

# **Senior Citizens And Bankruptcy, Bankruptcy Articles, Seniors Driven To Resort To Bankruptcy**

## **Credit card onslaught, Increased healthcare costs Drives seniors to use bankruptcy as retirement planning strategy**

Bankruptcy has helped many people out of financial struggles - giving them a fresh start to rebuild their lives and their credit ratings. The immediate benefits of eliminating overwhelming debt are obvious and unmistakable, but there are also many long term rewards to a discharge in bankruptcy. As reported in a recent Newsweek article, many mature adults have turned to bankruptcy in situations where paying creditors makes it impossible to set aside necessary contributions to a retirement plan or where anticipated social security or retirement benefits do not leave enough excess income to pay off creditors after paying basic living expenses.

The U.S. Department of Commerce's National Institute of Aging projects that by 2010, the number of people over the age 60 in the U.S. will be growing at a rate of three and a half times as high as that of the general population. This means that social security benefits will likely continue to be cut more and more as time goes on. Accordingly, those of us approaching retirement age will need to take the important step of setting funds aside to help us through our retirement years and to eliminate any existing debt that we have, prior to the inevitable decrease in income that comes along with retirement. Even those people who have carefully planned for their retirement are finding that the recent fall in stock values has left them less prepared than they had hoped. Whatever the reason, Bankruptcy can be a method of strategic financial planning to help ensure that you will be able to live a comfortable lifestyle during your "golden years."

The number of people over 65 who file for bankruptcy has tripled in the past 10 years. One obvious reason for this is that most retired adults experience a decline in income along with an increase in expenses, such as health care and housing. Research has shown that social security is the main source of income for the average Chapter 7 debtor. For these people, credit card debt was the most common type

of debt discharged. One suggested reason for the increase of credit card debt in seniors is the fact that credit cards can now be used for payment for medical prescriptions and physician co-payments. Exacerbating the problem is the deregulation of usury laws in most states, permitting creditors to charge higher and higher interest rates, along with aggressive marketing programs directed toward seniors and increasing levels of credit extended. This has caused a problem for retirees who are unable keep up with the interest compounding on the balances charged.

In its series of papers examining the economic security of different populations, Demos has set forth a number of suggested solutions to the problem of seniors and their increased financial challenges. Among them are increased regulation of lenders' practices and prevention of Congress' proposed legislation, aimed at inhibiting the ability for many people to file bankruptcy. In the meantime, bankruptcy can be a helpful tool for planning ahead for retirement or for improving the quality of life for those of retirement age.