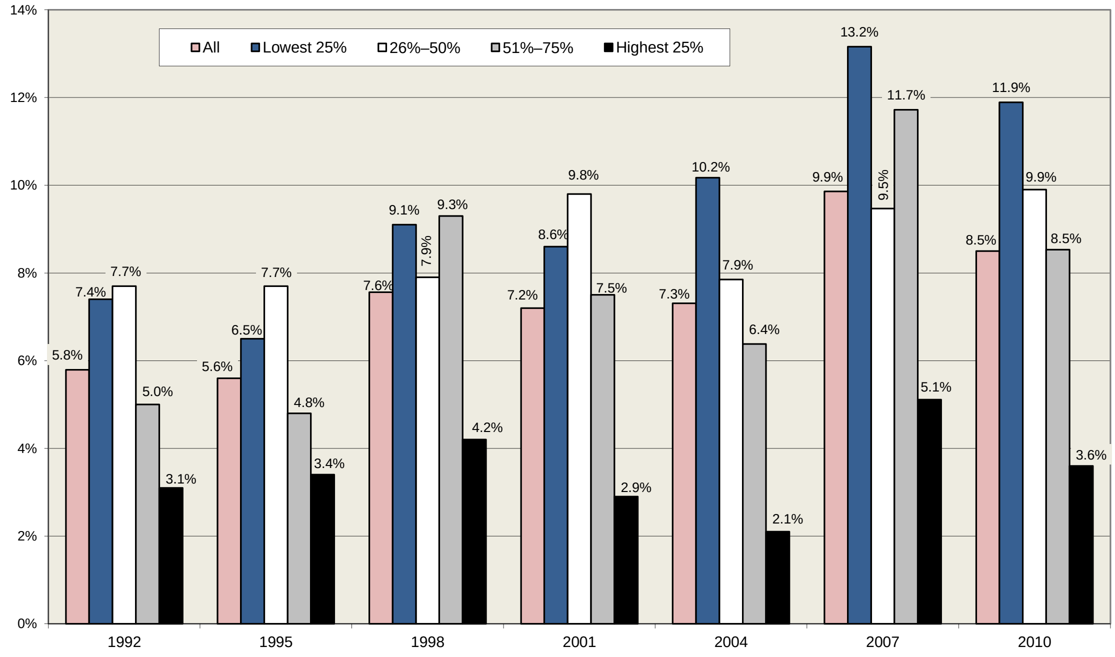


Figure 7
Percentage of American Families With Head Age 55 or Older Who Have Debt Payments of Greater Than Forty Percent of Income, by Age of Head, 1992–2010
All
55–64
65–74
75+
14%
12%
10%
8%
6%
4%
2%
0%
1992
1995
1998
2001
2004
2007
2010
Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Figure 8

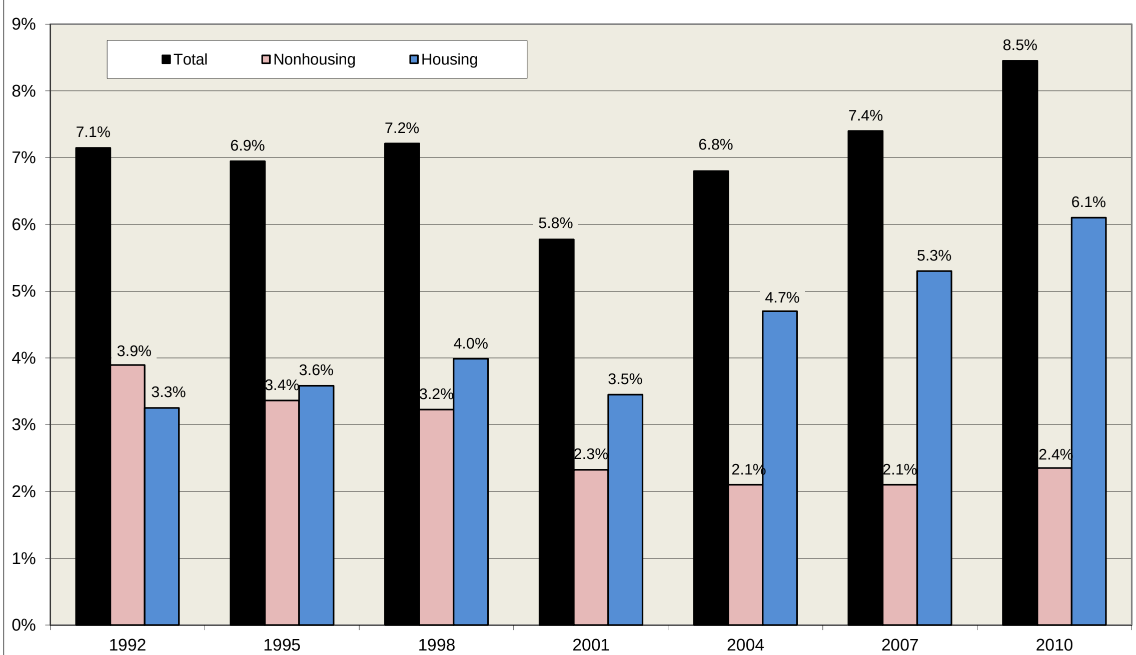
Percentage of American Families With Heads Age 55 or Older With Debt Payments Greater Than 40% of Their Income, by Income Quartile, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Figure 9

Total, Nonhousing, and Housing Debt as Percentages of Assets for American Families With Heads Age 55 or Older, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Consequently, while *nonhousing* debt as a share of assets has remained relatively low recently, *housing* debt as a share of assets has increased markedly during the same period.

As with the debt level, the share of family assets that debt represents varied significantly across various characteristics of family heads (Figure 10): Overall, it decreased significantly as both the family heads' age and the family's net worth increased. By age of the family head, the debt-to-asset ratio decreased in 2010 from 10.7 percent for those ages 55–64 to 4.0 percent for those 75 or older. The lowest-net-worth families stood out as having, by far, the highest debt-to-asset ratio: 85.3 percent in 2010. Other groups of families with high relative debt-to-asset levels were:

- The second-lowest-net-worth quartile of families.
- Families with heads who "work for someone else" or are in the "other nonwork" category.
- Families that do not have white, nonHispanic heads; i.e., minority families.
- Families that have family incomes in the $10,000–$24,999 and $50,000–$99,999 categories.

The *overall* debt-to-asset ratio for those 55 or older increased to 8.4 percent in 2010, up from 7.4 percent in 2007. Furthermore, the *median* debt-to-asset ratio for those with debt also increased to 19.6 percent in 2010, up from 16.0 percent in 2007. Consequently, in 2010, both total debt as a percentage of total assets and the percentage of debt for those with it reached their highest levels of the study period.

Families with heads age 75 or older had a particularly large increase in the median debt-to-asset ratio of those having debt: 14.6 percent in 2010, up from 8.3 percent in 2007. Furthermore, families in the lowest-net-worth percentile had a significant increase in their median debt-to-asset ratio, climbing from 59.3 percent in 2007 to 76.0 percent in 2010.

Credit-Card and Housing Debt

During the study period, the proportion of families with heads age 55 or older with housing debt increased steadily (Figure 11), from 24 percent in 1992 to 42 percent in 2010. The percentage with credit-card debt held steady at around 31 percent before an uptick to 34 percent in 2004 and rose further to 38 percent in 2007, before dipping back to 33 percent in 2010 (Figure 12). The percentages of families with credit-card debt in 2010 were similar to 1992 levels across each age group despite some jumps in the intervening years, with family heads ages 55–64 having the largest increase, going from 37 percent in 1992 to 41 percent in 2010. In contrast, the percentages of families with housing debt increased significantly across all age groups; for families with heads ages 65–74, this debt increased from 18 percent in 1992 to 41 percent by 2010, and for families with heads age 75 or older, from 10 percent to 24 percent.

From 2007–2010, the percentage of families with heads ages 55–74 with credit card and housing debt declined. However, for those families with heads age 75 or older, the percentages with both of these debt categories increased. In particular, the percentage with housing debt increased from 14 percent in 2007 to 24 percent in 2010. In fact, this age group accounted for all of the overall increase in the percentage of those 55 or older with housing debt, as both younger groups experienced slight reductions.

Along with the decrease in the percentage of families with credit-card debt, the median amount owed by those having this debt also decreased: to $2,430 in 2010 from $3,143 (2010 dollars) in 2007 (Figure 13). While the overall median and the medians for those families with heads ages 55–64 and 65–74 declined, the median credit-card debt for those families carrying it increased substantially for families with heads age 75 or older: from $838 in 2007 to $1,800 in 2010. This was by far the largest amount since 1992 for these families.

Figure 10

Total Debt as a Percentage of Assets, Percentage With Debt, and Median Total Debt-to-Asset Ratio for Those With Debt, for Families With Head Age 55 or Older, by Various Characteristics, 1992–2010

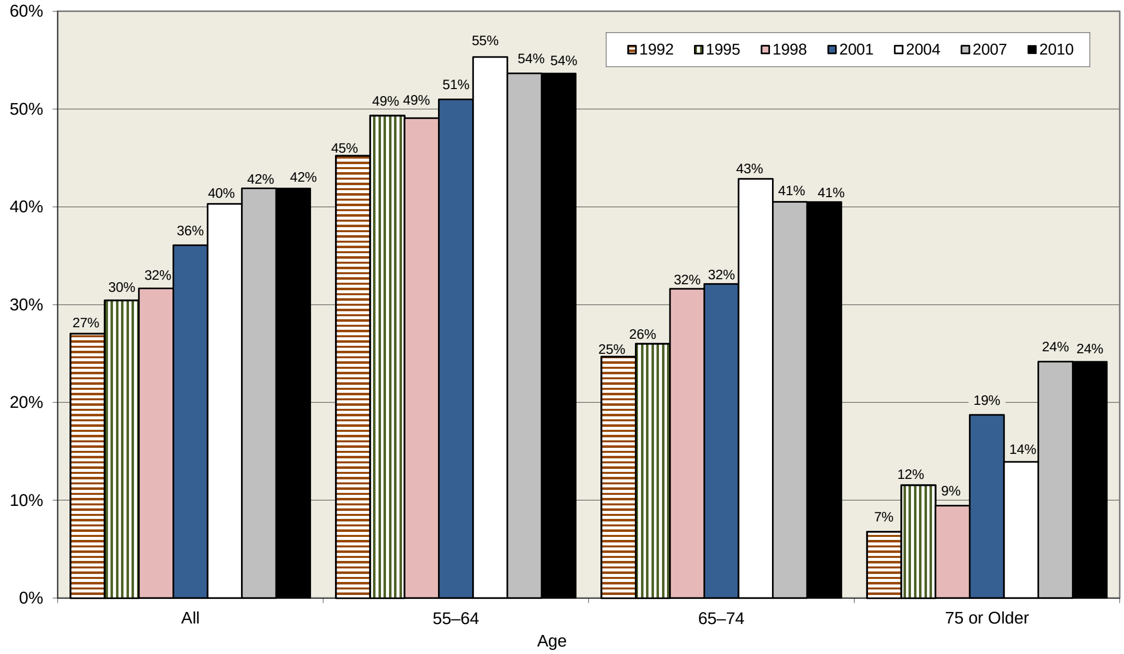
	1992			1998			2001			2004			2007			2010		
Category	Debt as a Percent Of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent Of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent Of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent Of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent Of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]	Debt as a Percent Of Assets	Percent With Debt	Median Debt-to-Asset Ratio[a]
All	7.1%	53.8%	10.1%	7.2%	53.0%	12.8%	5.8%	56.0%	12.1%	6.8%	60.6%	14.4%	7.4%	63.0%	16.0%	8.4%	63.4%	19.6%
Age of Family Head																		
55–64	10.2	71.4	15.6	10.4	76.3	17.6	8.2	76.2	14.9	9.1	76.3	15.7	10.3	81.7	18.8	10.7	77.6	22.8
65–74	5.6	51.5	5.3	5.6	51.9	8.8	4.9	57.0	9.3	5.0	58.5	13.6	6.4	65.2	14.9	7.7	65.0	15.9
75 or older	2.6	31.9	5.2	2.4	25.0	5.5	1.9	29.0	4.7	3.7	40.3	8.4	2.0	31.2	8.3	4.0	38.5	14.6
Race of Family Head																		
White, NonHispanic	6.4	51.6	9.1	6.7	51.7	12.1	5.2	55.0	10.4	6.2	60.3	13.1	6.8	60.7	14.6	7.7	62.3	17.9
Other	15.7	64.0	13.5	14.7	60.3	20.2	15.0	61.3	20.8	15.6	61.7	20.9	14.4	72.9	23.4	15.6	67.1	27.6
Family Income (2010$)																		
Less than $10,000	9.9	37.0	11.1	4.4	30.8	13.0	5.6	29.8	8.7	13.3	38.6	20.0	8.9	36.6	9.1	8.1	32.9	45.6
$10,000 to $24,999	6.4	44.9	8.7	8.3	38.7	10.0	7.3	42.1	15.2	7.7	45.0	17.1	7.8	46.6	14.5	13.1	48.4	25.2
$25,000 to $49,999	6.8	57.1	8.6	8.1	52.9	14.3	7.2	55.4	13.6	7.3	63.2	12.1	8.5	62.8	18.4	10.9	64.0	24.4
$50,000 to $99,999	6.4	59.1	9.3	9.5	63.8	15.3	6.2	66.0	11.4	8.3	67.8	14.1	11.7	76.7	19.2	12.7	74.4	20.2
$100,000 or more	7.6	76.0	12.5	6.3	74.0	11.3	5.3	73.5	10.3	6.0	75.3	14.1	6.2	79.9	14.3	6.4	77.4	12.9
Family Status																		
Married	7.4	62.8	10.5	7.2	62.6	12.5	5.5	63.7	10.8	6.9	68.7	13.3	7.5	72.4	15.9	8.2	71.3	17.7
Single Male	7.8	43.6	12.9	8.2	46.8	17.5	6.8	54.9	17.5	6.1	53.3	14.9	6.8	54.6	15.4	7.4	52.9	19.8
Single Female	5.5	45.1	7.5	6.6	42.0	13.1	6.4	42.4	11.1	7.0	51.7	16.2	7.7	53.1	16.7	11.1	55.7	26.4
Education of Family Head																		
Below HS Diploma	8.0	45.0	10.9	7.2	41.0	12.0	6.8	46.1	14.4	5.6	43.4	17.9	8.4	44.8	22.9	12.4	52.4	27.6
HS Diploma	6.5	55.8	7.4	6.8	47.6	13.5	5.9	53.6	13.9	6.6	59.7	12.1	9.6	63.6	14.6	11.1	59.5	21.8
Some College	6.5	49.3	12.4	7.0	62.1	15.7	6.5	60.0	10.2	9.7	70.9	17.7	9.8	67.9	22.1	11.7	68.7	27.4
College Degree	7.4	67.2	11.2	7.4	66.1	12.2	5.5	64.9	11.4	6.4	67.3	14.1	6.5	69.6	14.9	7.2	69.0	15.7
Net Worth Percentile[b]																		
Lowest 25%	32.2	48.3	24.0	45.2	48.6	40.6	45.3	56.0	42.7	48.7	56.3	43.1	57.4	57.5	59.3	85.3	59.5	76.0
25%–49%	12.3	53.1	9.9	21.5	59.9	19.4	14.8	56.4	13.9	22.0	66.9	17.7	25.4	66.9	22.5	32.5	71.1	32.4
50%–74%	9.0	56.3	9.1	8.3	45.7	10.8	9.9	54.1	11.4	11.3	62.6	11.8	13.3	64.2	11.4	11.9	60.1	12.0
75%–90%	7.0	54.4	7.3	6.5	52.1	7.0	5.8	54.8	4.8	7.8	59.9	7.1	8.2	60.2	9.1	10.3	62.3	10.6
Top 10%	5.8	62.5	3.4	5.1	66.5	4.1	3.7	61.3	4.8	3.7	55.1	5.8	3.9	68.6	5.2	4.1	63.8	5.9
Working Status of Family Head																		
Works for someone else	10.1	78.5	13.0	13.5	80.5	17.9	10.9	79.2	15.8	11.7	78.5	19.5	12.9	80.9	22.6	12.6	81.9	24.6
Self-employed	8.8	71.1	11.3	6.6	74.2	10.8	6.2	73.5	10.4	5.2	74.7	12.9	5.6	79.5	9.2	6.9	77.7	12.9
Retired	4.7	44.9	8.2	4.5	38.7	9.0	3.2	42.8	8.6	4.6	47.9	9.8	4.8	49.6	11.7	6.4	49.2	18.1
Other Nonwork	5.0	35.4	5.3	9.9	37.7	16.5	4.0	22.7	4.0	19.8	79.7	14.1	13.0	84.1	26.0	22.8	78.5	40.6

Source: Employee Benefit Research Institute estimates from the 1992, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

[a] This includes only those who have debt.

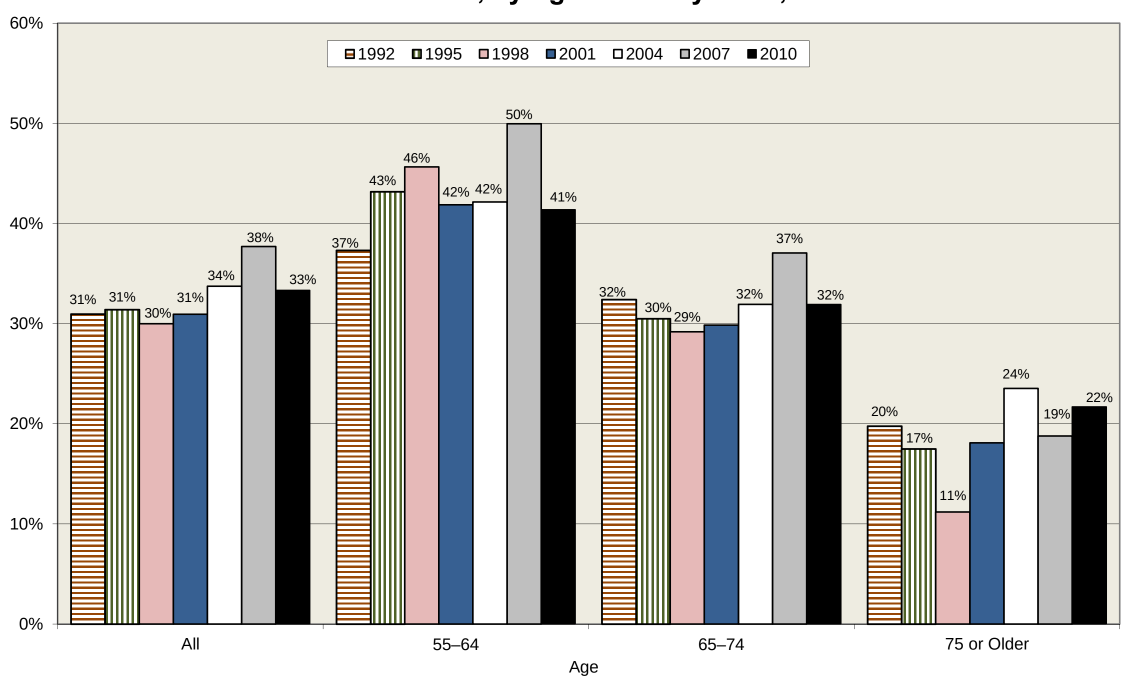
[b] Net worth percentiles are for the families with heads age 55 or older, not for all families.

Figure 11
Percentage of American Families With Heads Age 55 or Older With Housing Debt, by Age of Family Head, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Figure 12
Percentage of American Families With Heads Age 55 or Older With Credit-Card Debt, by Age of Family Head, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Median housing debt, among those having housing debt, was virtually unchanged from 2007 to 2010 ($82,768 in 2007 (2010 dollars) to $82,000 in 2010). However, these amounts were significantly higher than the 1992 level of $42,465 (Figure 14). While the overall level held constant between 2007 and 2010, the medians for the age groups 55–64 and 75 or older increased, while the median decreased for the 65–74 group. For those with housing debt, the median housing debt for families with heads age 75 or older showed a substantial increase: from $41,908 (2010 dollars) in 2007 to $52,000 in 2010.

Conclusion

The percentage of American families with heads age 55 or older with debt remained steady from 2007–2010 (63.0 percent in 2007 to 63.4 percent in 2010). Furthermore, the percentage of these families with debt payments greater than 40 percent of income—a traditional threshold measure of debt load trouble—decreased in 2010, to 8.5 percent from 9.9 percent in 2007. However, total debt payments as a percentage of income increased from 10.8 percent in 2007 to 11.4 percent in 2010, and average debt increased from $73,727 in 2007 to $75,082 in 2010, while debt as a percentage of assets increased from 7.4 percent in 2007 to 8.4 percent in 2010.

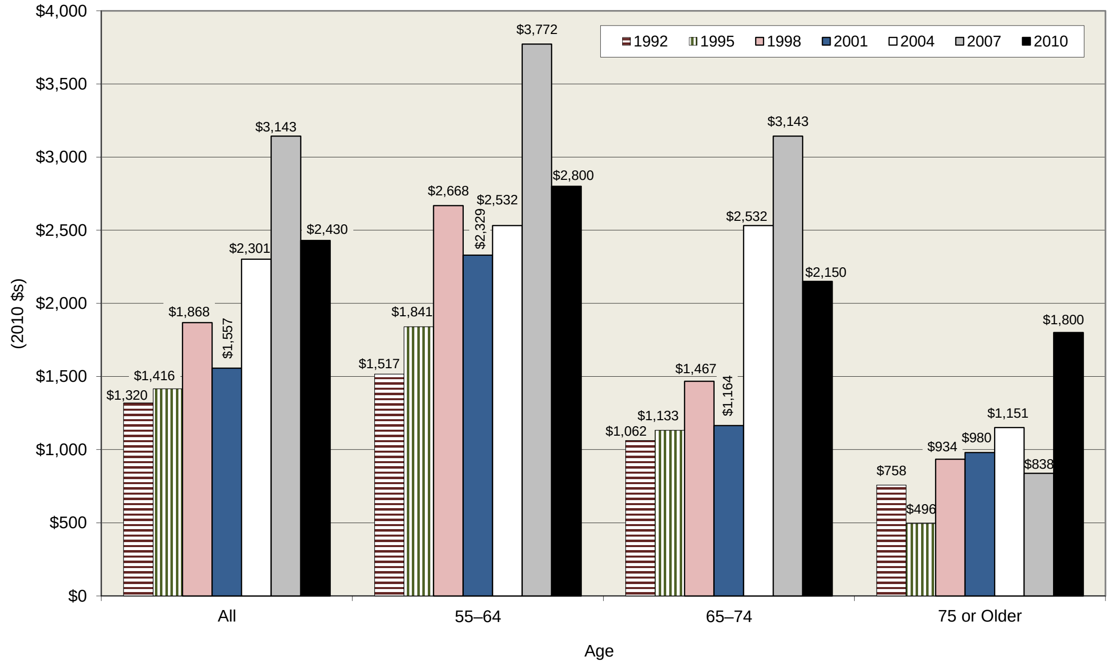
The data indicate that housing debt was the major component of debt for families with heads age 55 or older. Among families with housing debt, the median debt amount was virtually unchanged from 2007–2010, while credit-card debt of those having this debt decreased. The one group that had increases in debt was families with heads age 75 or older, a group that not only had increases in incidence of debt and in the average amount of debt, but was the only age group that had an increase in the percentage of families with debt payments greater than 40 percent of their income in 2010. However, the families found with the highest levels of debt were also those with heads ages 55–64, —those most likely to still be working.

The debt levels among those with housing debt have obvious and serious implications for the future retirement security of these Americans. Perhaps most significantly, these families are potentially at risk of losing what is typically their most important asset—their homes. Older families that take on higher housing debt may well have difficulty avoiding a major lifestyle change in living arrangements for the remainder of their retirement, certainly if they plan to rely on their home as a financial asset.

In other work by the Employee Benefit Research Institute,[5] many workers were found to need to save significantly more than they are currently saving in order to achieve a 75 percent or 90 percent likelihood of being able to maintain the same standard of living throughout their retirement. The increased level of debt among families with heads age 55 or older, along with the reduced asset values post-2008 because of the recession, will only make it more difficult for many of this age to save for or fund a retirement that maintains a given standard of living. Moreover, the increasing amount of debt backed by their primary residences is placing these families in positions where they could be forced to sell their homes.

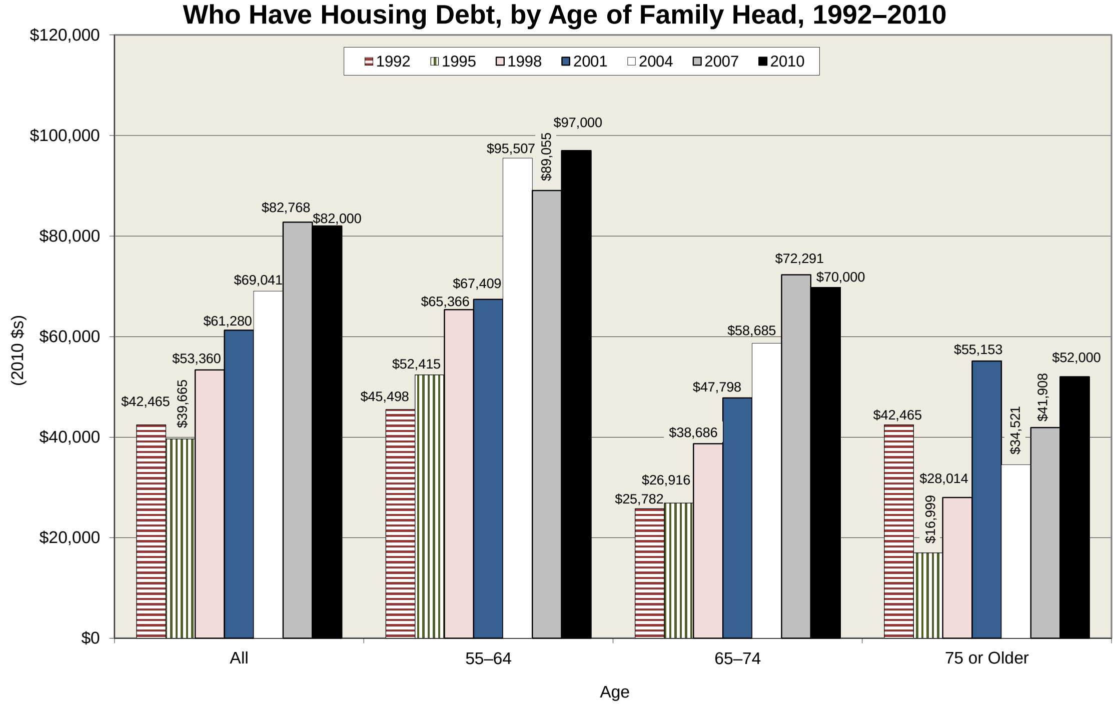
These debt results are troubling as far as retirement preparedness is concerned, in that they indicate that American families just reaching retirement or newly retired are more likely than past generations to have debt—and significantly higher levels of debt. Furthermore, debt incidences and the number of families with excessive debt payments relative to their incomes are at nearly their highest levels since 1992. Consequently, even more near elderly and elderly families are likely to find themselves at risk for severe changes in retirement lifestyle than past generations.

Figure 13
Median Credit-Card Debt for Those Families With Heads Age 55 or Older With Credit-Card Debt, by Age of Family Head, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Figure 14
Median Housing Debt for Families With Heads Age 55 or Older Who Have Housing Debt, by Age of Family Head, 1992–2010



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances.

Endnotes

[1] See Craig Copeland, "Debt of the Elderly and Near Elderly, 1992–2007," *EBRI Notes*, no. 10 (Employee Benefit Research Institute, October 2009): 2–14; Craig Copeland, "Debt of the Elderly and Near Elderly, 1992–2004," *EBRI Notes*, no. 9 (Employee Benefit Research Institute, September 2006): 1–13; and Craig Copeland, "Debt of the Elderly and Near Elderly, 1992–2001," *EBRI Notes*, no. 4 (Employee Benefit Research Institute, April 2004): 1–13 for prior examinations of debt among this age group.

[2] See Jesse Bricker, Arthur B. Kennickell, Kevin B. Moore, and John Sabelhaus. "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin*. vol. 98, no. 2 (June 2012): 1–80 www.federalreserve.gov/pubs/bulletin/2012/pdf/scf12.pdf (last reviewed December 2012) for more information on the Survey of Consumer Finances.

[3] All dollar amounts in this report are in 2010 dollars.

[4] Although the families may be in a better financial position, this does not mean that they are in an "ideal" financial position.

[5] See Jack VanDerhei and Craig Copeland, "Can America Afford Tomorrow's Retirees: Results from the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief,* no. 263 (Employee Benefit Research Institute, November 2003).

Employer and Worker Contributions to Health Reimbursement Arrangements and Health Savings Accounts, 2006–2012

By Paul Fronstin, Ph.D., Employee Benefit Research Institute

Introduction

Employers have been interested in bringing aspects of consumerism into health plans for many years. As far back as 1978, they adopted Sec. 125 cafeteria plans and flexible spending accounts. More recently, employers have increasingly turned their attention to consumer engagement in health care. In 2001, they introduced account-based health plans—a combination of health plans with deductibles of at least $1,000 for employee-only coverage and tax-preferred savings or spending accounts that workers and their families can use to pay their out-of-pocket health care expenses. A few employers first started offering account-based health plans in 2001, when they began to offer health reimbursement arrangements (HRAs) (Fronstin 2002). In 2004, they started offering health plans with health savings accounts (HSAs) (Fronstin 2004). By 2011, 32 percent of employers with 500 or more workers offered either an HRA or an HSA-eligible plan, covering 13 percent of that population, up from 23 percent offering such a plan and 10 percent enrollment in 2010.[1] As a result, these plans covered about 25 million people in 2012, representing about 15 percent of the privately insured market (Fronstin 2012). Employers have also taken a broader approach to consumer engagement through various other initiatives.[2]

This report presents findings from the 2008-2012 EBRI/MGA Consumer Engagement in Health Care Survey (CEHCS) and the 2006 and 2007 EBRI/Commonwealth Fund Consumerism in Health Care Surveys.[3] It examines the availability of HRAs and HSA-eligible plans (consumer-driven health plans, or CDHPs), as well as employer and individual contribution behavior.

CDHP Eligibility

According to the 2012 CEHCS, 11.6 million adults ages 21–64 (or 7 percent of the population) were enrolled in a plan with an HRA or HSA. An additional 7 million reported that they were covered by an HSA-eligible plan but had not opened such an account. Thus, overall, 18.6 million adults ages 21–64 with private insurance, representing 15.4 percent of that market, were either in a CDHP or an HSA-eligible plan but had not opened the account that would be used to fund covered expenses. When their children were counted, 25.2 million individuals with private insurance, representing 14.6 percent of the market, were either in a CDHP or an HSA-eligible plan.

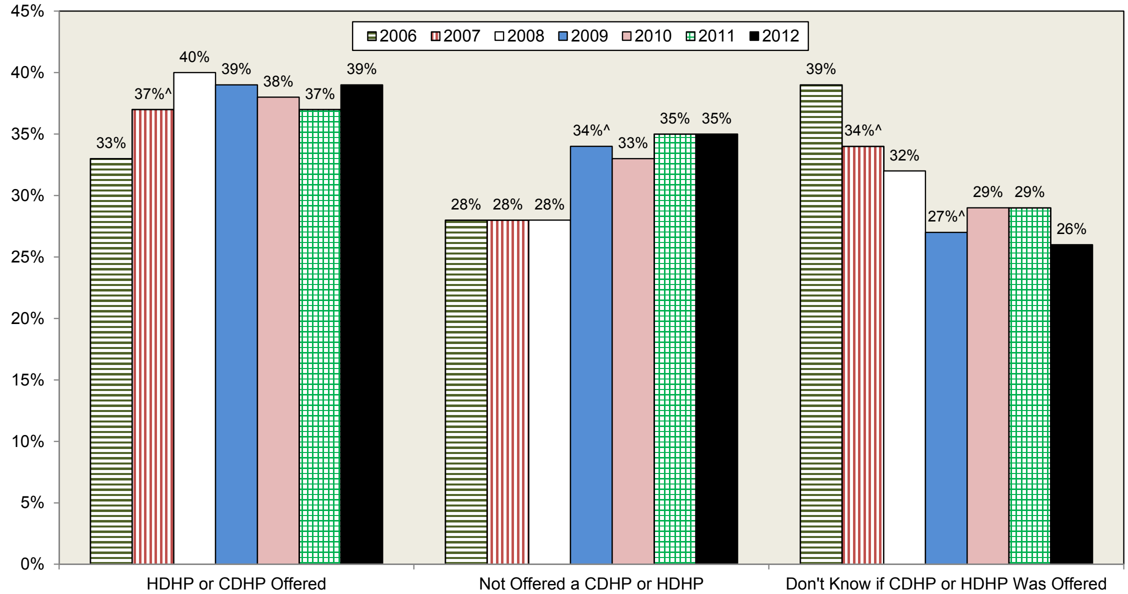
It was found that a significant percentage of workers with traditional health benefits were eligible for account-based health plans. Among individuals with traditional, employment-based health benefits and a choice of health plans, 39 percent were eligible for an HRA or an HSA-based plan in 2012, about the same percentage as had been eligible for such plans since 2007 (Figure 1).

Employer Contributions

Seven out of 10 workers (69 percent) with an HRA or HSA reported that their employers contributed to the account in 2012 (Figure 2). The percentage of workers with an HRA or HSA plan whose employers contributed to the account has been steadily increasing since 2009.

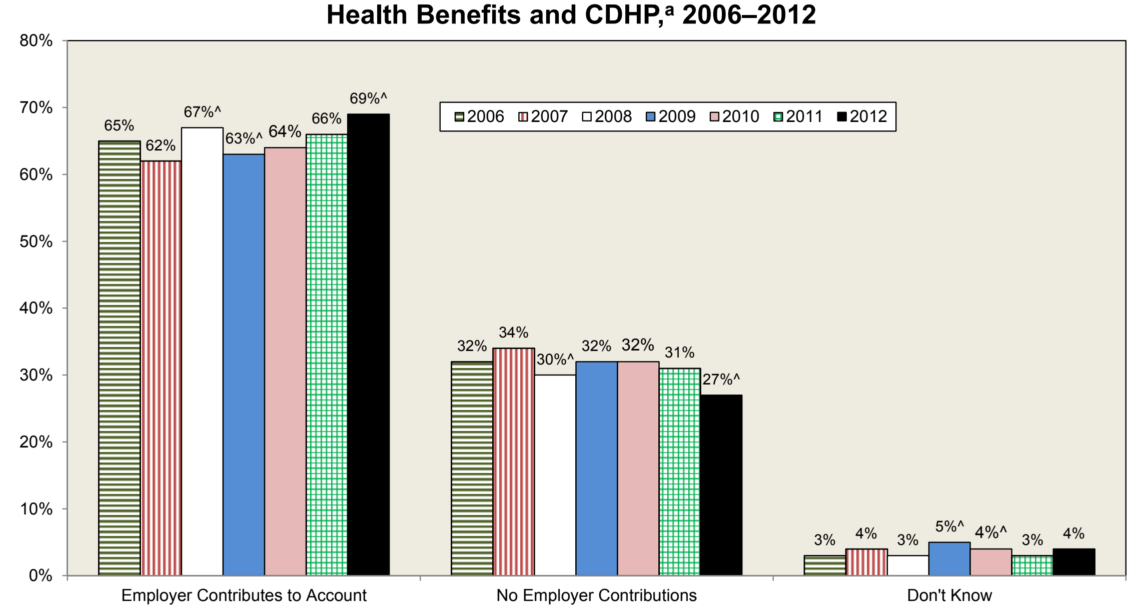
Among workers with an employer contribution, those with employee-only coverage saw their annual employer contributions increase between 2006 and 2008, but fall in 2009 and 2011. Between 2006 and 2008, the percentage reporting that their employers contributed $1,000 or more to the account increased from 26 percent to 37 percent (Figure 3). It fell to 32 percent in 2009 and to 24 percent in 2011. The percentage of workers with employer

Figure 1
Percentage of Individuals With Traditional[a] Employment-Based Health Benefits Offered HDHP[b] or CDHP,[c] 2006–2012



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.
[a] Traditional = Health plan with no deductible or <$1,000 (individual), <$2000 (family).
[b] HDHP = High-deductible health plan with deductible $1,000+ (individual), $2,000+ (family), no account.
[c] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2000+ (family), with account.
^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.

Figure 2
Percentage of Individuals With Employer Contributions to Account, Among People With Employment-Based Health Benefits and CDHP,[a] 2006–2012



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.

contributions of $200–$499 increased from 14 percent to 22 percent between 2009 and 2011. However, in 2012, the percentage of workers reporting that their employers contributed $1,000 or more increased from 24 percent to 28 percent.

Among workers with family coverage, employer contribution levels were unchanged between 2010 and 2012. The percentage reporting employer contributions of $1,000 or more was 63 percent in 2012 (Figure 4).

Individual Contributions

Individuals' contributions to HSA plans have generally been increasing. Between 2006 and 2011, the percentage of individuals with employee-only coverage contributing nothing to an HSA decreased from 28 percent to 11 percent (Figure 5). In contrast, the percentage contributing $1,500 or more increased from 21 percent in 2006 to 44 percent in 2011. However, between 2011 and 2012, the percentage of individuals reporting that they contributed nothing to their HSA also increased, from 11 percent to 15 percent, and the percentage reporting that they contributed $1,500 or more fell slightly from 44 percent to 42 percent. However, neither of these changes was statistically significant.

Among those with family coverage, contribution levels were generally unchanged in 2011, and, in contrast to individual coverage, there were no observed long-term trends toward higher contributions. The percentage not making contributions was unchanged at 10 percent in 2011. The percentage contributing less than $500 was 6 percent in 2012, while the percentage contributing $1,500 or more was 54 percent (Figure 6). A greater percentage of individuals with family coverage than with individual coverage contributed $1,500 or more, which is expected because deductibles are generally higher for family coverage.

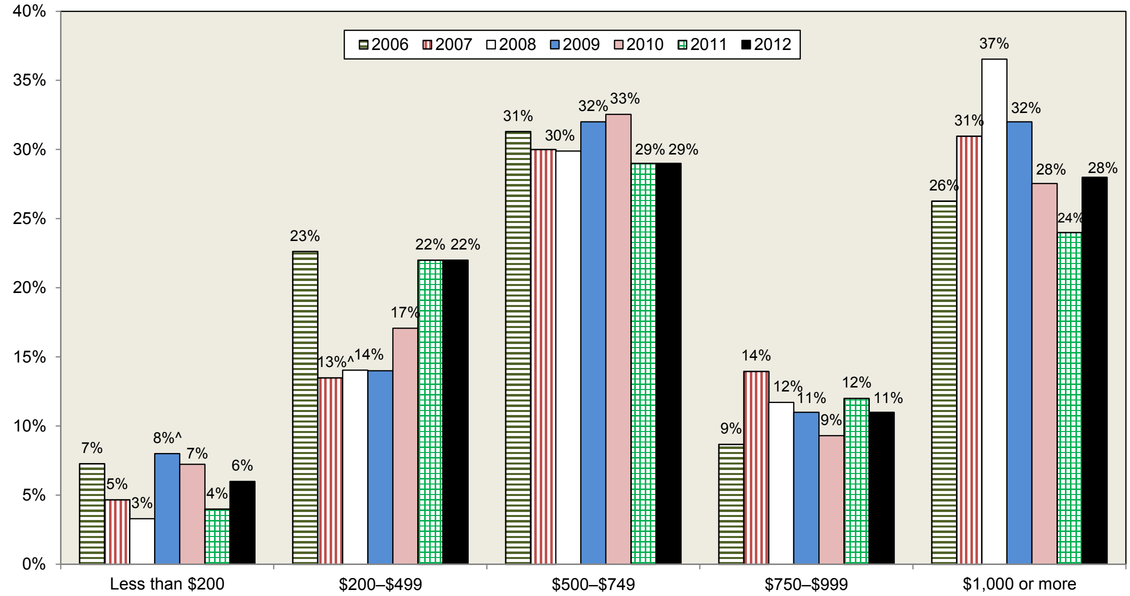
Age of the Account: The length of time with the account appears to have influenced individual contributions among those with employee-only coverage. While those with an account for less than five years contributed less than those with an account for five or more years, contribution levels have been trending down for those with an account for 5 or more years. Among those with an account for less than five years, 15 percent contributed nothing in 2012, up slightly from 2011 though down slightly from 16 percent in 2010 (Figure 7). Similarly, the percentage contributing $1,500 or more was 38 percent in 2012, down slightly from 41 percent in 2011 while up slightly from 33 percent in 2010. In contrast, among individuals with an account for at least five years, the percentage not contributing increased from 5 percent in 2010 to 7 percent in 2011 and 15 percent in 2012 (Figure 8). The percentage of individuals with an account for at least five years contributing $1,500 or more declined from 80 percent in 2010 to 65 percent in 2011 and 60 percent in 2012.

Income Differences: Generally, lower-income people with an HSA are less likely to make contributions to the account than higher-income people. Twenty percent of people in households with less than $50,000 in income did not contribute to the account in 2012 (Figure 9), compared with 7 percent of people with $50,000 in household income (Figure 10). For the lower-income group, the percentage contributing $1,500 or more was generally unchanged between 2010 and 2012. However, among the higher-income group, the percentage contributing $1,500 or more increased from 47 percent to 60 percent between 2010 and 2012.

Health Engagement Differences: There is a correlation between health engagement and individual contributions to an HSA. Those defined as being engaged in their health reported that they did at least one of the following:

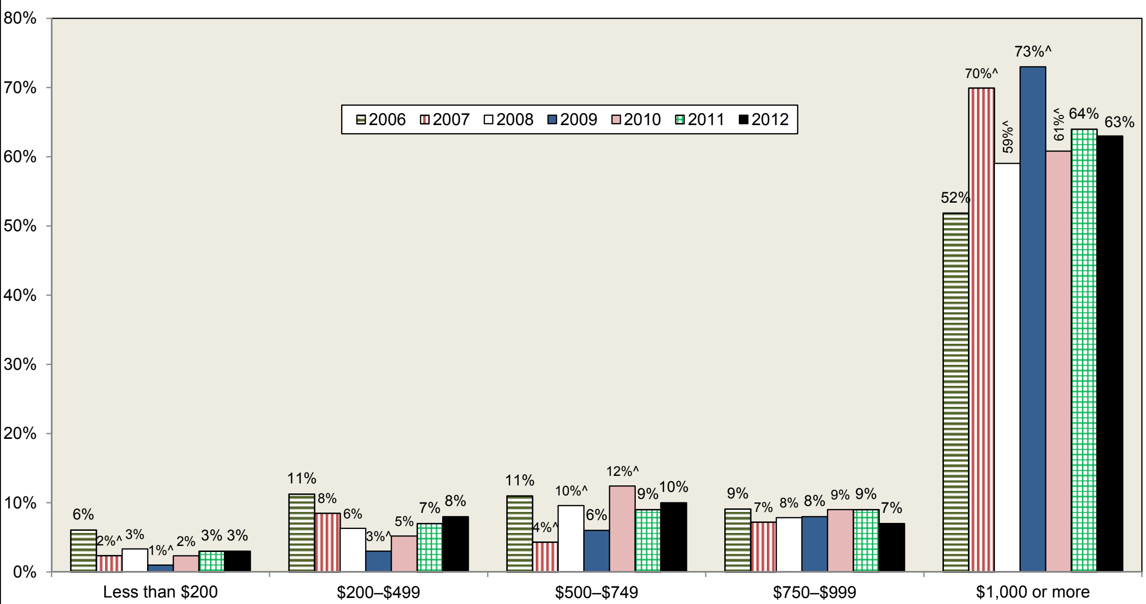
- Checked whether my health plan would cover my care or medication.
- Checked the price of a doctor's visit, medication, or other health care service before I received care.
- Checked the quality rating of a doctor or hospital before I received care from them.

Figure 3
Annual Employer Contributions to Account, Among People With Employee-Only CDHP,[a] 2006–2012



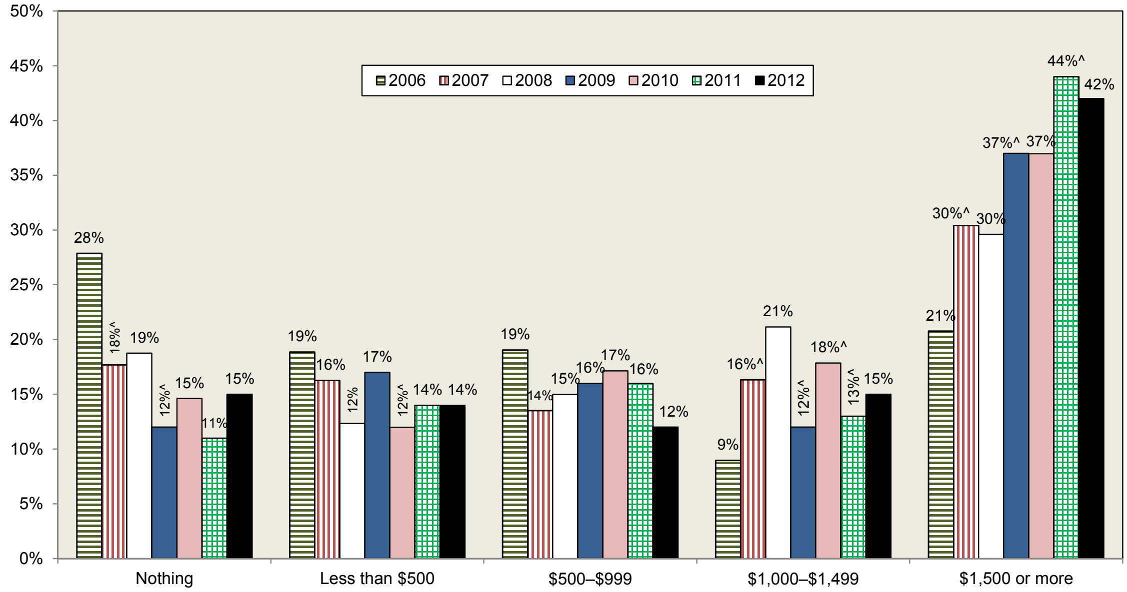
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.
Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

Figure 4
Annual Employer Contributions to Account, Among People With Family CDHP,[a] 2006–2012



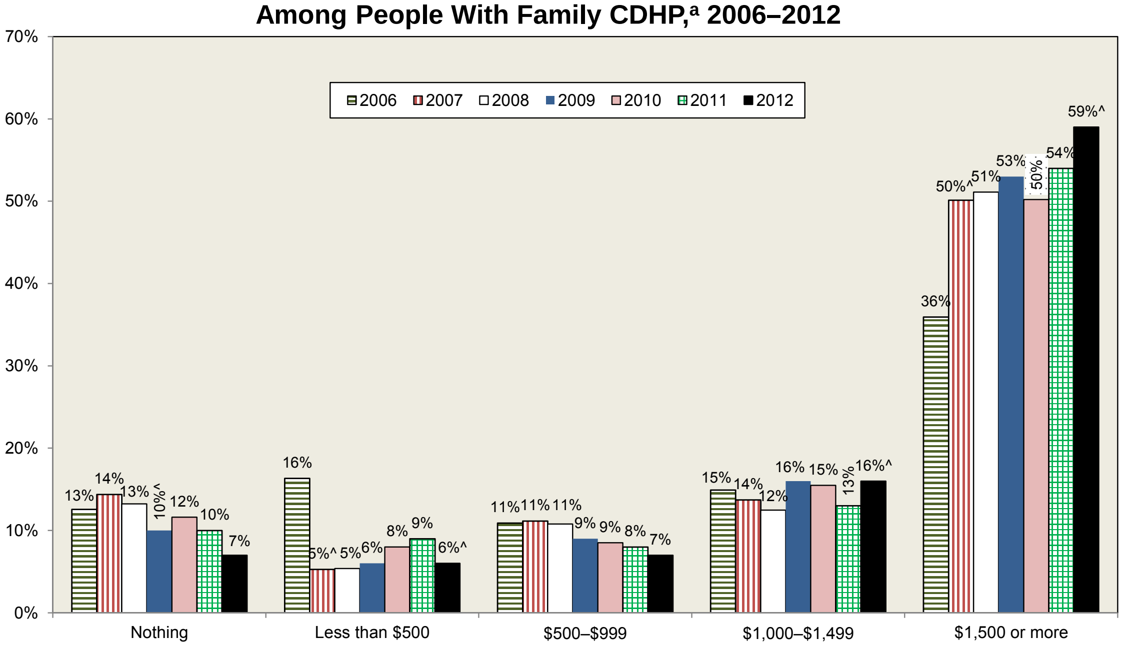
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.
Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

Figure 5
Annual Individual Contributions to Account, Among People With Employee-Only CDHP,[a] 2006–2012



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.
Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

Figure 6
Annual Individual Contributions to Account, Among People With Family CDHP,[a] 2006–2012



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
^ Difference from prior year shown is statistically significant at p ≤ 0.05 or better.
Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

- Talked to my doctor about prescription options and costs.
- Talked to my doctor about other treatment options and costs.
- Used an online cost tracking tool provided by my health plan to manage my health expenses.
- Developed a budget to manage my healthcare expenses.
- Asked for a generic drug instead of a brand name drug.
- Asked my doctor to recommend a less costly prescription drug.

It was found that individuals with some engagement with the health care system contributed higher amounts to their HSA than those with no engagement. In 2012, 48 percent of those with no engagement with the health care system contributed $1,500 or more (Figure 11), whereas 55 percent of those with some engagement with the health care system contributed $1,500 or more (Figure 12).

Conclusion

The share of the adult population with private health insurance enrolled in an HRA or with an HSA-eligible plan continues to increase. The percentage of workers reporting that their employers contribute to the account also increased. Among those with employer contributions, overall contribution levels for individuals with employee-only coverage increased in 2012, after having fallen between 2008 and 2011. This may be due to the strengthening economy. Workers with employee-only coverage did not increase their own contributions in 2012, but those with family coverage did. Generally, lower-income individuals did not increase their contributions in 2012, whereas higher-income individuals did.

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______. "Findings From the 2012 EBRI/MGA Consumer Engagement in Health Care Survey." *EBRI Issue Brief, no. 379* (Employee Benefit Research Institute), December 2012.

______. "Health Savings Accounts and Other Account-Based Health Plans." *EBRI Issue Brief no. 273* (Employee Benefit Research Institute), September 2004.

______. "Tiered Networks for Hospital and Physician Health Care Services." *EBRI Issue Brief, no. 260* (Employee Benefit Research Institute), August 2003.

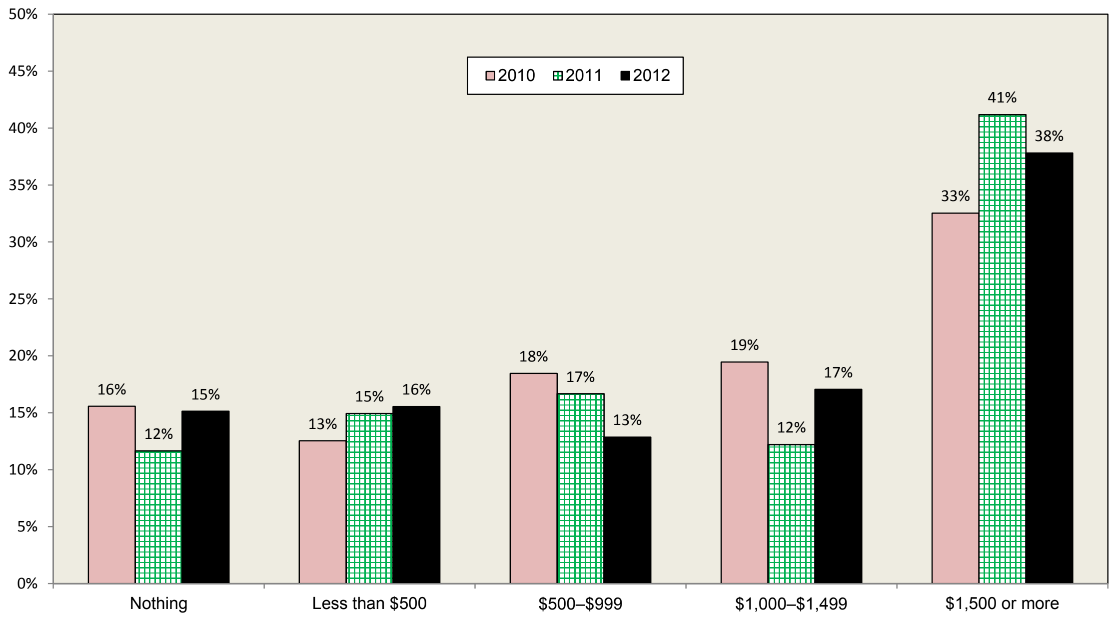
Endnotes

[1] See www.mercer.com/pressrelease/details.htm?idContent=1491670

[2] In 2001, employers formed a coalition to report-health-care-provider quality measures, and today the group is composed not only of employers but also of consumer groups and organized labor (see www.healthcaredisclosure.org/). In 2002, there was interest in tiered provider networks (see Fronstin 2003). In 2005, employers started to focus on value-based insurance designs that seek to encourage the use of high-value services while discouraging the use of services when the benefits are not justified by the costs (see Chernew, Rosen and Fendrick 2007).

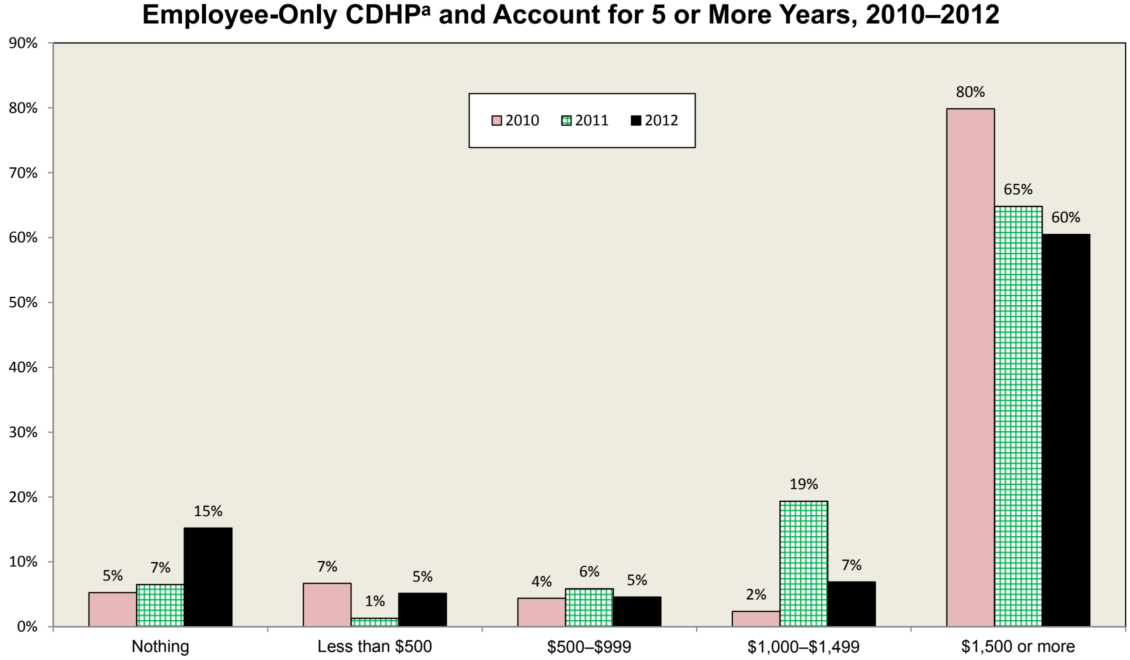
[3] More information about the surveys can be found in Fronstin (2012).

Figure 7
Annual Individual Contributions to Account, among People With Employee-Only CDHP[a] and Account for Less than 5 Years, 2010–2012



Source: EBRI/MGA Consumer Engagement in Health Care Survey, 2010–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

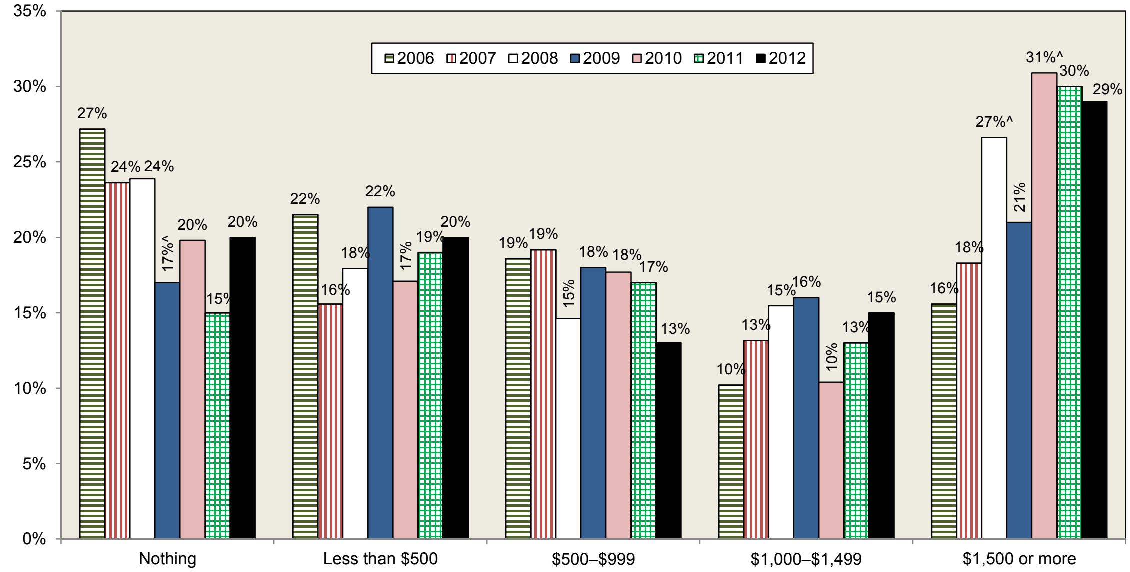
Figure 8
Annual Individual Contributions to Account, among People With Employee-Only CDHP[a] and Account for 5 or More Years, 2010–2012



Source: EBRI/MGA Consumer Engagement in Health Care Survey, 2010–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

Figure 9

Annual Individual Contributions to Account, among People With Employee-Only or Family CDHP[a] and Household Income Under $50,000, 2006–2012



Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.

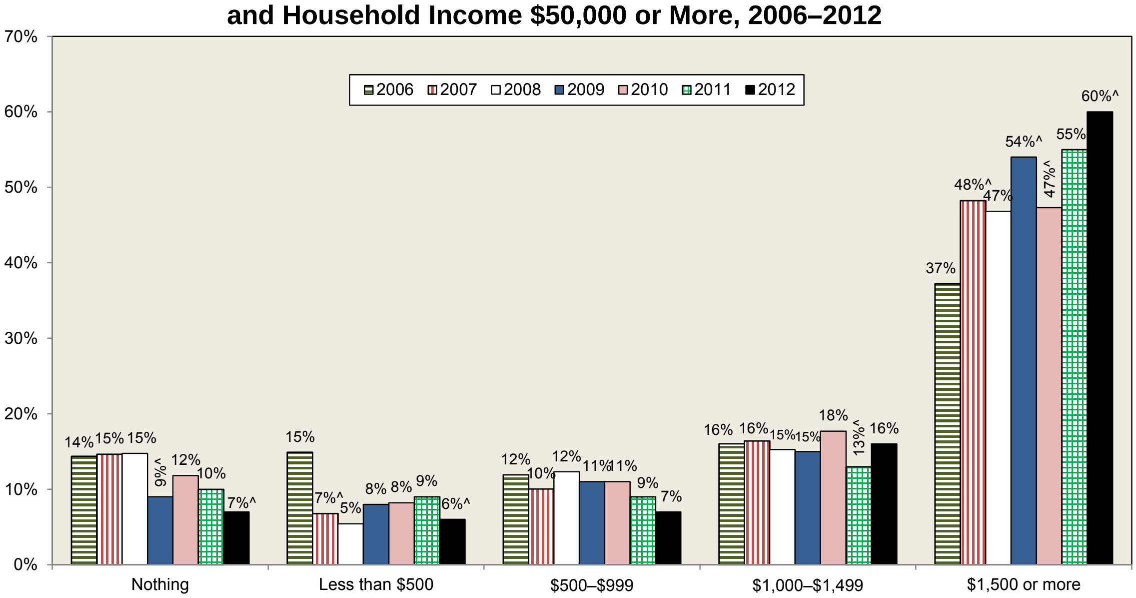
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.

Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

Figure 10

Annual Individual Contributions to Account, among People With Employee-Only or Family CDHP[a] and Household Income $50,000 or More, 2006–2012



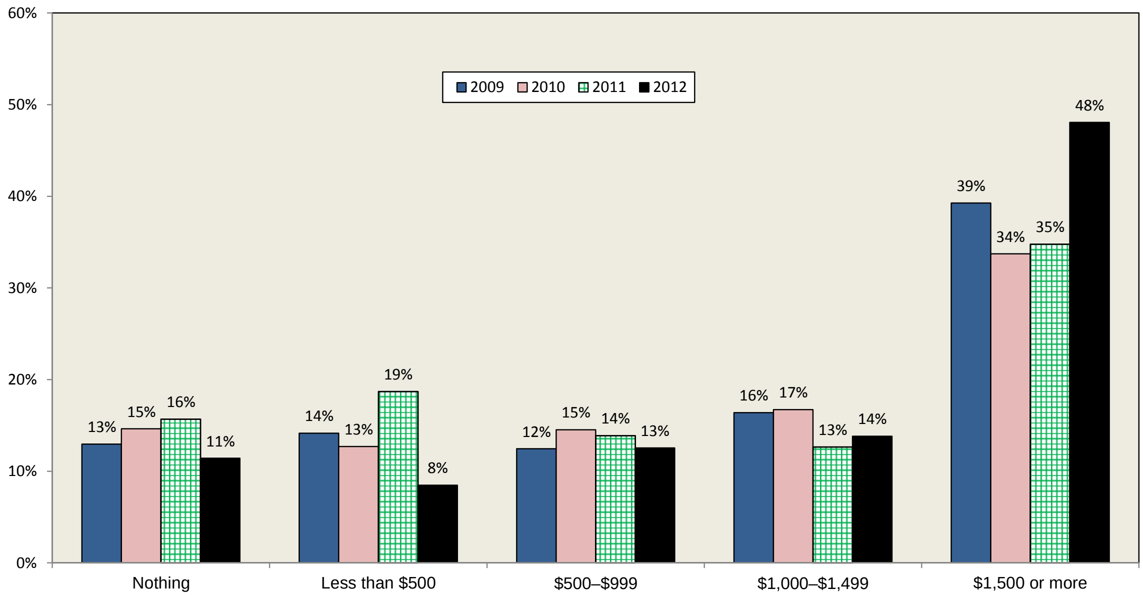
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2006 and 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008–2012.

[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.

^ Difference from prior year shown is statistically significant at $p \leq 0.05$ or better.

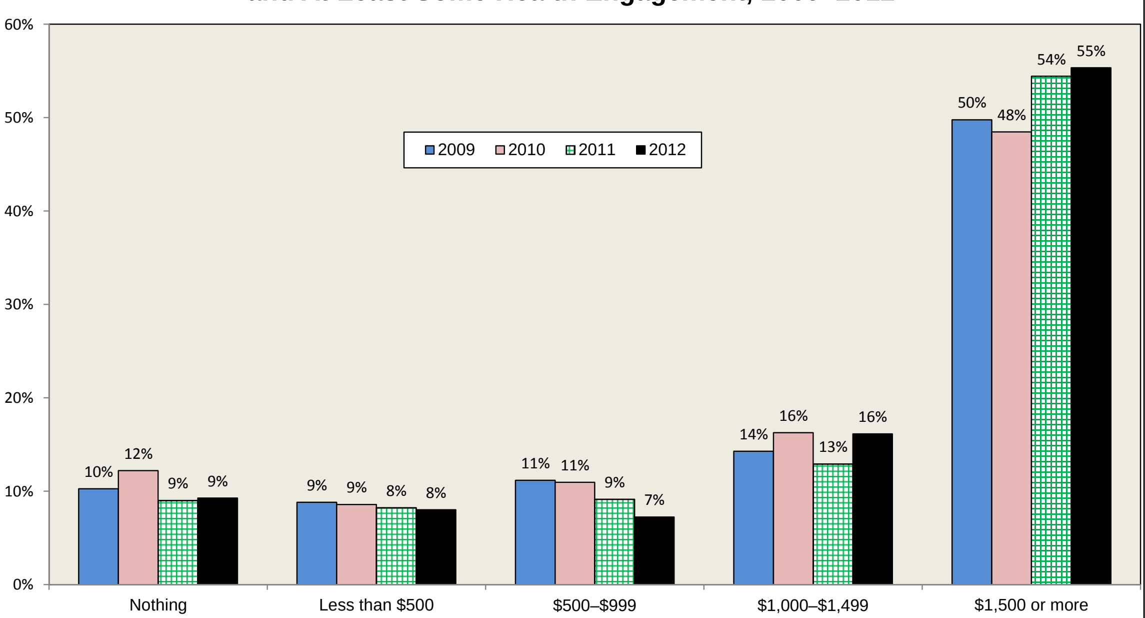
Note: Details do not sum to 100% because the "don't know" category is not shown in the figure.

Figure 11
Annual Individual Contributions to the Account, among People With Employee-Only or Family CDHP[a] and No Health Engagement, 2009–2012



Source: EBRI/MGA Consumer Engagement in Health Care Survey, 2009–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
Note: Details do not sum to 100% because the “don’t know” category is not shown in the figure.

Figure 12
Annual Individual Contributions to the Account, among People With Employee-Only or Family CDHP[a] and At Least Some Health Engagement, 2009–2012



Source: EBRI/MGA Consumer Engagement in Health Care Survey, 2009–2012.
[a] CDHP = Consumer-driven health plan with deductible $1,000+ (individual), $2,000+ (family), with account.
Note: Details do not sum to 100% because the “don’t know” category is not shown in the figure.

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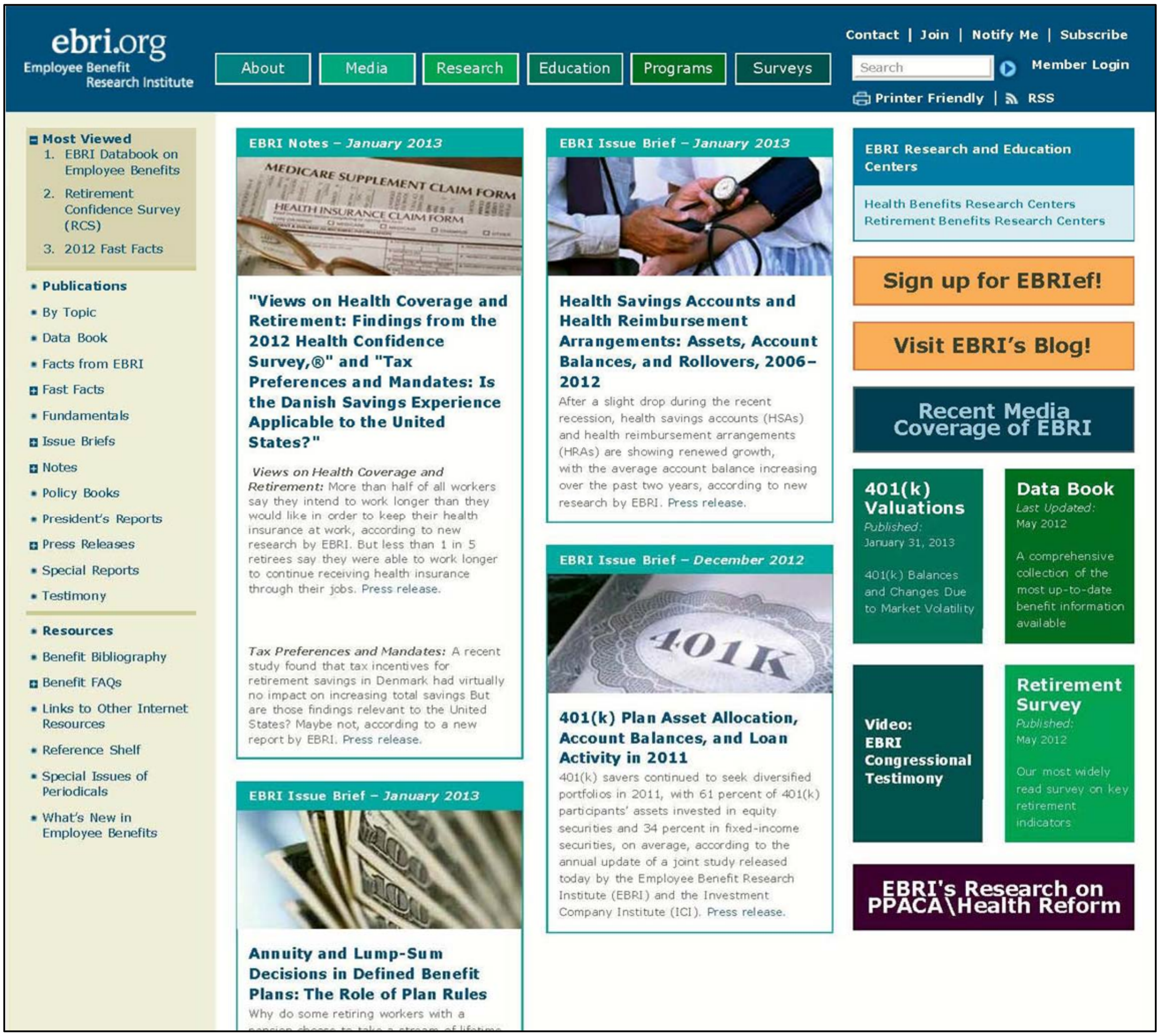

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