

It's seniors who are bankrupt; The fastest-growing segment of society going broke in Canada is people over the age of 55. They have acquired the nickname grandpa debtors

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Janice's life shrank to a frightful dance of debt in the weeks before she and her husband went bust.

The Chilliwack couple overspent their way into \$45,000 in credit card debt, leaving only one way to make monthly payments: borrow more money to pay off borrowed money.

Many younger couples in their prime working years have the financial strength to whack away at that debt.

But a growing number of seniors are being crippled by debts they take into retirement - or rack up during their golden years. They no longer have the time or income to eliminate them and get back on their feet.

"We were using credit cards to pay off other credit cards - it snowballed," says Janice, 67, whose name has been changed for privacy.

"We were just making minimum payments and we were never going to get out from under it.

"There was no money to do anything." In 2010, they decided bankruptcy was their only way out. But that choice didn't deliver immediate relief - it brought a terrible sense of failure.

The fact it was Janice's second bankruptcy - her first was triggered by a divorce in the early '80s - didn't exactly buttress her self-esteem.

"You feel ashamed," she says. "We weren't setting out to screw the creditors. You feel 'I'm a grown person. At this stage in my life my finances should be in shape."

Janice adds: "It's not pleasant thinking you've got to go bankrupt but it does happen and it happens more often than people think."

She's right. Seniors are the fastest growing group of debtors in B.C., according to bankruptcy trustee Sands & Associates. The number of debtors 55 and over has grown to the point they have acquired a nickname in the trustee business: grandpa debtors.

Some might say that people whose financial choices help sweep them into bankruptcy deserve to feel badly. **Blair Mantin** is not one of them.

Mantin is senior vice-president with Sands, the largest bankruptcy trustee in B.C. focusing exclusively on consumer and small-business insolvency. Sands is one of the places you can go when you're buried in debt and at your wits' end.

The number of grandpa debtors coming through the doors of Sands' 10 Lower Mainland offices has exploded.

The number of debtors aged 65 and older with whom Sands has worked on bankruptcy or consumer proposals soared by 217 per cent from 2009 to 2011. The numbers are almost as high for those over 50: age 60 and up jumped 193 per cent; 50 and over climbed 166 per cent.

These people are just the tip of the grandpa debtor iceberg, Mantin says. The numbers of older insolvents will continue to grow, fuelled by easy credit and misfortune, he predicts.

"At the end of the day, it comes down to people just don't have enough income and they've got too much debt," Mantin says.

"A lot of the elderly I've seen, they've continued to accumulate debt in retirement."

Older people who lose a spouse through death or divorce may spiral into debt from a sharply reduced income. Job loss can also trigger financial havoc.

Costly medical troubles help to grow that grandpa debt. So does helping out family members in hot water, or having a dependent at home.

Unregulated debt consultants target the elderly, sometimes swindling thousands from seniors already in financial trouble, Mantin says. They may charge hefty fees for debt advice older people can get for free from licensed trustees, he says.

Beneath the feet of most grandpa debtors lies the treacherous ground of easy credit.

Seniors, mindful of their fixed incomes and limited remaining days, are more meticulous than other age groups about scrutinizing their credit card statements, Mantin says. Retirees, as a result, more readily admit they're in trouble.

When they see that making minimum payments will take 70-plus years to pay off their debts - and they're age 70 - they tend to pull the 'chute a little quicker than some of the younger generations, Mantin says.

Mantin is saddened by the evidence of seniors' growing financial distress. But he wishes they would seek help sooner.

Older people hounded by collection agents may suffer debt stress that affects their health, he says. This stress can build to the point people have heart attacks and strokes.

Mantin has met others so depressed by their debts they've tried to take their own lives.

"I've seen people barely eating because they're making every minimum payment," he says. "They're living on a hundred bucks a month for groceries. It's ridiculous."

One of the toughest parts of Mantin's job is telling seniors they should not have cashed in their RRSPs in a failed bid to pay debts.

Federal changes to bankruptcy law in 2009 mean that only the last 12 months of RRSP contributions must be surrendered in a bankruptcy.

"I tell them, but try not to make them dwell on it, that their chance to get back on their feet after bankruptcy would have been enhanced if they had not done that," he says.

One thing he never tells debtors is that they have nobody but themselves to blame.

"People coming in the door here don't want to be judged," Mantin says. "They need to understand they're not morally bad people because they're not going to be able to make good on these debts."

Who is responsible for B.C.'s growing grandpa debt? Before blaming the debtor, look to those providing easy credit, Mantin says.

He has met retirees living on fixed income for several years who have been granted up to 10 credit cards with spending limits of \$10,000-\$15,000 each.

"I find people will phone credit providers and say 'I'm really having trouble. Can we work out something with reduced interest or a payment plan?'

"And the only tool the creditors will give them is more credit. I think there is some shared responsibility."

Janice says she and her husband got into trouble by falling into the habit of buying things they didn't need. With five credit cards.

"Credit cards are a great thing in an emergency but it's amazing how many emergencies come up," she says. "Think before you spend. Cut up your credit cards."

Since their bankruptcy, things have brightened for the couple. They use one prepaid credit card and keep a grip on spending.

Janice expects to be discharged from bankruptcy in February. Her husband, 77, was discharged last October.

They have also stopped beating up on themselves.

THIS GRANDPA DID IT RIGHT: SELF-DISCIPLINE

Vancouver resident Javad Padidar, 64, says sacrifice and self-discipline can help people avoid grandpa debtorhood.

Padidar, who owns an import-export company, sticks to a monthly budget that has no room for luxuries. Modestly priced goods, whether it's a car or an armchair, serve just as well, Padidar says.

He and his wife once treated themselves to an expensive European vacation but have since taken their holidays in B.C.

The couple, who immigrated from Iran in 1990, decided years ago against buying a house and carrying a big mortgage.

Instead, they have lived in the same one-bedroom condo for more than 20 years.

Half a dozen years ago, the Padidars saved enough to buy another condo in Vancouver for an investment. It's now paid off.

"Without the support of my wife, this wouldn't have happened," he says. "Couples need to have the same financial vision."

When he turns 65, Padidar plans to work halftime.

"We have made sacrifices but we haven't suffered," he says.

His advice to others? "Everybody likes to spend money," he says. "Make any expenditure decisions rational instead of emotional."

BANKRUPTCY BY THE NUMBERS

> Consumer proposals have been growing in popularity as

a way for British Columbians to resolve debts since federal law was changed in 2009, say bankruptcy trustees from Sands & Associates.

In a consumer proposal, debtors make a deal with creditors to pay off a chunk of their debts - often about 30 per cent - over time.

At present, about half of the B.C. debtors seen by Sands declare bankruptcy; half choose to make a consumer proposal.

But two-thirds of B.C. grandpa debtors - those 55 and older - opt for the shorter timelines of bankruptcy, Sands says.

About 15 per cent of people who declare bankruptcy once will do so again, Sands says.

A study by Hoyes, Michalos & Associates released in February found that grandpa debtors in Ontario have credit card debt averaging \$37,128 - 52 per cent more than the average debtor.

Twenty per cent of Ontario senior debtors cite illness and injury as a cause of their financial troubles, the Hoyes study found.

Only a third of grandpa debtors had RRSP savings, Hoyes found.

On average, there is a "gestation period" lasting up to two years when people overwhelmed with debt know they need help but resist seeking it, Sands says.

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Illustration:

- Gerry Kahrmann, PNG / **Blair Mantin**, a VP with Sands & Ric Ernst, PNG / Associates, helps seniors who get into financial trouble. The number of seniors coming into the bankruptcy office have skyrocketed.
- / Javad Padidar and his wife have lived in the same Vancouver condominium for 20 years to stick to their budget.

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