

Four Financial Forces Put Squeeze on Seniors

During these past few weeks, a “perfect storm” of economic turmoil has gripped the country. No group more than seniors has felt this growing pressure. There has been an unprecedented assault on seniors from a variety of economic forces. To understand the predicament that seniors face, we need to understand these forces.

The first force has been a loss of revenue. Whether this comes from the recent crash of the stock market or the loss of interest income, both have equally wreaked havoc on seniors’ savings and purchasing power.

Second, when savings and income are not adequate, one can always turn to borrowing or selling assets. However, the largest single asset seniors have, their real estate, has also fallen victim to substantial devaluation. Additionally, houses are not selling and loans are hard to come by. And not just home loans but car loans as well. Many seniors have turned to credit cards just to make ends meet. This “death spiral” financing will lead to certain failure because seniors do not have the assets or income to pay off this debt. As the late fees and finance charges mount, many seniors can never recover. Consider that bankruptcies filed by persons over age 55 has risen 151% this year.

Third, the cost of living for most seniors has risen considerably. Groceries and fuel prices have been climbing for most of the year. Recently, I spoke with some clients that could not afford to drive from Cocoa Beach to my office in Suntree because of the fuel costs. Although prices seem to be dropping as the economy stalls but don’t expect the prices to roll back all the way.

Fourth, Federal Reserve Chairman Bernanke stated that health care costs are expected to rise 9.6% for 2008 and 9.4% for 2009. Health care costs seem to be marching on despite what is going on with the rest of the economy. I have seen seniors cutting back on needed medical services and prescription medications just to save money.

These four forces are putting the financial squeeze on seniors. We have the making of a disaster when this is coupled with budget cuts, less governmental services, and longer life expectancies. Remember, Social Security was not on solid ground before we bailed out Wall Street for \$2 trillion dollars.

So this election season, let your lawmakers know that you are concerned lest the “Greatest Generation” be forgotten in this mess.