



Voya Retirement Coach Marilyn Timbers says it's important to consider these three things to help you become debt-free in retirement.



Nearing Retirement? Time to Tackle Your Debt

A retirement coach says: to do it, consider these three things

By [Marilyn Timbers, Voya Retirement Coach](#) | October 14, 2014

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Concern about personal debt (credit cards, student loans, mortgages and the like) has become a major part of the national conversation around financial security. Nowhere does this conversation have more relevance than for retirees who survive on a fixed income and have more limited options to adjust their financial situations.

Unfortunately, debt is climbing steeply for retirees — from \$8 billion in 2005 to \$43 billion in 2014, according to the Federal Reserve Bank of New York.

These are daunting numbers, and default rates among seniors are high. Understandably, many of those on the cusp of retirement worry about how to even start tackling debt as they near retirement. **According to Voya's 2013 Retirement Experience study, paying off debt and other loans is a top priority for a fifth (21 percent) of pre-retirees.**

If you are worried about debt and what to do about it as you near retirement, here are three things to consider — they come down to what you need to evaluate, maintain and communicate:

Evaluate: Take a Look at Your Finances

The easiest trap to fall into with debt is to avoid and ignore it. If you just don't open that credit card bill, maybe it will go away, right? Wrong.

A good first step is to open those bills, go through your records and evaluate the situation. As scary as it might be, figure out your overall debt.

Now you can start troubleshooting. Which payment plans do you have set up already? What is the interest rate on each payment?

There may be options available to help pay down your debt more efficiently. If you can't find any, it doesn't hurt to ask for help. Call your credit card company and ask to transfer your debt to a card with a lower interest rate. You may be surprised how willing the issuer might be to do this. Just be sure to read the fine print before making any changes; sometimes, lower-rate cards come with hidden fees or rates that rise considerably after a certain period of time.

Next, take a hard look at your current lifestyle and consider downsizing so you can free up some funds that can go toward debt payments. Downsizing may be as simple as creating a strict budget of cooking all your meals rather than dining out and skipping a few vacations. Or, it could be more drastic and entail downsizing your home and big-ticket possessions.

If you were planning to move to a more modest home in retirement anyway, consider doing it early (if possible) to free up resources that will let you deal with debt. With 43 percent of retirees carrying a mortgage in retirement, according to the Voya Retirement Experience study, it may make sense to downsize your home now.

Online tools such as MyOrangeMoney can help you stay organized and on-budget while keeping your retirement goals and your monthly retirement income a priority.

Maintain: Keep an Eye on Your Savings

When you are looking for funds to dip into for debt payments, try to pretend your retirement savings aren't there.

Regardless of debt, you will need money to live on during retirement and will likely be grateful that your 401(k), IRA or any other retirement vehicle is solid a few years from now. Moreover, if you pull pre-tax money out of a retirement vehicle like a 401(k) account, you will have to pay a penalty (unless you are over age 59½ or take a loan) on top of owing taxes on the funds.

If you feel turning to retirement savings is your only solution, however, first consider dialing back your monthly contributions into it so you have more cash to put toward debt. Just be mindful that cutting back contributions now will reduce your income later — in retirement.

Communicate: Make a Plan with the Support of Family

If you are looking at a heavy debt responsibility, you may feel alone in the struggle and embarrassed to bring it up with your loved ones. But coming clean with them is important to *all* of your financial futures.

You need to let your family know what to expect, especially since some of your assets will go toward paying off your debts when you pass away. Family members may have expectations about inheriting the house or family heirlooms, so it's better to provide full disclosure sooner rather than later.

Not only that, talking about what you're facing can help reduce some of the emotional stress you're feeling. I find among the pre-retirees I work with that many don't communicate about their finances as much as they should with their adult children or other family members.

Beyond communication, many parents continue to help their children and grandchildren financially even while facing their own debt challenges. The Voya study found that a surprisingly high percentage of pre-retirees (37 percent) and retirees (27 percent) have kids or grandkids who look to them for financial support.

Many parents are helping their children pay student loan debts or are even still paying off their own. A recent study from the Government Accountability Office noted that federal student loan debt among those aged 65 and older has grown from \$2.8 billion in 2005 to \$18.2 billion in 2013.

Regardless of the reason others turn to you for support, open communication can help your family see the reality of your financial situation.

The moral of the story: Don't hide your debt from the people in your life. If you really want to make a change, asking for support can be critical to seeing success.

You might also consider going to a professional to help you create a longer-term debt payment plan.

Nonprofit credit-counseling agencies offer guidance for relatively low costs. And an experienced financial adviser can work with you to find ways of restructuring your finances.

You may also need to consider delaying your retirement date to deal with debt or to replenish your retirement accounts. This may be difficult to imagine if you have your heart set on retiring at a particular age, but pushing back the date can make a big difference. Not only can you use that extra time to chip away at debt, but your Social Security benefits will increase the longer you delay claiming them, until age 70.

Paying down debt can be a long and difficult road and, when you are dreaming about retirement, it can seem all the more daunting. I am sure that carrying debt is not part of your retirement plan, so if you're a number of years out, take advantage of the time and resources available to you and start chipping away.

Look at your balance sheet, adjust your lifestyle, commit to saving and find support so you'll get on the right path to a debt-free retirement.