

Easing the Squeeze on Older Families

Democrats inherited one of the worst economic crises in our nation's history, a crisis that is putting extraordinary stress on millions of American families struggling to pay their bills and invest in their children's futures. The road to recovery will be long, but Congress has worked quickly with the Obama Administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

The Bush Legacy: The Squeeze on Older Families

Rising Expenses Eating Up a Larger Portion of Fixed Incomes

- Median annual income for families nearing retirement, those headed by 55-64 year olds, was \$75,034 in 2007, up 7.8 percent since 2000. Median annual income for families headed by someone 45-54 fell 5.5 percent, to \$80,384 over the same period.
- Rising costs for basic living expenses are outpacing incomes, straining family budgets and pushing a secure retirement out of reach. The average family health insurance premium increased by 48 percent between 2000 and 2008, to \$12,680. The cost of medical care has increased an average of 4.3 percent per year between 2000 and 2008.
- Parents and grandparents helping family invest in a college education have been squeezed by rising tuition costs, which shot up by 47 percent between 2000 and 2007.

Disappearing Jobs

- There are 1.0 million more workers 55 years and older without a job than at the start of the recession in December 2007. Over 1.8 million workers 55 years and older are now unemployed.
- The unemployment rate for older workers has increased from 3.1 percent to 6.4 percent over the course of the recession, and the number of unemployed workers between the ages of 45 and 54 has increased by 1.1 million.
- The unemployment rate for near-retirement workers aged 45 to 54 years has increased from 3.5 percent to 6.4 percent over the course of the recession.

Over 6 Million Americans 55 and Older Lived in Poverty in 2007

- Nationwide, 2.9 million Americans aged 55 to 64 (8.6 percent of the near-retirement population) lived below the poverty line in 2007. An additional 3.6 million Americans 65 and over (9.7 percent of the elderly population) lived below the poverty line in 2007.

Nearly 1 Million More Uninsured Americans Nearing Retirement Since 2000

- Over 4 million Americans between the ages of 55 and 64 (12.0 percent) had no health insurance in 2007, the most recent year of available data, an increase of nearly 1 million since 2000.

Skyrocketing Debt

- Older families were forced to rely heavily on debt financing in order to pay their bills in the face of grim earnings and employment prospects. Average total debt amongst older households (headed by someone 55 years and older) shot up by 66 percent (from \$84,193 to \$139,890) between 2001 and 2007, the most recent year of available data.
- During the sub-prime boom, predatory lenders targeted older homeowners with high cost subprime refinancing products that stripped long-time owners of home equity. Property values plummeted when the housing bubble burst, and millions are now upside-down on their mortgages, owing more than their homes are worth. The Joint Economic Committee estimates that the number of foreclosures for 2009 will be 1.7 million, and many will impact elderly homeowners.
- Average credit card debt for older households grew by 83 percent, from \$2,709 to \$4,959 between 2001 and 2007. Variable interest rates and other credit card practices mean that older families are diverting an increasing share of their incomes toward servicing their credit card debt, which puts a further strain on family finances.

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While the problems are enormous, the 111th Congress and the Obama Administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in African-Americans' pockets today and help them invest in their futures. In addition, the FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of African-American families.

Putting money in the pockets of those who need it most.

The Making Work Pay Tax Credit, an expanded Earned Income Tax Credit, and a one-time boost to Social Security payments are already putting money in the wallets of older families. An expanded saver's credit will provide a boost to millions saving for their retirements.

Protecting the most vulnerable.

The Recovery Act will help protect the health of low income families by helping states avoid cuts in Medicaid enrollment and services, and boosting funding for food stamps, WIC, and food bank programs that serve as critical sources of healthy food for struggling Americans across the country.

Helping families stay in their homes.

Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will ease the burden on working families. The Helping Families Save Their Homes Act of 2009 will provide lenders and homeowners with key tools and incentives to modify unfair loans and to avoid foreclosures. Coupled with the Administration's actions to help families refinance into lower interest rate loans if they have mortgages issued or guaranteed by Fannie Mae and Freddie Mac and owe more on their houses than their current value, this critical piece of legislation will halt the steep decline in home prices and keep the dream of homeownership alive for millions of American families.

Investing in America's future through job training and education.

Congress and the Administration have committed substantial funding towards job training in high-growth sectors, including "green jobs," expanded Trade Adjustment Assistance expansion to cover training programs for workers displaced from the service sector, and created a State Fiscal Stabilization Fund to help prevent teacher layoffs and cuts in other key service.

Making college affordable.

The American Opportunity Tax Credit and increased Pell Grants are making college more affordable for the millions of parents and grandparents struggling to pay for a family member's education, and the FY2010 Budget proposes an expansion of the Federal Perkins loan program and a new College Access and Completion Fund. Democrats are also committed to expanding community service work opportunities for older Americans, which will help lower-income older workers remain in or rejoin the workforce.

Making quality health care coverage affordable.

The FY2010 Budget includes a budget-neutral reserve fund that will facilitate the passage of health insurance reform that achieves America's shared goals of constraining costs, expanding access, and improving quality.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board; Bureau of Labor Statistics; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.