



Redesigning the Financial Roadmap for the LMI 50+ Segment

New Challenges and Opportunities

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U.S. Financial Health Pulse Funders and Partners

The [U.S. Financial Health Pulse](#) is made possible through a founding partnership with Omidyar Network.

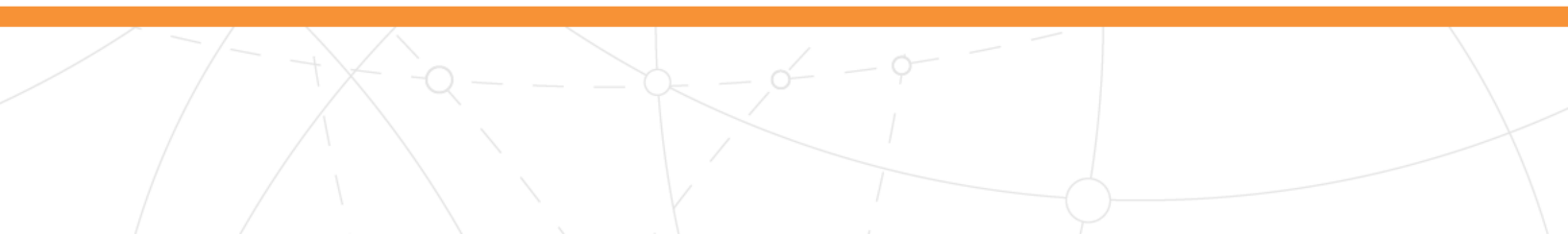
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CFSI is partnering with the University of Southern California Dornsife Center for Economic and Social Research to field the study to its online panel, the Understanding America Study.

CFSI is working with engineers and data analysts at Plaid to collect and analyze transactional and account data from study participants who authorize it.

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EXECUTIVE SUMMARY

For decades, the financial lives of Americans over the age of 50 were understood to follow a predictable lifecycle pattern.

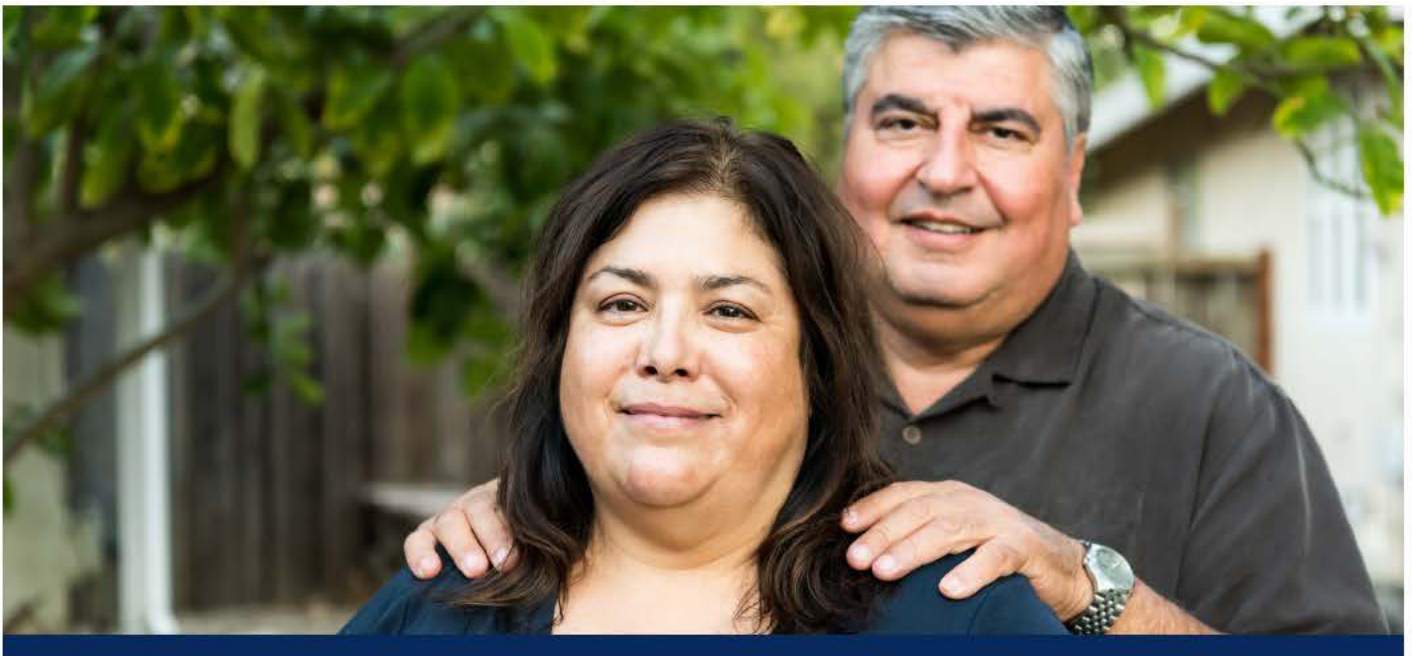
After working full-time into their early 60s, these individuals stopped working completely and began depending financially on a defined benefit pension plan. With a paid-off mortgage, comprehensive healthcare coverage, and reduced living expenses, they were free to live frugally, but securely, in their retirement.

Today, the real story for Americans over 50 – especially for those with limited incomes – is both less predictable and less secure. There are as many as 50 million low-to moderate-income Americans over 50 (the LMI 50+). In contrast with previous generations, these Americans face higher costs of living, rising debt, changing living situations, the disappearance of defined benefit pension plans, and increased reliance on Social Security.

Many in the financial services ecosystem, who see their role as helping Americans prepare for this time of their lives, have historically operated under the assumption that financial health increases with age, as retirees are

able to tap into pensions, Social Security, and their own saved assets. The reality is that many Americans, especially the LMI, are increasingly vulnerable as they age. And with the U.S. population aging rapidly, the LMI 50+ segment is growing, making these financial health challenges more common.

To better understand this overlooked and misunderstood segment of Americans, CFSI analyzed data from the 2018 Baseline Survey of the U.S. Financial Health Pulse, an ongoing research initiative designed to explore the financial lives of all Americans. Through this data, we assessed the financial health of the LMI 50+, identified their key financial health challenges, and connected those challenges to broader economic trends. We further supplemented the survey with key insights from focus groups and interviews, enabling us to hear the real voices of this segment and to identify potential solutions to their challenges.



In this report, we introduce five personas from the LMI 50+ segment whose struggles mirror the financial challenges facing this population:



1

The Savings Shortfall

51 percent of the LMI 50+ are struggling with insufficient short-term, emergency savings. Meet **Doreen**, a 59-year-old retired police officer trying to rebuild her savings cushion.



2

The Debt Burden

39 percent of the LMI 50+ have unmanageable debt. **Leonard**, a 55-year-old construction worker, has debt that keeps delaying his plans for retirement.



3

The Physical-Financial Fault Line

Many of the LMI 50+ aren't adequately protected from medical shocks, resulting in negative consequences for their financial health. **Marta**, 60, works on-again, off-again in the service industry. But a nagging back injury makes it extremely difficult to find a steady source of income while she applies for Social Security Disability.



4

The Retirement Reality

Many of the LMI 50+ are unable to completely retire, and even those who do stop working still struggle with their financial health. Meet **Ronald**, a 73-year-old who plans to continue working odd jobs like landscaping to make ends meet.



5

The Catch-22 of Family

Family obligations interact with the household finances of the LMI 50+ in positive and negative ways. **Tracy** passed up a larger pension to provide childcare for her grandson when she retired at age 64.

Many of the financial health challenges explored in this report represent opportunities for innovators across the financial services ecosystem. Our research also reveals early guideposts for designing effective products and services for this segment.

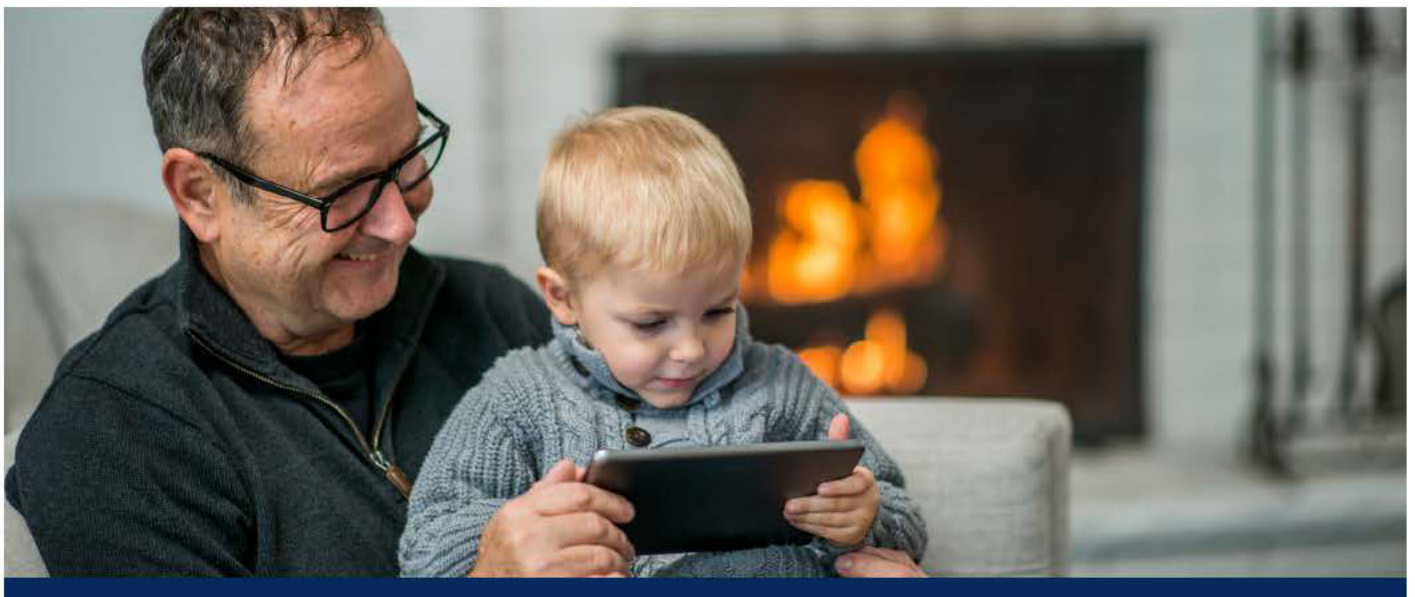
The LMI 50+...

- Are open to using digital technology to manage aspects of their financial lives
- Appreciate being able to monitor transactions and pay bills online
- Care about security, but not in a way that limits the use of technology
- Desire relevant, actionable financial education and coaching for everyday financial management after age 50
- Use technology-centric innovations, but have differing levels of comfort with high-tech vs. high-touch engagement

In this report, we first help readers understand the composition of the 50 million Americans in the LMI 50+ segment. Using data-driven personas, we then dive deeply into the most interesting findings from

our qualitative and quantitative research. Finally, we summarize research themes that are relevant to future financial health innovation for the LMI 50+.

Our hope is to support the creation of new – and the adaptation of existing – solutions to help this large and often overlooked group enjoy better financial health in their later years.



INTRODUCTION

For decades, financial planners and personal finance gurus helping Americans prepare for their later years have relied on a relatively standard lifecycle model.

In this model, built on 20th-century economic structures, people – and their employers – saved and invested money over a lifetime of work. By the time they celebrated their final day on the job, they had amassed a savings nest egg, paid off their mortgage or other debts, and could trim down their household expenses as their work expenses decreased. Medicare would cover their ongoing medical expenses, and their adult children were grown and gone, leaving them free to enjoy a simpler, but financially secure, life.

That lifecycle model no longer reflects life over the age of 50 in America.



Today, Americans over the age of 50 are living very different – and very dynamic – lives, financially and otherwise. Where yesterday's Americans over 50 left work one day and began retirement the next, today's Americans over 50 are blurring the lines between their working and retirement years, living in a state of semi-retirement and experiencing income fluctuations just like their younger counterparts.¹ Yesterday's retirees had a defined benefit pension plan to count on for income during retirement, but today's 50+ Americans are more likely to have only had access to a defined contribution retirement savings plan, if they had any retirement plan available at all.² Yesterday's Americans over 50 were usually empty nesters by the time they reached 50, but today's Americans over 50 are more likely than previous generations to be living in multi-generational households.³ Crucially, yesterday's Americans over 50 had likely paid down their mortgage by the time they stopped working, but today's retirees carry debt of all kinds, including student debt.⁴ Given rapid increases in life expectancy and rising healthcare costs, today's Americans over 50 must also plan for significantly higher out-of-pocket medical costs than previous generations, meaning that they will face even greater demands on their cash flow as they age.⁵

¹ "Why Older Workers Are Embracing the Gig Economy," *Forbes*, 2017.

² "The Disappearing Defined Benefit Pension and Its Potential Impact on the Retirement Incomes of Baby Boomers," Social Security Office of Retirement and Disability Policy.

³ "What's behind the dramatic rise in 3-generation households?," *The Conversation*, 2018.

⁴ "Sounding the Alarm on Older Adults' Debt," AARP, 2018.

⁵ "Life Expectancy at Birth, Total for the United States," FRED Economic Data, 2018; "A Couple Retiring in 2018 Would Need an Estimated \$280,000 to Cover Health Care Costs in Retirement, Fidelity Analysis Shows," *Fidelity*, 2018.

These trends paint a much different portrait of the financial lives of Americans over 50. But when it comes to low- to moderate-income (LMI) Americans over 50, the picture becomes even more complex, as we see the LMI 50+ struggling to navigate structural economic changes with even fewer financial resources than their predecessors.

The combination of wage stagnation, increased volatility of both income and expenses, and higher costs of living means that many of today's LMI 50+ are struggling with their day-to-day finances.⁶

Many of the challenges facing the LMI 50+ are the same challenges facing today's millennials. While both the federal and state governments have a role to play in alleviating some of the deepest hardships across these generations, there remains significant opportunity for market innovators to help solve problems and create value for LMI 50+, in addition to their children and grandchildren. Financial services innovators – particularly banks, credit unions, asset managers, and financial technology companies – have spent the last decade focused on innovating to improve the financial health

of millennials and win them as customers for life. Many of these companies spend as much, if not more, time and resources working to meet the needs of affluent Americans over 50, in an attempt to capture a share of that segment's coveted investable assets.

But as a large section of the U.S. population ages and continues to grow, the LMI 50+ also are worthy of the attention of financial innovators.⁷ The 2017 American Community Survey estimates that the LMI 50+ population is as large as 50 million. With an estimated 20 percent of the U.S. population over the age of 65 by 2040, these Americans will be facing financial conditions that are different from those of previous generations.⁸



Throughout this report, we use the term “LMI 50+” to refer to individuals who are age 50 or over and who have low to moderate annual household income. Individuals in this segment are incredibly diverse, so we use LMI 50+ because it is the most accurate description of these Americans.

For comparisons to individuals over age 50 that do not meet the LMI definition because of their higher income, we use the term “HI 50+” for simplicity.

⁶ “For most US workers, real wages have barely budged in decades,” Pew Research Center, 2018; “The Prevalence of High Income Volatility by State of Residence,” EPIC, 2017.

⁷ “The Next Four Decades,” U.S. Census Bureau, 2010.

⁸ “American FactFinder,” U.S. Census Bureau; “The Next Four Decades,” U.S. Census Bureau, 2010.

A segment of 50 million people is, naturally, quite diverse. Innovators seeking to create value must understand these individuals' specific financial health challenges, as well as other key needs and preferences that can help shape the design and delivery of solutions. In this report, we take a fresh look at what we know – and what we think we know – about the financial health of people over 50 with lower incomes, using both quantitative and qualitative techniques. In addition to using quantitative data from the [U.S. Financial Health Pulse 2018 Baseline Survey](#) to understand the size and scope of the financial challenges of the LMI 50+, we use qualitative data from focus groups and phone interviews to understand more about *why* they are facing these challenges, how these challenges impact their overall well-being, and what solutions might help improve their financial health in the future. Throughout this report, CFSI's methodology provides a clear, quantitative measure of financial health, allowing us to understand how these challenges impact different aspects of an individual's financial life.



Acknowledging that financial decision-making is complex and happens within the larger context of human life, we have chosen to let humans tell the stories we discovered in this research. We created data-driven profiles of people like those we met in our focus groups and in our interviews, whose stories were supported by quantitative data trends. These “real” people, representing different sub-segments of the LMI 50+, guide readers through this report. Our hope is that these profiles illustrate the complexity of financial health, reinforcing how deeply our financial lives are intertwined with our emotional lives and the lives of those closest to us.

Finally, we briefly discuss the path forward for innovation, laying out initial recommendations for financial services innovators as they think about improving how the LMI 50+ spend, save, borrow, and plan. While some aspects of these individuals' financial lives are beyond the control of financial services providers, many of the financial health challenges explored in this report represent business opportunities for industry innovators. And while financial institutions often focus more of their attention on segments that are either younger or higher income, the LMI 50+ present a prime opportunity for innovative solutions, given the size of this population and their increasing comfort with technology.

We provide a set of rich, data-driven profiles to bring to life the challenges – and the opportunities – the LMI 50+ face as they manage their finances.

METHODOLOGY

The data in this report comes from the [U.S. Financial Health Pulse 2018 Baseline Survey](#) and from supplemental qualitative focus groups and interviews.

The baseline survey was fielded to members of USC's "[Understanding America Study](#)" (UAS), a 6,000-household probability-based internet panel, between April and July 2018. Of the approximately 5,000 respondents, 1,128 met the definition of LMI 50+ (described below). The LMI 50+ and HI 50+ samples were collectively weighted for analysis to be representative of the U.S. 50+ population, using the 2017 Current Population Survey Annual Social and Economic Supplement as a benchmark. For more information on the survey methodology, see the "Methodology" section in the [2018 Baseline Survey Results](#) or the [UAS survey methodology overview](#).

Respondents were categorized as low- to moderate-income in several steps. First, respondents' household size was defined as the number of individuals physically living with the respondent, as well as the number of individuals who physically live outside the household but receive financial support.⁹ While this definition of household is broader than traditional definitions, it better reflects the actual financial commitments of the LMI 50+ that some might not consider otherwise, including children or older relatives receiving financial support. Using this definition of household size, we applied household income cutoffs roughly aligning with 250 percent of [2017 HHS poverty guidelines](#) and defined households that fell below these cutoffs as LMI. More information on the LMI definitions and income cutoffs is available in Appendix figure A.1.

CFSI also worked with Greenwald & Associates, a public opinion research firm, to conduct focus groups and phone interviews in July 2018 with respondents who met the LMI 50+ definition. CFSI held a total of five focus groups in Canton, Michigan; New York, New York; and Dallas, Texas. We also conducted eight individual phone interviews to allow respondents to discuss their personal finances more openly. Finally, because focus groups can be difficult to attend for individuals who have a disability or live in a rural area, CFSI oversampled participants in one or both of those groups for interviews to ensure the research represented their perspectives.

Significance Testing and Reading Figures

All figures cited in the text of this report are significant at a 5 percent level. Statistical significance is not indicated in tables or graphs and, for clarity of analysis, respondents who chose not to answer a particular question are excluded from the statistics for that item.

⁹ Household size was obtained by adding the number of individuals physically living with respondent to the answer to Q.012: "How many people who don't currently live with you (including children) do you regularly financially help or support?"

Financial Health Measurement

CFSI measures the financial health of respondents based on their responses to eight survey questions, using the CFSI Financial Health Score[®]. Using this score, CFSI categorized respondents into one of three tiers: Healthy, Coping, and Vulnerable. For more information on CFSI's Financial Health Score[®] and financial health measurement, see Appendix figure A.2.

Figure 1: Eight Indicators of Financial Health

Financial health comes about when your daily financial systems allow you to be resilient and pursue opportunities over time.

Individuals are financially healthy if they...



Figure 2: Interpreting the CFSI Financial Health Score[®]

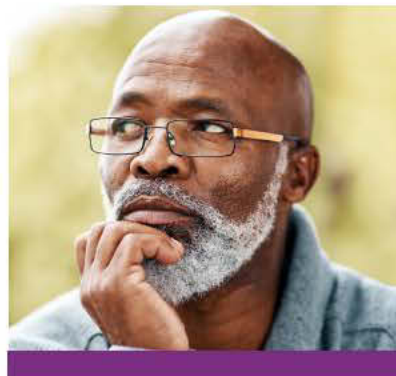
Financially Healthy:

These individuals generally report healthy outcomes across all eight financial health indicators.



Financially Coping:

These individuals generally report healthy outcomes across some, but not all, of the eight indicators.



Financially Vulnerable:

These individuals generally report healthy outcomes across few, or none, of the eight indicators.



Low- to Moderate-Income Americans Over 50

A Large, Diverse, and Dynamic Group

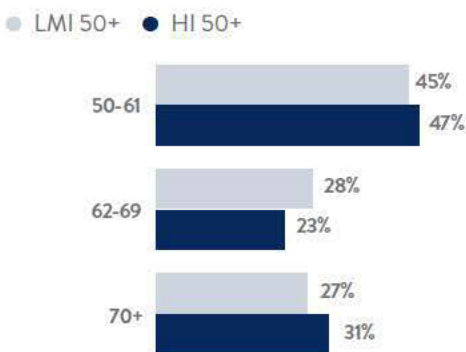


The LMI 50+ make up 20 percent of the U.S. population, or approximately 50 million individuals.

In addition to differences in income, the LMI 50+ differ from their higher-income peers in several ways. Relative to the HI 50+, the LMI 50+ are more racially diverse, have lower education levels, are more likely to define their labor status as “disabled,” are less likely to be married, and are more likely to be female. Outlined below are some of this segment’s key demographic and socioeconomic characteristics relative to the HI 50+, comparisons that we explore more deeply in the Financial Health Challenges section.

Demographic and Socioeconomic Characteristics of the LMI 50+

Figure 3: Age by LMI Status

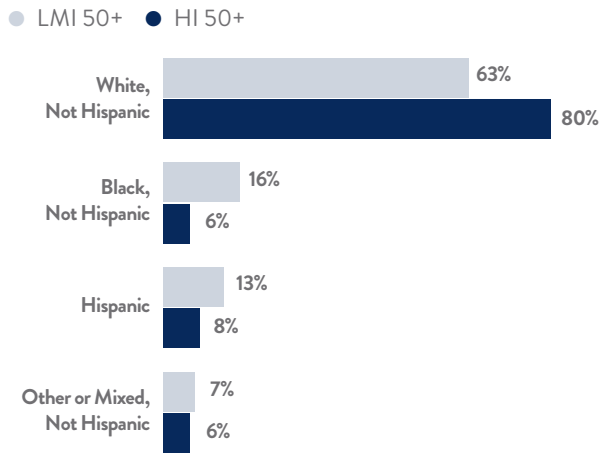


Age

Nearly half (45 percent) of the LMI 50+ are under age 62, meaning they are generally not eligible to receive Social Security benefits. Slightly more than a quarter of the LMI 50+ are between the ages of 62 and 69 (28 percent), with the approximate remaining quarter over age 70 (27 percent), rates that largely mirror the HI 50+. The similar age distributions of the LMI and HI 50+ indicate that their financial health differences stem from factors other than age.

Race

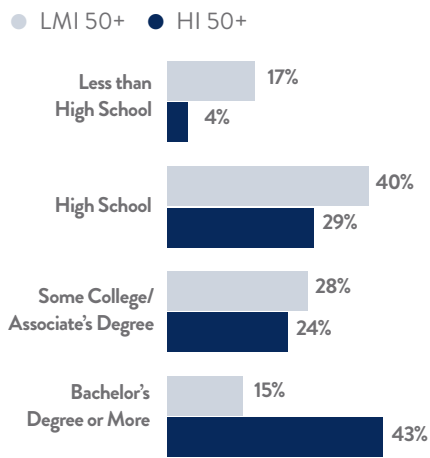
Figure 4: Race/Ethnicity by LMI Status



Slightly fewer than two-thirds (63 percent) of the LMI 50+ are white and not Hispanic, making them more racially diverse than the HI 50+. The LMI 50+ are significantly more likely to be black or Hispanic than the HI 50+.

Education

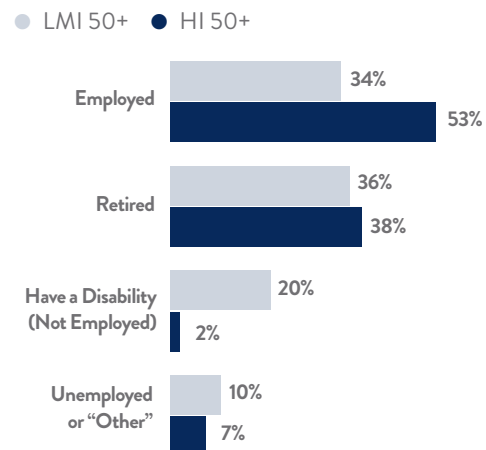
Figure 5: Education by LMI Status



The majority (57 percent) of the LMI 50+ have a high school degree or less, while only 15 percent have a bachelor's degree or higher. These education levels fall far below those of the HI 50+.

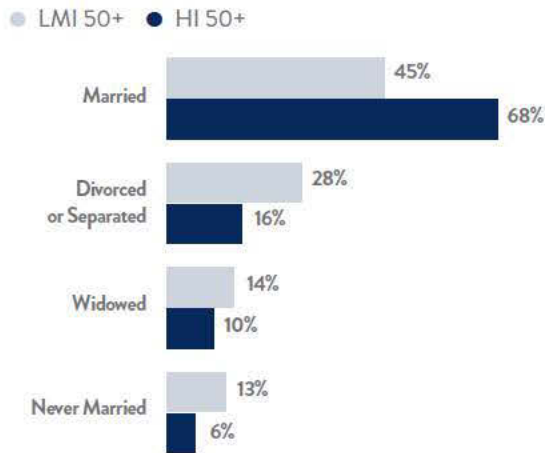
Employment

Figure 6: Labor Status by LMI Status



Over a third of the LMI 50+ are currently working (34 percent) or retired (36 percent), rates lower than the HI 50+. LMI 50+ individuals are also far more likely to have a disability than the HI 50+.

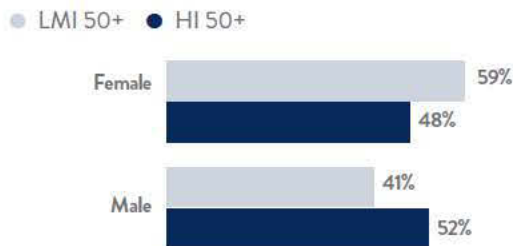
Figure 7: Marital Status by LMI Status



Marital Status

Fewer than half of the LMI 50+ are currently married – a significantly lower rate than the HI 50+. The potential lack of a financially contributing partner may help to explain the lower income and lower financial health of the LMI 50+.

Figure 8: Gender by LMI Status



Gender

LMI 50+ individuals are more likely to be female than the HI 50+. These gender differences, along with the gender wage gap in the U.S., may partially explain the difference in income between the LMI 50+ and their higher-income peers.¹⁰

¹⁰ "The Simple Truth about the Gender Pay Gap," AAUW.



The Financial Health of the LMI 50+

Using CFSI's Financial Health Score® framework, we find that:



8.5 million LMI 50+ Americans

These individuals are spending, saving, borrowing, and planning in a way that will allow them to be resilient and pursue opportunities over time.



29 million LMI 50+ Americans

These individuals are struggling with some, but not necessarily all, components of their financial lives.



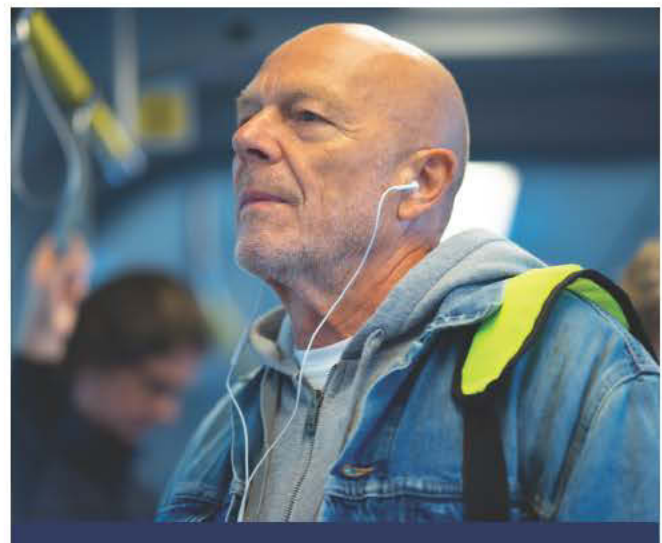
13 million LMI 50+ Americans

These individuals are struggling with all, or with nearly all, aspects of their financial lives.

These figures represent a sharp contrast to those who are over age 50 and have higher income; while 17 percent of the LMI 50+ segment are Financially Healthy, that figure jumps to 52 percent of the HI 50+. Likewise, 26 percent of the LMI 50+ are Financially Vulnerable, compared with only 4 percent of HI 50+ individuals who are Financially Vulnerable.

These divergences demonstrate how the LMI 50+ are lagging their higher-income peers in the different components of financial health. As we explore in Challenges 2 and 3, the differences in financial health present real challenges for LMI 50+ as they age. The much lower rate of financial health among the LMI 50+ suggests that members of this group will have more difficulty in planning for retirement and medical expenses, typically prominent concerns for people over 50. Furthermore, LMI 50+ individuals have much less time to potentially improve their financial health before retirement relative to their younger LMI peers.

Figure 9: Financial Health for Those Over 50, by LMI Status



Nevertheless, there are characteristics in the LMI 50+ correlated with financial health. Within the LMI 50+, those with higher income or who are retired are more likely to be Financially Healthy than those with lower income or who are not retired. Likewise, those who rate their physical health as “Excellent” or “Very good” are more likely to be Financially Healthy than those who rate their physical health as “Good” or worse.

Age is also correlated with financial health; among both the LMI 50+ and HI 50+, financial health generally increases with age. These improvements may be related to Social Security and Medicare benefits helping to supplement income and reduce medical expenses.¹¹ Examining the LMI 50+ and HI 50+ by specific age segments, including a cutoff at age 62 (generally the first year of eligibility for Social Security), we see financial health increases with age in both groups. While the trend is consistent in both, people in the higher-income group are still about three times more likely to be Financially Healthy than the LMI 50+. In the Financial Health Challenges section, we explore the unique challenges contributing to these trends among the LMI 50+.

¹¹ In 2018, individuals could earn up to \$17,040 in additional income before their earnings affected their Social Security benefits; “[How Work Affects Your Benefits](#),” Social Security Administration. “[The Effects of Medicare on Medical Expenditure Risk and Financial Strain](#),” American Economic Journal: Economic Policy, 2015.

Figure 10: LMI 50+ by Age Segment

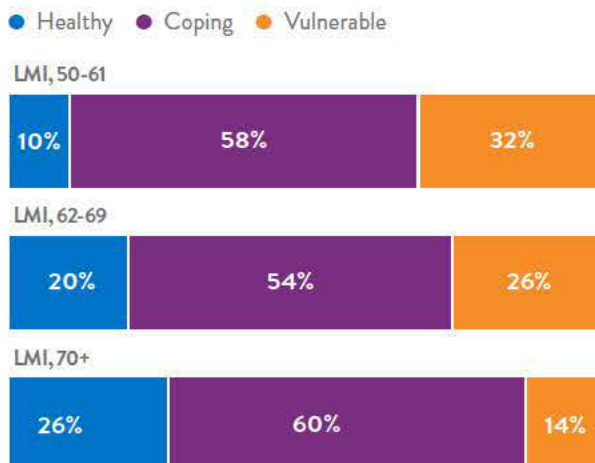


Figure 11: HI 50+ by Age Segment



The LMI 50+

5 Key Financial Health Challenges

In this section, we examine the five key financial health challenges impacting the LMI 50+.

For each challenge, we present a persona drawn from our qualitative research, data that explains the bigger picture behind each challenge, and the impact of each challenge on this population's financial health.

The personas represent composites from our research that illustrate these specific financial health challenges. CFSI based each persona on sentiments expressed by multiple people in our research and gave each a name different from anyone we contacted. Nevertheless, we have transcribed all quotations verbatim from focus groups or interviews.

The Savings Shortfall

1

51 percent of the LMI 50+ are struggling with insufficient short-term, emergency savings.

Doreen

Doreen, 59, has been a police officer, a security guard, an armored-car guard, and a substitute teacher.

"When I was working, yeah, I could save money," she says. "I never would use the overdraft, and then I was saving what I needed from one paycheck to another."

After becoming sick in 2013, however, she had to retire early and apply for disability benefits. Upon leaving the workforce, she withdrew her 401(k) as a lump sum: approximately \$15,000. That money went toward necessities while she waited for her disability application to go through. When she turns 62, she'll be eligible for Social Security, but she currently gets by on just under \$900 per month.

- ***"Now, I can't save anything, because I don't have anything to save," she says.***



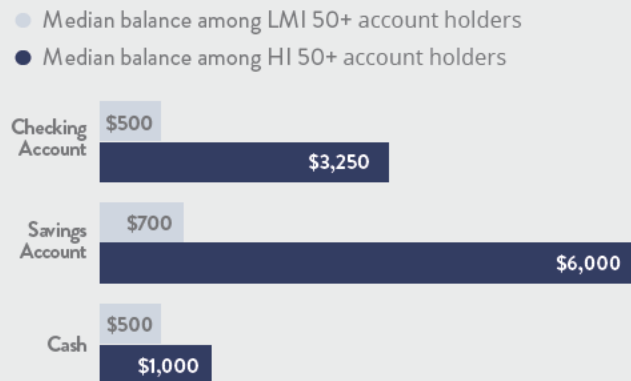
The Bigger Picture

Many of the LMI 50+ say they have insufficient short-term savings. Even those who say they have enough savings to cover at least six months of living expenses suggest they would be living on very modest incomes in the event of an emergency. This lack of sufficient savings makes it harder for the LMI 50+ to weather financial emergencies, forcing them to use retirement and long-term savings and hurting their future financial health.

Over half (51 percent) of LMI 50+ individuals have liquid savings equivalent to less than three months of expenses; fewer than four in 10 (36 percent) have six months of savings. Ownership of liquid savings accounts is less common among the LMI 50+ population than among the HI 50+ population, and among those who have a checking account, a savings account, or cash savings, balances are significantly lower in each type of account (Figure 12).

Even when taking longer-term, illiquid assets (like retirement accounts) into account, even the most secure LMI 50+ Americans would strain their savings to meet expenses for six months if they lost their primary income source. Among those who report having six months of savings or more, the median level of self-reported savings in all accounts was \$7,200.¹²

Figure 12: Median Balances in Liquid Savings Among the 50+ Population, by LMI Status



*Amount displayed is for respondents who own that type of account.

¹² Including checking account, savings account, employer-provided retirement account, individual retirement account, other personal savings or investments, and savings in cash.

¹³ "Relying on Erratic Income Sources," U.S. Financial Diaries.

This indicates that half of this group would plan to live on less than \$1,200 per month in the event of an emergency, including drawing from their retirement savings. The median balance in liquid savings (checking accounts, savings accounts, and cash) was only \$2,500 for this group; balances shrink further for those who report that they have less than six months of savings (Table 1).

Lower savings balances, however, do not appear to indicate a lack of savings discipline. Among those with savings accounts, over two-thirds (68 percent) of LMI 50+ individuals save in those accounts either "regularly" or "whenever possible." And among those with cash savings, 73 percent add to their cash savings either "regularly" or "whenever possible." Comparable to previous [U.S. Financial Diaries](#) research, focus group participants reported a broad array of savings strategies, many of which were cash-based. These included saving every five-dollar bill, leaving cash at relatives' houses, and saving change from cash purchases.¹³

"I always budget myself. If I don't budget myself and save at least \$10, I'll be crying, and sometimes it's hard, because not even \$5 I could stretch."

Table 1: Median Savings Balances in Specified Accounts/Vehicles Among the LMI 50+ Population, by Savings Longevity

How Long Savings Expected to Last	Median Liquid Savings* Balance, LMI 50+	Median Total Savings** Balance, LMI 50+
6 months+	\$2,500	\$7,200
3-5 months	\$2,350	\$5,010
1-2 months	\$650	\$1,000
1-3 weeks	\$370	\$440
<1 week	\$70	\$100

*Sum of self-reported balances in cash savings, savings accounts, and checking accounts.

**Sum of reported balances in all accounts surveyed.



The Impact

The strain of living with little buffer between income and expenses appears to limit the ability of individuals to accumulate short-term savings. Spending was about equal to income for 39 percent of the LMI 50+ population, and greater than income for another 19 percent.

This strain appeared in interviews as well. “Providing that there’s no emergencies, that would be my worst-case scenario – that I would have \$5 left over [at the end of the month],” said one interviewee. “The best-case scenario, I might actually have \$50 left over.” With respect to emergency savings, this interviewee was candid: “I couldn’t come up with \$2,000,” she said. “To save \$2,000, it would probably take me 10 years ... maybe even longer than 10 years.”

A lack of short-term savings makes an individual more vulnerable to financial health emergencies. The aforementioned interviewee goes on to discuss how small emergency expenses force her to drastically cut spending wherever possible, saying, “Well, back in the second Saturday of June, my air conditioning

broke down and I had to pay \$140 to get that fixed. So that was very tight, but I managed to get by and pay my bills ...There was a lot of movies I would have liked to have gone to, but I didn’t go out to the movies and I just stayed home. Basically, my life is, I’ve gotten so used to it I don’t even think about it anymore, but I don’t go out; I don’t go out with my friends.”

In addition to cutting expenses wherever possible, a lack of short-term savings can force individuals to pull from long-term savings accounts to address an immediate emergency.¹⁴ As mentioned in Table 1, LMI 50+ individuals who indicate they have six months of expenses may be including their retirement accounts and long-term investments when they think of money that can be used in an emergency. If this is indeed the case, the use of long-term savings in place of short-term savings further threatens the financial future of those individuals, as they risk sacrificing future financial gains and stability because they lack a short-term savings buffer.

¹⁴ “Early Withdrawals from Retirement Accounts During the Great Recession,” *Contemporary Economic Policy*, 2014.

The Debt Burden

2

39 percent of the LMI 50+ say they have debt that isn't manageable.

Leonard

Leonard is 55 and looking forward to retiring from his construction job. Over time, he's accumulated different forms of debt, most recently taking out a loan to buy a new truck two years ago. He tracks his expenses and wants to be financially responsible, so he knows that he should reduce his debt while he still has work income before retirement. Given the interest rate on his truck loan, he knows that the majority of his disposable income will have to go toward paying off the truck.

When asked about the impact of debt on other areas of his life, Leonard says,

“In terms of retirement, it's pushing it back, because once you have something that's going to stop you, you are going to think about, ‘We have to pay this off before we continue forward.’ It's going to stop you from doing lots of stuff, like travel, taking time off, doing a lot of stuff that you want to do for leisure. You really can't do it.”



The Bigger Picture

The vast majority of the LMI 50+ (81 percent) have some amount of debt. Of those, almost half (48 percent) say their amount of debt isn't manageable. The presence of debt doesn't decline with age, however, as it once did for yesterday's 50+. The high presence of debt among the LMI 50+ affects their ability to save, prepare for retirement, and weather financial emergencies.

Interestingly, the prevalence of debt among the LMI 50+ largely mirrors their higher-income peers: 78 percent of the HI 50+ say they have debt. Yet among those individuals, 22 percent say their debt isn't manageable – less than half the rate of the LMI. Furthermore, the LMI and HI 50+ differ in the types of debt they hold. Those with higher incomes have higher incidences of student loans and mortgages, which may be indicators of greater affluence than the LMI, expressed in higher levels of education and homeownership. The LMI 50+ are more likely to possess medical or "other loan" debt (including payday loans, auto title loans, and money borrowed from family or friends) than those with higher incomes, and hold credit card debt at a comparable rate.¹⁵

The presence of debt declines among older individuals in the HI 50+. This holds with conventional wisdom, which says that individuals are able to reduce expenses and live within their means as they progress into older age. Yet, this trend does not appear to the same extent in the LMI 50+. Auto loan, medical, mortgage, and credit card debt all persist into the older age ranges of this group.

Table 2: Presence of Debt (Among Those Who Have Debt) by LMI Status

	LMI 50+	HI 50+
Auto Loans	43%	54%
Student Loans	14%	17%
Small Business Loans	1%	3%
Mortgages	34%	67%
Medical Debt	44%	22%
Credit Cards	51%	51%
Other Loans	19%	10%
Other Debts	8%	6%

Table 3: Presence of Debt by LMI Age Group

	LMI, Age 50-61	LMI, Age 62-69	LMI, Age 70+
Auto Loans	48%	37%	38%
Student Loans	20%	12%	6%
Small Business Loans	2%	1%	1%
Mortgages	34%	31%	38%
Medical Debt	45%	48%	37%
Credit Cards	50%	52%	51%
Other Loans	26%	12%	15%
Other Debts	7%	11%	7%

Student Loans and Older Americans

The presence of student debt among the LMI 50+ may be surprising, but an AARP survey found that 34 percent of individuals in Generation X and 12 percent of baby boomers have student loan debt.¹⁶ While CFSI's data does not establish the exact recipient of the student loans, other research finds that older Americans are increasingly more likely to take on student loan debt for their children or grandchildren.¹⁷

¹⁵ While respondents were asked about each form of debt individually, it is possible that the different options overlap. For example, an individual could have credit card debt that was ultimately used for a medical procedure, or an individual could have taken out a personal loan that was ultimately used for a car expense.

¹⁶ "The Three Generations Survey," AARP Research, 2018.

¹⁷ "The complexity of education debt among older Americans," Urban Institute, 2017.



The Impact

At a point in their lives where the conventional narrative says individuals should be paying off their mortgages and living debt-free, many of the LMI 50+ are not able to do so. In focus groups, participants reported that they did not have enough savings for emergency expenses or medical costs, forcing them to take on debt and pay this debt off over a long period of time. Participants recognized that this debt was having an outsized impact on their financial lives. One participant said being burdened with credit card debt “means I can’t save and I can’t pay off the debt, the credit card debt, as much as I want to. At times, it feels like I’m getting ahead, and then some health or family [situation] requires me to have to use it again.”

Furthermore, respondents report that this debt is having real-world consequences in their everyday lives. Over a third (36 percent) of the LMI 50+ with debt report that their debt has delayed or prevented them from saving for retirement, an extremely large number considering how close individuals in this segment are to retiring. Likewise, almost a quarter of the LMI 50+ with debt say their debt has delayed or prevented them from obtaining medical care or purchasing a car (25 percent and 23 percent, respectively). Considering the integral nature of saving for retirement, paying for medical care, and having dependable transportation, debt is preventing a significant portion of the LMI 50+ from leading financially healthy lives.

The Physical-Financial Fault Line

Many of the LMI 50+ aren't adequately protected from medical shocks, resulting in negative consequences for their financial health.

Marta

Marta has worked in the service industry on and off for her entire career, stopping work when necessary to take care of her four children. Now that she is 60, she wants to continue working for two more years, at which point she'll be able to retire and live off of Social Security.

Five years ago, however, doctors found that chronic scoliosis had been pinching nerves in her back, making it difficult to stand for long periods of time. Marta applied for Social Security Disability Insurance, but her initial application was rejected. While she reapplies, Marta wants to continue working, but hasn't found the right situation to allow her to work with her disability.

"I've been trying to look for work," she says. "But I applied for jobs and they told me 'No, we don't have no opening. Oh, you're too [much of a] liability.'"



The Bigger Picture

Medical shocks have an outsized impact on the financial health of LMI 50+ individuals for two principal reasons. First, LMI 50+ individuals may not have health insurance, or may have health insurance that doesn't sufficiently cover their needs. In part because of this lack of insurance, medical shocks can also affect their ability to continue working, which hurts their financial health further. Combined, these two factors leave the LMI 50+ vulnerable to medical emergencies.

Ten percent of LMI 50+ respondents report that no one in their household has health insurance. Medicare eligibility appears to make a significant difference in the medical coverage of the LMI 50+, as 15 percent



of households where the respondent is between ages 50 and 64, and thus typically ineligible for Medicare, don't have any health insurance coverage.¹⁸ By comparison, only 4 percent of households where the respondent is over age 65, and thus eligible for Medicare, don't have health insurance coverage. The vast majority (73 percent) of LMI individuals over age 65 cite Medicare or Medicaid as their primary source of health insurance coverage, exemplifying the importance that affordable, available coverage makes to individuals once they are eligible.

But prior to turning 65 and becoming eligible for Medicare, respondents expressed concern regarding their medical insurance. Even those with insurance didn't necessarily feel comfortable with their current coverage. Just over half (54 percent) of LMI 50+ individuals under 65 were "moderately" or "very" confident that their insurance coverage will provide them with enough support in the event of an emergency.¹⁹ One focus group participant, who was not yet eligible for Medicare, said, "Coverage is very expensive. I had to put off surgery for four months. I tore a ligament in my knee. I couldn't afford to take time off work, nor could I afford the co-pays for all the visits. I was walking around for four months with torn ligaments. I just had the surgery. Now I can't afford the physical therapy."

¹⁸ With a few exceptions, Americans become eligible for Medicare Hospital Insurance (Part A), which covers common hospital expenses, when they turn 65 (if they have worked for at least 10 years) or after they've been on Social Security Disability Insurance for two years. Part A's annual deductible is \$1,340 a year and covers up to 60 days of hospitalization without coinsurance. If not eligible, individuals can choose to pay a premium of up to \$422 a month to receive Part A. Regardless of the premium paid to receive Part A, individuals must pay a standard premium of \$134 (or more, depending on income) and a yearly deductible of \$183 to receive Medicare Insurance (Part B), which covers outpatient services. Despite the benefits provided through Medicare, Fidelity estimates a 65-year-old couple would need \$280,000 to cover all medical expenses in retirement. For more information, see "[Who is eligible for Medicare?](#)" and "[Medicare costs at a glance.](#)"

¹⁹ This question was asked regarding all forms of insurance with wording, "Thinking about all of the types of personal and household insurance you and others in your household have, how confident are you that those insurance policies will provide enough support in case of an emergency?" Some of these responses may be explained by differences in Medicaid eligibility requirements, quality of care, and costs of care across states. For example, see "[State Overviews.](#)" [Medicaid.gov.](#)

The Impact

Vulnerability to medical shocks and lack of insurance coverage mean the LMI 50+ risk not being able to work when they suffer an injury or illness. Twenty percent of the LMI 50+ reported their labor status as “disabled,” indicating that they were not able to work. By comparison, only 2 percent of the HI 50+ report their labor status as “disabled.” Multiple participants in focus groups cited medical shocks leading to permanent disability as the reason they stopped working, which negatively affected their financial health primarily by lowering their income. One participant said he adjusted to being disabled by spending less time outside of his house to keep his expenses low. “I liked having that extra money when I was working and I bought a new car and whatnot,” he said. “It was just different having the extra money.”

The higher rates of disability among the LMI 50+ are notable because having a disability is correlated with lower financial health. Of those who defined their labor status as “disabled,” only 3 percent were Financially Healthy, with 62 percent Financially Coping and 35 percent Financially Vulnerable (*Table 4*). Compared with other labor statuses, individuals with a disability struggle the most with their financial health, suggesting the LMI 50+ are not sufficiently protected in their workplace or by their insurance in the event of a serious medical issue. Additionally, the LMI 50+ may not be prepared to cope with income volatility, high medical costs, and long waits to enroll in disability benefits after a medical emergency. While Social Security Disability Insurance, a government program designed for those with disabilities, was available to them, focus group participants overwhelmingly wanted to continue working.²⁰ Many couldn’t find a job that would suit their physical needs, couldn’t risk an increase in income changing their SSDI eligibility, or weren’t hired because a job wouldn’t accommodate them (as echoed in the persona at the beginning of this finding), however.²¹

When Assets Become Liabilities

Multiple focus group participants mentioned maintaining an old house or paying for car repairs had become too costly or more trouble than the assets were worth. Because of aging or serious medical conditions, participants expressed a desire to downsize as a way to protect themselves from the stress and expense of dealing with physical assets.

These sentiments have wide-ranging implications in other areas in the lives of the LMI 50+.

Downsizing a living situation or selling a car means that an individual may have to move out of their community or rely on public transportation to travel, both of which can have a large impact on quality of life. Current research gives a glimpse at how these issues might be tackled. Public transportation is not particularly high-quality in many communities and needs investment to improve.²² Likewise, housing equity, a resource that some aging homeowners can tap to allow for downsizing, isn’t available to many of the LMI 50+.²³

Future research might explore these issues in the specific context of the LMI 50+ and address how to combat assets becoming liabilities.

²⁰ “Disability Evaluation Under Social Security,” Social Security Administration.

²¹ For example, in 2018, non-blind individuals receiving Social Security benefits because of a disability would lose their eligibility if they earned over \$1,180 a month in work income. “Update 2018,” Social Security Administration.

²² “The Mobility Needs of Older Americans: Implications for Transportation Reauthorization,” The Brookings Institution, Center on Urban and Metropolitan Policy, 2003; “Older People Will Need Much Better Transit,” CityLab, 2017; “Livable Communities,” AARP Research.

²³ “Home Equity Patterns among Older American Households,” Urban Institute, 2016.



For the LMI 50+ that are employed, a high proportion indicate they're forced to forego medicine or healthcare because of the costs. Overall, 38 percent of the LMI 50+ had to forego healthcare or medication in the past year because they couldn't afford it. For those under age 65, and thus not yet eligible for Medicare, that proportion rises to 43 percent. Among the Financially Vulnerable, a whopping 64 percent indicate they've had to forego healthcare or medication because of the costs.

The implications of not receiving medical care because of the expense are hard to overstate. Other research shows that low-income and older Americans have the highest rates of healthcare spending burden, meaning their healthcare expenditures are already high.²⁴ Yet, high-deductible healthcare plans and a lack of Medicare eligibility delay many people from seeking medical care until they face an emergency.²⁵ And the

consequences of putting off medical care because of high costs continue to mount. An American Journal of Public Health article states it concisely: "Delayed or nonreceipt of medical care may result in more serious illness for the patient, increased complications, a worse prognosis, and longer hospital stays."²⁶ While the decisions to delay receiving medicine or healthcare may make sense in the moment – given the strain between income and expenses and a lack of confidence in insurance – the long-term effects of these decisions add up, more drastically threatening the health and finances of the LMI 50+.

²⁴ "On the Rise: Out-of-Pocket Healthcare Spending in 2017," JPMorgan Chase & Co. Institute, 2018.

²⁵ "Study: High Deductibles Cause Patients to Delay Care," AAFF, 2016; "Impact of Medicare Coverage on Basic Clinical Services for Previously Uninsured Adults," JAMA, 2003.

²⁶ "Delays and Unmet Need for Healthcare Among Adult Primary Care Patients in a Restructured Urban Public Health System," American Journal of Public Health, 2004.

The Retirement Reality

Many of the LMI 50+ are unable to completely retire, and even those who do stop working still struggle with their financial health.

Ronald

Ronald, 73, worked in sales until 2009, when he was laid off by his employer during the Great Recession. Since then, he's taken Social Security, but continues to work in landscaping and other odd jobs to supplement that income. The landscaping work varies, and living in Michigan means there isn't much work for about half the year. As a result, his income becomes very tight during the winter and he has to cut his expenses down to the bare minimum. He continues to look for other odd jobs, but in the meantime, he doesn't have money left over for leisure activities or seeing family.

“My one daughter lives in California, and that's where my two grandsons are. It's been like three years since I've been out there, and I used to find ways to like haul motorcycles across the country just to pay to get out there.”



The Bigger Picture

When yesterday's 50+ reached their early sixties, they stopped working completely, took Social Security, and spent time with their family as they advanced into old age. Our research shows that yesterday's retirement no longer holds true for many LMI 50+ for two reasons. First, the LMI 50+ are not always able to live comfortably in retirement. In addition, many are not able to retire at all, and instead may take gig work or part-time jobs to make ends meet.

Retirees have the highest rate of financial health compared with LMI 50+ individuals with other labor statuses, but this may be because retirement can serve as an indicator of financial health for some, rather than a cause. Individuals in focus groups viewed retirement as a moving target that came about when they could successfully live off their assets, with one participant saying, "I plan on retiring at 67, around 67 ... but I want more money. I want to live on dividends. I want to get at least \$3,000 a month in income, with Social Security and everything else." Statements like these suggest the LMI 50+ are willing to delay retirement until they are confident they will be able to live comfortably. Yet, there are still a large number of LMI 50+ individuals who are retired but struggling; nearly three out of four (73 percent) LMI 50+ retirees are *not* Financially Healthy. This statistic contrasts sharply with HI 50+ retirees, where 71 percent are Financially Healthy. These differences in financial health between LMI 50+ and HI 50+ retirees may stem from the different circumstances in which they retire.

²⁷ "2017 Retirement Confidence Survey," AARP Research, 2017; "Bridging the gap to Medicare," Fidelity, 2018.

²⁸ E.g., "\$1 million may not last you in retirement – here's how to figure out how much you need," CNBC, 2018; "Just how much money do you really need for retirement?," USA Today, 2016; "This is how much money you need to retire," Forbes, 2018.

Table 4: Financial Health of LMI 50+ by Labor Status

	Working or on Leave	Disabled	Retired	Other
Healthy	15%	3%	27%	17%
Coping	57%	62%	58%	46%
Vulnerable	28%	35%	15%	37%

Focus group participants echoed findings from other research: Many had retired before they intended because of unexpected life or medical events.²⁷ As discussed in Challenges 3 and 5, individuals may stop working because of poor physical health or familial obligations. The circumstances under which some individuals retire – before they're completely ready because of shocks elsewhere in their lives – may also affect their preparation for retirement. More than six in 10 (61 percent) of LMI 50+ retirees indicate they don't have savings in an employer-provided retirement account or individual retirement account. For those with savings in either account, the median amount held is \$20,000, far less than recommended for a comfortable retirement.²⁸



The Impact

Many LMI 50+ respondents reported not being able to retire at all. More than a quarter of respondents (29 percent) indicated they were working while their household was receiving Social Security, a trend backed up by sentiments expressed in the focus groups. Numerous participants said they took Social Security as quickly as they could because they wanted a steady income stream, but had no definite timeline for retirement.

Claiming Social Security at age 62, as many focus group participants said they had, limits an individual's monthly Social Security benefits. By taking Social Security at the first available opportunity, participants committed to receiving between 70 and 80 percent of the monthly amount they would receive had they waited until their "full retirement age," at age 66 or 67. And had participants waited until they reached age 70, they would be able to obtain monthly benefits between 115 and 133 percent of their "full retirement age" benefit.²⁹ For many participants, however, waiting through eight years of potential eligibility to access this new income stream wasn't realistic.

One focus group participant said of Social Security, "I wish I didn't have to claim it when I did. I claimed it as early as I could because things were slow at the time."

Some in the LMI 50+ even turn to the gig economy as a convenient way to keep earning income.³⁰ Over one-fifth (21 percent) of LMI 50+ survey respondents indicated they had participated in gig economy activities in the past 12 months, including 16 percent of LMI 50+ respondents who were currently retired. While the gig economy may be thought of as something exclusive to younger Americans, the LMI 50+ show that this is not the case. Sixteen percent of LMI retirees over age 70 have participated in the gig economy in the past year, indicating the gig economy can serve as a source of income for the LMI 50+, regardless of age (*Table 5*).

Several participants sought out gig work that allowed them to work from home, while others took on gig jobs with a flexible schedule that allowed them to work

Table 5: Gig Economy Participation by Age Group and Retirement Status Among the LMI 50+

Participated in Gig Economy in Past 12 Months	Age 50-61	Age 62-69	Age 70+
Non-Retirees	24%	27%	26%
Retirees	5%	18%	16%

around an existing, less flexible job. One focus group participant appreciated the supplemental income, saying, "It's a nighttime job just because that's when more people need it ... but I have two young adults at home and they are up all night, so I might as well be up all night. Because I've been living on nothing for so long and now, just because of [a ride-hailing app] actually, I'm starting to actually breathe."

Other participants indicated they appreciated the flexibility provided by working in the gig economy. This sentiment may be shared more widely among the LMI 50+; for example, Uber found 24 percent of its drivers are over age 50.³¹ Other research indicates that issues felt by the LMI 50+ are still present in the gig economy, however. The JPMorgan Chase Institute found that gig economy income is volatile, meaning that problems associated with a tight budget and comparable income and expenses may still persist.³² It is worth asking more questions about the sustainability of gig work for the LMI 50+; further research might explore the frequency with which the LMI 50+ participate in the gig economy and which specific aspects of this type of work are most popular.

²⁹ "Social Security Benefits," Social Security Administration.

³⁰ Individuals were defined as having participated in the gig economy if they had done at least one of the following in the past 12 months: 1) Driven for a car service, such as Uber or Lyft; 2) Worked for pay using task-based apps or websites like TaskRabbit or MTurk; 3) Worked other task-based jobs; 4) Done intermittent work, such as babysitting or childcare, cleaning, or temp work; 5) Worked by the hour or day; 6) Sold services, such as freelance writing, web design, or music; 7) Sold products for companies such as Amway, Herbalife, Tupperware, Mary Kay, or Avon; 8) Sold products on a website, such as Etsy or eBay.

³¹ "The Driver Roadmap," Uber.

³² "Past 65 and Still Working: Big Data Insights on Senior Citizens' Financial Lives," JPMorgan Chase Institute.

The Catch-22 of Family

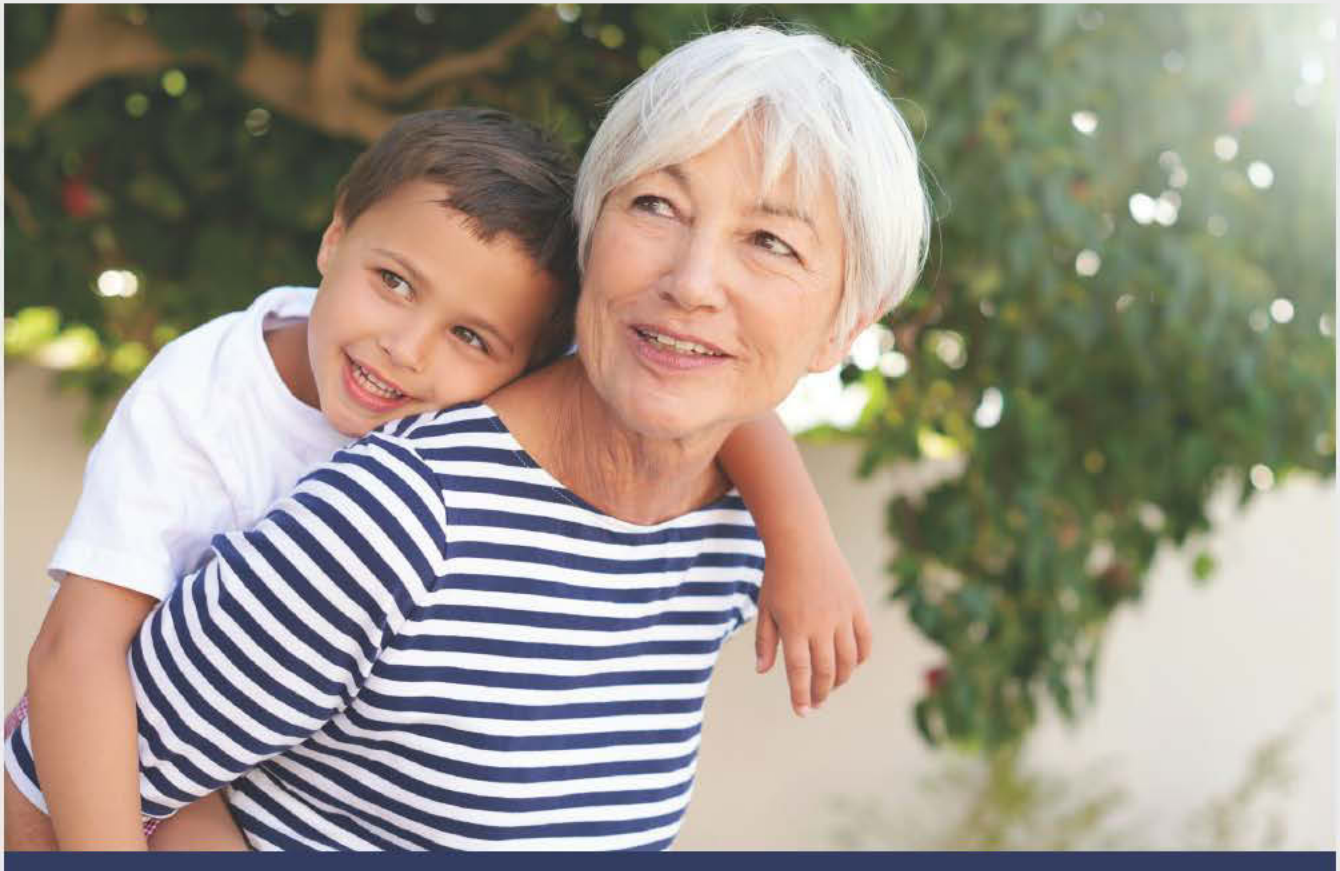
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Family obligations interact with the household finances of the LMI 50+ in positive and negative ways.

Tracy

Tracy worked as a school administrator for the later part of her career. A few years ago, her daughter had difficulty finding work, so Tracy suggested her daughter and grandson move in with her to save money. Tracy then decided to retire at age 64, a couple of years earlier than planned, as she felt her time would be better spent caring for her grandson than staying in her job.

“I retired to help my daughter take care of her son, and it was hard for me to keep him up. She was going to school. Keep him up all night and then get up in the morning and go to work. I worked in Detroit, and it was just too hard for me,” she says. However, “I regret that I didn’t stay there a little longer, which would have helped my pension.”



The Bigger Picture

Family obligations and caregiving can add additional stress and complexity to the financial lives of the LMI 50+ population. While average household sizes are comparable between the HI 50+ and LMI 50+ groups, LMI 50+ individuals are somewhat more likely to be supporting at least one person outside the household, or to have extended family and children living in the household (Table 6).

Among LMI 50+ households, household size has a slight negative correlation with financial health (though this correlation is not significant). Those with households of three or more are more likely to be Financially Vulnerable than their counterparts, despite the fact that larger households tend to have greater household incomes (Table 7).³³ Financial stress levels, which are generally high among the overall LMI 50+ cohort, are even higher among those with larger households. Eighty-two percent of households of one to two people report at least some financial stress, while 87 percent of households of three or more report at least some financial stress. Of this last group, 83 percent report that their financial stress impacts their family life negatively.



“I worry about my kids. It’s not good, but I do. I worry about me and my kids I’ve been trying to show them what to do, how to manage your money, because they make enough money but they don’t think about the priorities, what needs to be done first. So I stress out.”

Table 6: Percentages of Population Who Support at Least One person Outside of the Household, and with Children and Extended Family Inside the Household, by LMI Status

	LMI 50+	HI 50+
Children Under 18 in the Household	19%	12%
Extended Family in the Household	12%	9%
Supporting Someone Outside the Household	31%	26%

Table 7: Household Size, Financial Health, Financial Stress, and Median Annual Income Among the LMI 50+

Household Size	Median Annual Household Income	Report Some Financial Stress	Healthy	Coping	Vulnerable
1	\$14,500	80%	14%	64%	22%
2	\$24,000	80%	22%	56%	22%
3+	\$36,000	92%	16%	56%	29%

³³ This phenomenon occurs partly by construction; the income cutoff for our definition of LMI increases with family size.

The Impact

Conventional wisdom would suggest that differences in financial health and stress levels arise from the need to spread scarce resources out among a greater number of people. Indeed, many focus group participants expressed this sentiment.

“I found that with my family moving in with me, I’m helping to pay for their school tuition, food,” one participant noted. “I felt I had set myself up okay, but sometimes life has other plans for you, and they’re my family, I’m not going to kick them to the curb.”

Another respondent articulated the stress of making sacrifices for his family. “We’ve already, with three kids, trimmed down a lot, tried to make certain choices, carried car loans. Our car has 200,000-plus miles on it. We do the work ourselves mostly if something comes up with a repair,” he said. “We made sacrifices, my wife and I, to be in the school district that we’re in for our kids... there is that temptation sometimes when the kids see other families doing something that’s really extravagant, living someone else’s life more than they live their own.”

But many focus group participants also highlighted the benefits of having family support, either from inside or outside their immediate household. “My daughter lives at home,” one participant reported. “She helps financially... She helps with food. We take turns. We take turns putting gas in the cars. I have my car. She just got a new car that she’s making payments on. She pays usually her part of the car insurance, I pay mine and my son’s for right now. So yeah, it just kind of balances out.”

Further, LMI 50+ individuals are likely to turn to friends and family in moments of financial distress. Echoing CFSI’s U.S. Financial Diaries research, more than a quarter (27 percent) of those whose spending exceeded their income in the past 12 months said they borrowed money from, or were assisted by, friends and family (compared with 12 percent of the HI 50+). To address a \$400 emergency payment, 15 percent of LMI 50+ would borrow from friends and family, compared with just 3 percent of HI 50+ individuals. In conjunction, these findings suggest that family, in addition to acting as a financial stressor, can play an important role in buoying the financial health of those who are struggling most.

Gender Discrepancies Outside Traditional Caregiving Structures

In focus groups, we observed that many of the participants who highlighted concerns around caregiving and family obligations were women living without a romantic partner or spouse – findings corroborated by other research.³⁴ One woman, for example, said that she had reduced her participation in the formal labor market as a result of her caregiving. “I was an event planner... I was just doing event after event after event all the time and I also was taking care of my grandchildren part-time, so I just got burned out. My dad passed away and left me quite a bit of money, so I was able to just stop working, because I didn’t have insurance or pension... I still take care of my grandchildren, so when I say I don’t work, I work, I just don’t get paid for it.”

In fact, among the LMI 50+ population, women are far more likely to be single. And single women are about two times more likely than single men to have children living in the same household (Table 8). Coupled with the qualitative findings, this quantitative discrepancy suggests that single women often bear much more of the exigencies of caregiving than single men.

Table 8: Percentages of LMI 50+ Population Who Support at Least One Person Outside of the Household, and with Children and Extended Family Inside the Household, by Gender

	Single Women	Single Men
Children Under 18 in the Household	18%	9%
Extended Family in the Household	16%	14%

³⁴ E.g., “At Grandmother’s House We Stay,” Pew Research Center, 2013; “Coresident Grandparents and Their Grandchildren: 2012,” U.S. Census Bureau, 2014; “Health Characteristics of Solo Grandparent Caregivers and Single Parents,” Current Gerontology and Geriatrics Research, 2015.

Not Just for Millennials: Technological Innovation and the LMI 50+

The financial health challenges facing the LMI 50+ are deep, complex, and interconnected, but they are not unsolvable.

While government and nonprofit organizations are best-equipped to address some aspects of these challenges, there is a real need – and genuine opportunity – for financial services providers to offer better products, programs, and tools to meet this population’s needs. The LMI 50+ require new or adapted tools to help them navigate tight budgets, especially in or around retirement; build up their emergency savings more easily; repay their debts strategically; manage their finances and caregiving needs across households and families; and plan for their future realistically.

There is significant quantitative and qualitative evidence to support the notion that technological innovation, currently often focused on millennials, can play a powerful role in providing the LMI 50+ with the solutions they need to improve their financial health. Through our focus groups and interviews, we sought to understand the types of solutions and technologies that would be most helpful for this population. While more research is needed, we hope these findings will help inform new solutions from banks, credit unions, fintechs, nonprofits, and other innovators across the financial services ecosystem.

THE LMI 50+...



Are open to using digital technology to manage aspects of their financial lives.

Perhaps contrary to conventional wisdom, research shows that technology use is high among the LMI 50+. A 2017 AARP study found that 99 percent of Americans over 50 own a tablet, laptop, or desktop device and 76 percent own a smartphone. Additionally, 45 percent say they are “comfortable shopping, buying, and paying bills on mobile devices,” while 35 percent turn to web research to answer financial questions. Our focus groups echoed these findings, with participants indicating high smartphone and technology use, and frequently checking their financial accounts online or via apps.

The focus groups confirmed that AARP’s findings on financial technology usage for all 50+ Americans also hold true for the LMI 50+. Many focus group participants expressed satisfaction with the convenience of being able to access their bank accounts online or via their mobile phone. One described all the actions he was able to easily take online, saying “You check your direct deposits, you check your statements, you check your interest income, the movement of the accounts – transfers.” Others said of managing their finances online, “Easy. No stamps. No writing,” and, “I love it. No more lines.”



Appreciate being able to monitor transactions and pay bills online.

Focus group participants also reported enjoying the ability to track their financial transactions to monitor their spending, stay on top of their finances, and be alerted to potential fraud quickly. One participant appreciated being able to pay bills online, saying, “I only have one bill that I have to write a check for now. Everything else is

just automatically paid.” Participants repeatedly praised the convenience and accessibility of these solutions, with one stating, “We always have phones with us. It’s always there if you want to check on your accounts 24/7, so ready access, easy access.” Participants also mentioned catching potential fraud as another benefit of monitoring their accounts online.



Care about security, but not in a way that limits the use of technology.

Most focus group participants said they were cautious regarding their financial account security, but few indicated these concerns had stopped them from using technology to manage their finances. Many said they were careful with their online accounts and monitored for fraud, but one participant felt that online banking was *more* secure. “I went to paperless for all the banking stuff because to me, when you go paperless, it’s better security than having stuff in your mailbox where people can steal it,” he said.

Others continued to use more traditional means to handle their finances, in addition to online methods. One participant described his money management practices this way: “As soon as I paid a bill and see exactly what they took out. I don’t know why I do it, I just do it. First, I call the bank to see how much I have in the bank, then when I pay a bill online, I call the bank back and see if they took that much out or not.” Statements like these suggest that while some LMI 50+ individuals wholly embrace the use of technology in managing their financial accounts, others may respond well to hybrid solutions that combine digital access with human customer service or engagement models.



Desire relevant, actionable financial education and coaching for everyday financial management after age 50.

Those in focus groups expressed interest in financial coaching or education specifically tailored to their situations. While there are mountains of existing literature on financial planning and wealth management, participants didn't feel this material was targeted to their everyday needs, including their challenges around short-term savings and debt. One focus group participant cited areas where she felt she wasn't getting enough information: "Retirement. What are you going to do? How are you going to do? That's important. No one really touches that subject. How to pay off debt. What are the new tax breaks that you might want to worry about at a certain age? That affects people in our demographics."

These comments reinforce the need for more than just one-off solutions and provide support for trends we see in the financial technology space around holistic, customized digital advice. The advent of artificial intelligence and machine learning has enabled the development of an early generation of holistic financial advice and decision-making tools. Especially for those making key decisions in their 50s, which can reverberate throughout the rest of their lives, there is a need for tools that can help them sequence and prioritize their financial decisions as they manage scarce financial resources. Given the size of the LMI 50+ population, this represents a significant and high-impact innovation opportunity.



Use technology-centric innovations, but have differing levels of comfort with high-tech vs. high-touch engagement.

While focus group participants were comfortable overall with technology, some still liked having personal interactions with their banks or credit unions. One participant felt he could resolve issues in person or over the phone more quickly than online, and appreciated the personal touch. He stated in a focus group, "I've found that's the advantage to going into the bank on a regular basis or the credit union and doing it. Because if I have an issue online, if something's happened, then I go in and tell them, 'This is what happened. I don't know what's going on with my account. Why is this happening? Why is that? And they can address it.'"

Participants went so far as to give ideas about products they would use. One woman envisioned a type of personal assistance for navigating an online account or app: "You would go to your banks and you would connect to whatever the service is that you wanted, and you would get a virtual person who is live on the other end of the screen maybe who would answer and address whatever your questions were, make sure you understood and make sure that your needs were satisfied, then you disconnect. Just like live people." Sentiments like these indicate that while pure technology solutions may be sufficient for many of the LMI 50+, there are still individuals that care about a personalized experience. Innovators can be creative about how that experience is delivered, however.



Given these insights from LMI 50+ customers themselves, it is clear that providers have an opportunity to test new hybrid approaches that combine digital tools and in-person engagement.

There are also opportunities for innovation in behavioral product design and messaging to promote specific behaviors, such as savings or withdrawal strategies. This is good news for financial institutions and fintechs alike. The LMI 50+ segment already relies heavily on banks and credit unions, meaning that acquisition costs are nearly non-existent, and these institutions have the infrastructure to deliver a wide array of in-person engagement models. On the fintech side, startups have made significant strides in driving down costs while creating a more personalized, frictionless experience for customers. Partnerships between financial institutions and fintechs can serve as a critical foundation for innovation to improve the financial health of LMI 50+.

CONCLUSION

While Americans in previous generations could retire with a pension plan, no debt, and adequate health insurance, individuals over 50 face an entirely different reality today.

Now, these individuals are more likely to only have a defined contribution plan, carry debt into old age, and have significantly higher medical costs not covered by Medicare. These trends become even more stark among low- to moderate-income Americans.

CFSI's research shows how much the LMI 50+ are struggling with their financial health. By highlighting five key financial health challenges alongside personas drawn from our qualitative research, we aim to understand the scope of these challenges, as well as the narrative behind why the LMI 50+ are facing these challenges and how they deal with them. There is a role for government to address disparities for the

LMI 50+, but the financial services ecosystem also has an opportunity to design solutions for this segment's unmet needs.

While we explore initial themes for innovation from our focus groups and interviews, this qualitative research only scratches the surface of this population's wants and needs. More research is needed to understand how financial services providers can design innovations and channels to best serve the LMI 50+.

As the U.S. population ages, the opportunity and need for this type of innovation will only increase. We hope – and anticipate – that innovators in relevant sectors will step up and address these challenges, ultimately benefiting their institutions while strengthening the financial futures of our LMI 50+ family members, friends, and neighbors across the country.



APPENDIX

A.1: Criteria Used to Define LMI	
Household Size*	250% of HHS Poverty Guideline (Rounded Down to Nearest \$1,000)
1	\$30,000
2	\$40,000
3	\$51,000
4	\$61,000
5	\$71,000
6	\$82,000
7	\$92,000
8	\$103,000
9	\$113,000
10	\$124,000
11	\$134,000
12	\$145,000
13	\$155,000
14	\$166,000

* Household size is defined as individuals physically living in the household, in addition to those receiving financial support.

A.2: The CFSI Financial Health Score®

The Financial Health Score® is generated from the eight survey questions that align with CFSI's eight indicators of financial health. A respondent who answers all eight questions receives one aggregate CFSI Financial Health Score® and four sub-scores. To view the full survey instrument and learn more about how the framework has evolved from CFSI's previous financial health measurement work, see CFSI's [score methodology memo](#).

All survey respondents were assigned a Financial Health Score® based on this methodology. For further ease of use, the score, ranging in value from 0 to 100, is broken into three tiers: Healthy, Coping, and Vulnerable. Individuals with a score under 40 are categorized as Vulnerable, individuals with a score between 40 and 79 are categorized as Coping, and individuals with a score of 80 or above are categorized as Healthy.

Interpreting the CFSI Financial Health Score®

Financially Vulnerable					Financially Coping			Financially Healthy		
0	10	20	30	40	50	60	70	80	90	100
Financial health scores between 0 - 39 are considered Financially Vulnerable. Individuals with scores in this range report healthy outcomes across few, or none, of the eight financial health indicators.					Financial health scores between 40 - 79 are considered Financially Coping. Individuals with scores in this range report healthy outcomes across some, but not all, of the eight financial health indicators.			Financial health scores between 80 - 100 are considered Financially Healthy. Individuals with scores in this range report healthy outcomes across all eight financial health indicators.		



The Center for Financial Services Innovation (CFSI) is the nation's authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services. Through its Compass Principles and a lineup of proprietary research, insights and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

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