

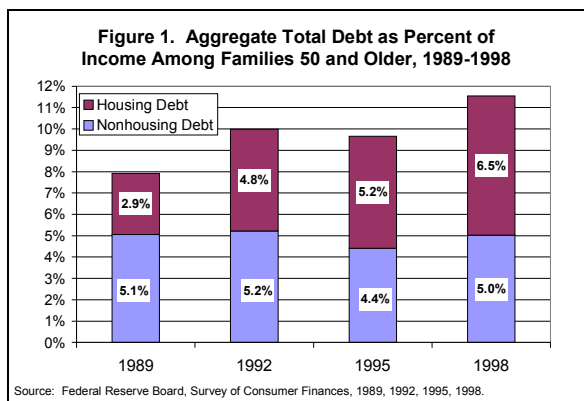
DEEPER IN DEBT REDUX: HOUSING AND NONHOUSING DEBT BURDENS

Introduction

The late 1990s were years of almost unprecedented wealth accumulation. A less known fact is that they were also years of substantial growth in personal debt, most of it in the form of mortgage debt. A recent Data Digest reported on changes in combined housing and nonhousing aggregate (i.e., for the entire population) debt among those aged 50 and older between 1989 and 1998. In this Data Digest, aggregate housing and nonhousing debt burdens are examined by age and income to determine if there are significant differences in the size or distribution of housing and nonhousing debt.

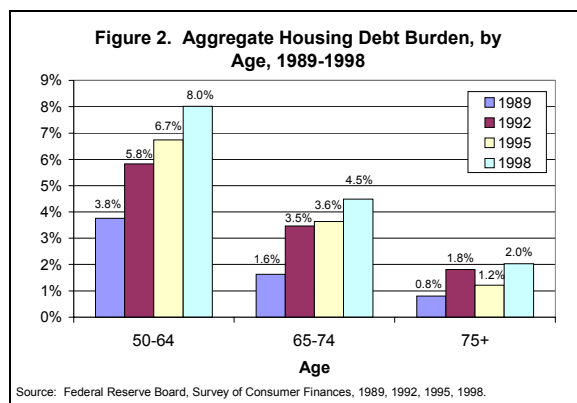
Housing and Nonhousing Debt

Over Time. Figure 1 shows the change in housing and nonhousing debt between 1989 and 1998 for the entire U.S. population aged 50 and older. Housing debt more than doubled as a percent of income between 1989 and 1998, whereas nonhousing debt changed little relative to income. The housing debt burden was only half as large as the nonhousing debt burden in 1989, but it was larger by 1995 and 1998.

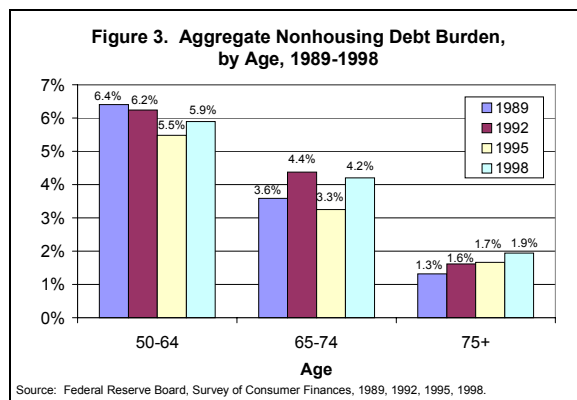


By Age. As Figures 2 and 3 show, the housing debt burden increased in each age group much more than the nonhousing debt

burden over time. Whereas housing debt increased steadily over time in each age group (more than doubling), the nonhousing debt pattern was more erratic, and actually decreased among 50-64 year-olds.



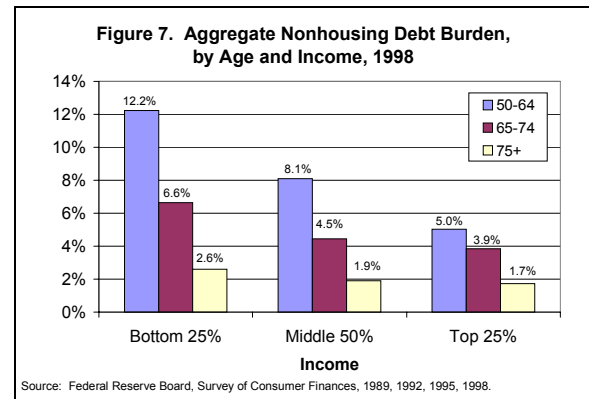
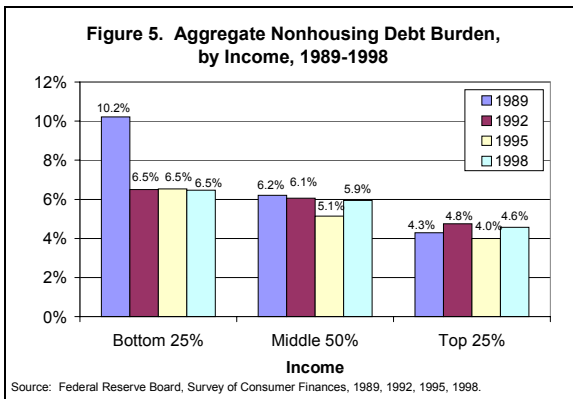
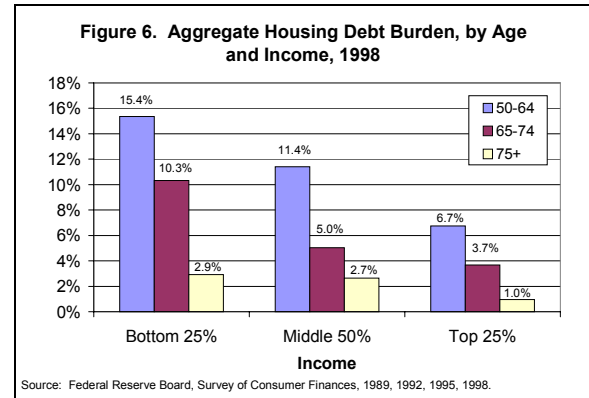
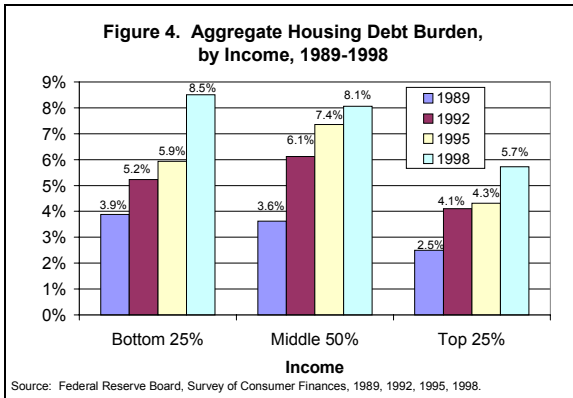
However, in a given year, both housing and nonhousing debt burdens clearly declined with age. Persons aged 75+ generally had only a quarter or less of the housing debt burden of 50-64 year-olds, and they had between a quarter and a third of the nonhousing debt burden of 50-64 year-olds.



By Income. As was seen with age, housing debt burdens increased over time within each income group (Figure 4). However, in the years selected, housing debt burdens did not decrease as much or as consistently with increases in income as they did with age. In 1992 and 1995, housing debt burdens were higher for the middle half

of income earners than for either the bottom or top quarter. Housing debt burdens were generally lower for the top income quartile, however, than either the bottom quartile or the middle half.

slightly higher in 1998 than the nonhousing debt burdens for all age-income groups, and by 1998, housing debt had exceeded nonhousing debt among 50+ households in general.



Nonhousing debt burdens, unlike housing debt burdens, changed little over time (Figure 5) for the three income groups, and there was little difference in aggregate debt burdens between the bottom income quartile and the middle income half except for 1989. The top income quartile had only slightly lower debt burdens than the two lower income groups.

Aggregate housing and nonhousing debt burdens both steadily decline with age and they also tend to decline with income. The most heavily burdened group was the bottom income quartile of 50-64 year-olds (pre-retirees), who had housing debt burdens of more than 15 percent and nonhousing debt of more than 12 percent in 1998.

By Age and Income. Despite the differences between the housing and nonhousing debt burden patterns over time described above, when the 1998 distribution of housing and nonhousing debt burdens are compared by age and income together (Figures 6 and 7), the patterns appear quite similar. The housing debt burdens were only

Written by John Gist and Carlos Figueiredo
AARP Public Policy Institute, August 2002
 AARP 601 E Street, NW
 Washington, DC 20049
 © 2002 AARP
 Reprinting with permission only.
www.aarp.org/ppi