CPA Practice Advisor

involved in the long run, too.

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By Elizabeth Crumbly – The Atlanta Journal-Constitution (via TNS).

There's a tipping point when older adults' willingness to take on debt and their ability to manage it typically changes significantly: It's called retirement. New cars, mortgage payments, and medical debt that once seemed run-of-the-mill can look daunting as this transition approaches, but financial planning experts offer strategies to offset the challenges.

"The thing that makes debt easier for seniors is also the thing that makes debt challenging for seniors," Tommy Thompson, a locally-based certified financial planner with Innovative Financial Group in Alpharetta, told the AJC. "And it's all about retirement. For most people, the best earning years of their career come right

decisions before you retire, but you've got the psychological temptation before you retire to buy more than you really should."

Types of debt older adults face

"The stuff that we see the most from baby boomers — it tends to be the mortgages and the vehicles," Thompson said. "We do occasionally get the medical loan issues, and that tends to be the pre-Medicare crowd."

He's seeing a number of new mortgages, too — lots of homes near the water or in the mountains.

"There's been a lot of prosperity in this country over the last, call it, eight years," he said. "Whereas there was one generation that wanted to move into senior living facilities, the generation that's getting ready to retire now — they either want to be on the water, or they want to be right there with their kids."

Lee Baker, a certified financial planner, owner and president of Atlanta-based Apex Financial Services, Inc., said significant credit card debt can be problematic for seniors, especially those looking at leaving the workforce. Inflation, he contended, especially now, after COVID-19, is a factor in the rise of this type of debt.

"Our behaviors have changed, and we weren't going to the office," he said, speaking hypothetically. "We weren't putting gas in the car to ride around (I-285) all the time. We weren't spending money to go out to lunch with our coworkers and that sort of thing, and we got this extra money from the stimulus perspective ... Many of us haven't stopped spending, except now, we're starting to run up credit card tabs and at a bad time."

Like Thompson, he said he meets older adults dealing with medical debt — sometimes, this happens because of lapses in health insurance before Medicare eligibility. And at times, he sees them making Social Security decisions while still

Baker said.

"In these instances, you're talking about having gotten a college degree 40 years ago, and you're still paying on it. But that typically has been a function of 'stuff happens to us in our lives,' and you get these rough passages," he said.

Thompson said those unexpected events often include changes in health.

"We do see people who had big plans to work until 65 or 67, and then the stroke hits them, and they're not able to work anymore, or cancer pops up, or something that just forces them to make that retirement a lot sooner than they planned on," he said. "And so, now, you've got a situation (where) you've taken on more debt, you're having to file for Social Security much sooner and taking a reduction for it. You thought you'd have five more years to add to your 401K savings, and instead, you're tapping it five years sooner. So, those kinds of health concerns can really derail a debt management plan."

What to do about debt

Aptly timed adjustments, both advisors said, go a long way in offsetting the potential problems that a reduction in income — planned or unplanned — poses. Thompson expounded on the scenario of unexpectedly lost income, presenting downsizing as an antidote.

"Not only can you not go work, so there's not more income, (but) now, your retirement income is lower," he said. "The people who we've seen handle that best are the ones who realize it and go ahead and start making changes in lifestyle … The sooner you realize, 'Hey, there's a problem in my plan' and you go ahead and just eliminate the debt, downsize the standard of living, the more sustainable the standard of living becomes."

When advising older adults who have time to plan, Baker likes to tell them to put

Thompson said considering major buys in a different light is important for financial health at this point, too.

"If you're going to make a major purchase like a car or a home, it's important to think, 'What is my Social Security and my retirement income going to look like?' Something that seems like a really great deal at 60 may not be quite as affordable if your income drops because you retire," he said.

A confident approach

Eleanor Thompson, 63, has been in business with her husband, Patrick, for the past 38 years. The couple, who have no relation to Tommy Thompson, is looking now at retiring from their Suwanee-based ARTS Printing. They've taken steps to square away major financial decisions like the purchase of a car before making the transition, Eleanor Thompson told the AJC.

And she feels other decisions they've made along the way have helped them avoid unnecessary debt and approach retirement with confidence. One of those decisions was not to provide major financial help after their two sons became adults.

"While they might have had challenges or needs over the years as they moved out, we just kind of let them deal with it." Eleanor Thompson said. "We've had one of our kids start his own business, and while we could have kind of helped financially with that, we just felt like that was his thing and his decision, and we just really didn't need to be spending what we consider retirement money on something like that ... The kids have 50 years to do what they need to do, and we don't."

This idea is especially important, Tommy Thompson said, as older adults look at stepping away from the workforce.

"It's one thing to take a look at your budget and have a little bit of your monthly

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