



## School debts may thwart retirement savings

By: Anne Tergesen

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It's no secret that the baby boomers are falling short of the savings they will need to maintain their standard of living in retirement. What isn't widely understood, though, is the role that education debt is playing in their financial woes.

That's one of the highlights of a study the nonprofit [National Center for Policy Analysis](#) released last week. Using data from the Bureau of Labor Statistics, the study compares the spending habits of today's 55- to 64-year-olds with those of the same age group 20 years ago. (It does the same for 45- to 54-year-olds.)

Over the past two decades, the study found, as a share of those groups' spending on various goods and services, "education expenditures increased the most of any spending category — by 80% for 45- to 54-year-olds and by 22% for 55- to 64-year-olds." The study also notes that one-third of the nation's more than \$1 trillion in student loan debt is held by individuals over the age of 40, many of whom are helping their children pay for college and repay loans.

Because the cost of a college education has risen faster than income for decades, the study's authors say, Americans "are going deeper into debt to pay these expenses," making it harder to save for retirement.

The findings echo a recent [SmartMoney.com](#) article titled "[For Unpaid College Loans, Feds Dock Social Security.](#)" As AnnaMaria Andriotis reported, the federal government is withholding money from a rapidly growing number of Social Security recipients who have fallen behind on federal student loans.

Among the other findings of the study:

- "More than half of parents are helping to support their adult children." Among them, 59% are covering living, transportation, medical and student loan expenses for children who are no longer in school.
- From 1990 to 2010, the amount 45- to 64-year-olds spent on housing, including taxes, maintenance and insurance, rose by about 25% as a share of expenses.

- Health-care spending rose 30% for the younger group and 21% for the older group.
- Baby boomers have not increased their spending on “frills, such as entertainment or dining out.” In fact, food purchases, including restaurant spending, fell by about 20% for both groups over the past two decades.
- Spending on furniture fell by 25% for 55- to 64-year-olds and by one-third for 45- to 54-year-olds. And clothing expenses fell by 42% for the younger group and 70% for the older group.
- The study also found that “real median income” for 45- to 54-year-olds fell from \$67,795 in 1990 (in 2010 dollars) to \$62,485. For the older group it rose, from \$52,340 in 1990 to \$56,575.