Sonny, Can You Spare Some Change?

The Motley Fool
By Dayana Yochim

College kids, stranded travelers, and *Sex and the City* stars aren't the only people who consider a credit card their lifeline. The silver-haired set is relying on plastic more than ever before.

A decade ago, just 18% of Americans older than 65 carried an outstanding balance on a credit card. Today, nearly one-third of all card-carrying seniors carry unpaid balances month to month.

Oh, but that's not all. Credit card debt is behind an alarming trend highlighted in 2004 by Demos (pdf available for download), a nonpartisan public-policy group in New York City. It found that bankruptcy among senior citizens has increased 217% in the past decade.

Though their debt levels lag the junior set's, the amount of money the elderly borrow is creeping upwards. The average credit card debt of those 65 and older was about $4,000 (in 2001) — an 89% increase since 1992. Those headed into retirement — ages 55 to 64 — and carrying credit card debt reported that almost one-third of their family income went to debt payments.

It's not keggers or kicky Prada pumps driving Grams and Gramps into debt. Necessities such as prescription drugs and groceries — and even doling out money to struggling relatives — are behind the rising rate of debt among the elderly. With health-care costs on the rise and interest rates on income-preserving investments such as CDs stalled, items that were once well within their fixed-income budget have become unaffordable. The picture doesn't get any clearer as the aging population lives longer, outliving their retirement savings.

Here are five ways to control debt — now and in the future:

Play by the same rules you preached to your kids: You may have gotten your JPMorgan Chase (NYSE: JPM) Rewards Visa through your AARP membership, and Junior's MBNA card might be emblazoned with Penn State's logo, but the laws of staying out of debt apply to you both: Spend less money than you bring in. If you must carry a balance, negotiate a lower interest rate with your lender, or find a better deal. Lay out a plan to pay off your debts (our free Get Out of Debt Guide can help).

Plan a cash landing: Staying out of trouble means planning how you'll pay for it. A little math today — here's help — will help you determine what tomorrow's costs will be. It's also about avoiding the deadly sins of retirement, like overpaying Uncle Sam or overspending your savings too early in post-work life. Here are nine retirement killers and how to avoid them.

Continued on back

Panic now if you need to: If you find your savings lagging, it might be time to activate a Retirement Panic Plan — the triple helping of increased savings, return, and income. For those whose income-earning years are but a fuzzy memory, it can be hard to find ways to cut back — or earn more. Which leads us to ...

Make your biggest asset (your home) work harder: The temptations of borrowing are ripe — especially if you own your home and have a good, long-standing credit history. Reverse mortgages are one way for retirees to keep their nest and turn it into a nest egg. (**Fannie Mae** (NYSE: FNM) named (and trademarked) its reverse-mortgage product the "Home Keeper Mortgage.") Here are six other ways to make the most of your home in your golden years.

Don't let debt ruin your golden years. Plan properly for the future with smart investments and savvy money moves. Get a free issue of our Motley Fool Rule Your Retirement *newsletter and see what the future holds.*

Dayana Yochim owns stock in none of the companies mentioned in this article, though she does carry a Fool-emblazoned card issued by MBNA.