Demystifying non-mortgage borrowing in older age: a longitudinal approach

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Authors and credits

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Contents

Key messages

1 Ageing effects overpower cohort effects in explaining patterns of borrowing

One in four people aged 50 and over have outstanding non-mortgage borrowing, each owing an average of £4,500. This varies greatly by age within the older population, with the oldest-old much less likely to have outstanding borrowing than their younger counterparts. We find that this is principally the effect of ageing, rather than the cohort someone was born into, although cohort effects may play a greater role as people approach their 50s. Nonetheless, the high levels of borrowing seen for those in their 50s has serious implications for the ability of current and future generations to boost their retirement saving in the crucial years before retirement.

2 The effects of the financial crisis yet to impact older borrowers

There is no evidence that the constriction in credit supply which followed the financial crash of 2008 significantly impacted older people's actual levels of borrowing, at least not by 2008/10 when the data this analysis is based on was collected. In part, this may be because older people were able to turn to unused lines of credit they already had access to, for example in unused credit cards and overdrafts. Similarly, use of higher-cost credit was unusual among older people, suggesting that the expansion of the alternative credit market in recent years, and payday lending in particular, had not filtered through to older people's patterns of borrowing, although this may change in future years of the survey.

3 Borrowing begets borrowing, even in older age

With fewer than one in five older people transitioning into or out of borrowing over a two-year period, the dominant picture is one of persistence in credit use. Moreover, existing credit users – including those in their late 60s and early 70s – were more likely to become bigger borrowers (owing more after two years) than non-credit users were to become borrowers. This may partly reflect escalating balances due to the effects of compound interest and fees, particularly if people do not repay their borrowing according to contract. The findings raise questions about the appropriateness of credit products available to people as they approach and enter retirement and the strategies providers will need to have in place when the interest rates inevitably rise. They also highlight the crucial role of continued funding for money and debt advice services that are appropriate to the particular needs and circumstances of older borrowers.

4 Double-edged pressures on the 'squeezed middle age'

Having high fixed household costs, for example from rent or mortgage payments or having dependent children in the household, is a key factor in driving older people's credit use. Low incomes and drops in income compound this further. This underlines the particular pressures on in-work older people – who may also have children to provide for – not least with pay rises continuing to be outstripped by inflation and the continued decline in traditional (defined benefit) pensions. It highlights the important role that government must play in ensuring that 'work pays' and enabling current and future generations to provide adequately for retirement. It also highlights how a legacy of debt will present a difficult dilemma to the increasing numbers of older people looking to support their children and grandchildren financially.

5 'Too much month at the end of the money' contributes to older people's credit use

Older people who struggle to make their incomes last until the end of the week or month are consistently more likely to have outstanding borrowing, and to owe more, than their counterparts who routinely have money left over. This is over and above any effects resulting from people's attitudes to spending and saving and the effect of low incomes. What is more, we find strong evidence that difficulties making ends meet contribute to older people's credit use, in that direction. There is a clear role for government in ensuring that increases in the costs of essentials alone do not force more older people into debt, and that appropriate financial safety nets are in place to help them if they do.

Exploring non-mortgage borrowing in older age

The use of non-mortgage borrowing among older people is a fairly poorly explored, and understood, occurrence. Due to life cycle factors, people borrow young in life in order to secure goods and services when incomes are low, before being in a position in later working life to re-pay what is owed and save to provide assets for use in retirement (Deaton, 2005; Del-Rio and Young, 2005). By this token, non-mortgage borrowing should peak in early adulthood before falling away towards and into older age. Previous research has shown this indeed to be the case (e.g. Finney et al., 2007; McKay et al., 2008). However, the same evidence reveals that borrowing by no means disappears altogether with increasing age, not even in the years beyond retirement. The reasons are likely to be manifold; whether related to prior over-commitment, unexpected life events that disrupt the ability to pay-down existing debts or new, unanticipated demands on households' finances than cannot be met from existing income streams or assets. The use of borrowing to protect existing assets from being drawn-down can also be a deliberate strategy that households use (Whyley and Kempson, 2000).

Against the backdrop of a rapidly ageing population, the need for a better understanding of both levels of, and reasons for, borrowing in older age is increasingly pressing, especially given recent trends in unsecured credit use. Following a sustained decline in levels of unsecured lending since the financial crisis, there has been a £2.4bn (or 1.5 per cent) increase from April to October 2013 in the total amounts outstanding (excluding student loans) to individuals and an associated rise in the proportion of unsecured lending extended through the non-bank or building society sector (Bank of England, 2013). There are significant concerns about the high costs of unsecured borrowing, in the payday lending sector in particular (see, for example, Telegraph, 2013). And while the UK's saving ratio rose after the financial crisis, it is likely to fall as increased consumption fuelled by rising household liabilities boosts economic output in the years ahead (Office for Budget Responsibility, 2013).

This paper focuses on active non-mortgage borrowing among older people; in other words, money owed on credit and store cards, overdrafts, hire purchase and mail order accounts and other types of personal and cash loans. Although non-mortgage borrowing is commonly referred to as unsecured borrowing (to distinguish it from borrowing that is secured on the home or other property), we have avoided using this term because our measures include hire purchase (which secures borrowing against other types of goods purchased). We undertake our analysis using the longitudinal sample from the Wealth and Assets Survey,[1] a large-scale national panel survey of private households in Great Britain which so far offers wave 1 (2006/08) and wave 2 (2008/10) 'linked records' for analysis. We define older people as any individual aged 50 or over at wave 2, of which there are 18,291 on which to base our analysis, in order to explore credit use in the years prior to and following retirement age.

We are particularly interested to see what factors contribute to borrowing in older age and take a longitudinal approach to exploring this. This paper begins by considering changes in levels of active non-mortgage borrowing among older people as a group in 2008/10 and 2006/08, with a particular focus on variations by age. Its findings suggest strongly that the fall in level of borrowing with age is largely an ageing, rather than a cohort, effect. We then go on to look at changes at the individual level, unpacking which factors influence transitions into borrowing by older individuals in 2008/10 from two years previously and changes in the amounts they owed at each wave. The analysis evidences a clear and direct contributory role of high fixed household costs and especially a difficulty making ends meet on levels of borrowing by older people in 2008/10. It is important to emphasise that the measures of active borrowing explored here are not intended to indicate that older people are necessarily in difficulty with their commitments; this is something we intend to explore in a future paper.

[1] See 'About the Wealth and Assets Survey', on page 27 of this report.

Non-mortgage borrowing by older people: the aggregate picture

This first suite of analysis looks at levels and types of non-mortgage borrowing in the older population as a whole at wave 2 and compares this to the patterns of borrowing for the same group of individuals at wave 1. For key comparisons, we also introduce a third set of statistics which look at patterns of borrowing among a comparable sample of older people (i.e. the over 50s) at wave 1 to try to disentangle potential cohort effects from ageing effects on the outcomes of interest.

Active credit commitments

In each wave the likelihood that someone had any active non-mortgage credit commitments fell steadily with each increasing five-year age group, from 41 per cent of people in their early 50s at wave 2 to one per cent of those aged 85 and over at wave 2. When comparing levels of borrowing at each wave among our nationally representative linked sample of over 50s, nominal decreases *between* waves are observed overall and for each five-year age cohort; despite being small, these differences are statistically significant for all cohorts except those in their 70s at wave 2. The biggest nominal changes were for those in their late 50s at wave 2, falling from 37 per cent to 33 per cent, and those in their late 60s, falling from 22 per cent to 19 per cent (a difference of four percentage points in each case; differences may not appear correct due to rounding). It was also relatively large for those in their early 50s and early 60s at wave 2 (Table 1).

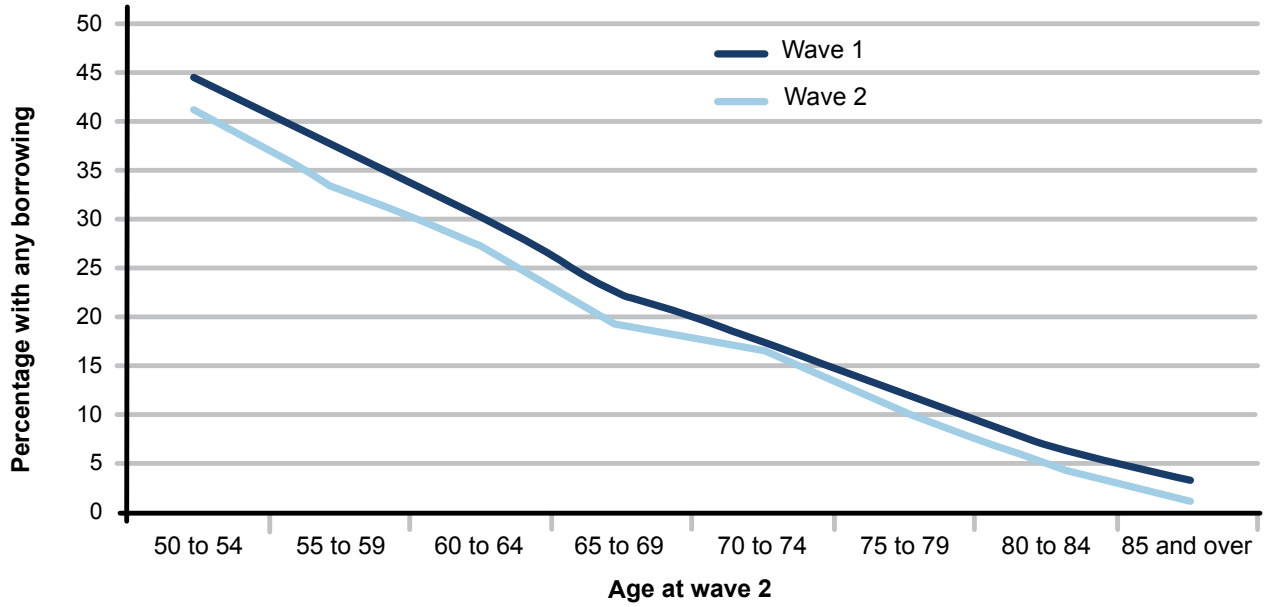
Table 1 Percentage of older people at wave 2 with any non-mortgage borrowing at wave 1 and wave 2

Age group at wave 2	Percentage at wave 1	Percentage at wave 2	% point difference (wave 1 to wave 2)
50 to 54	44	41	-3 **
55 to 59	37	33	-4 **
60 to 64	30	27	-3 **
65 to 69	22	19	-4 **
70 to 74	17	16	-1
75 to 79	12	11	-1
80 to 84	7	5	-2 *
85 and over	3	1	-2 **
Total	**26**	**23**	**-3 **
Unweighted base	*18,291*	*18,291*	*18,291*

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2. Notes: The percentage point change between waves is calculated using unrounded percentages and therefore may not appear to be correct. ** indicates a highly significant difference ($p<.05$) and * indicates a significant difference ($p<.01$) between waves in a McNemar test.

A visual representation of these percentages confirms both the trend across the age groups and the difference between waves for each age cohort (Figure 2).

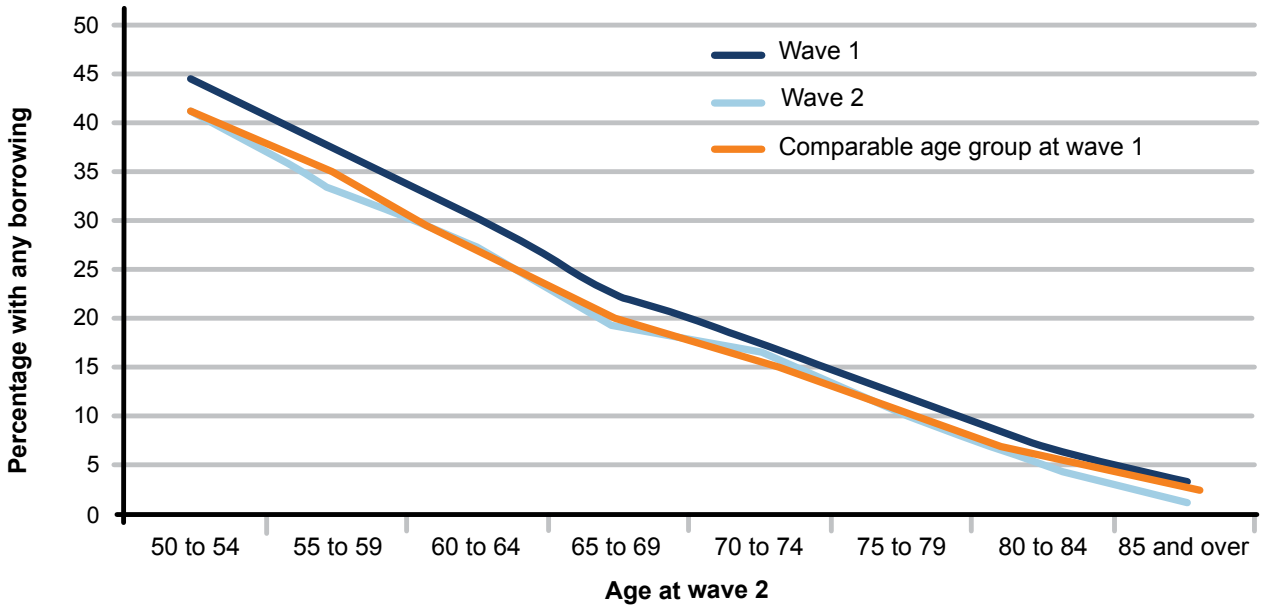
Figure 2 Percentage of older people at wave 2 with any non-mortgage borrowing at wave 1 and wave 2



Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 (*n*=18,291).

However, when we overlay the same estimates for people of comparable ages at wave 1 to the age groups at wave 2 (Figure 3), we can see clearly that the difference between the original two trend lines disappears, the trend for the sample of comparable age groups at wave 1 tracking closely the trend at wave 2.[2] In other words, even though they may have been interviewed two years apart, for people of comparable ages at wave 1 and wave 2, there was no observable difference in the likelihood that someone had active credit commitments.

Figure 3 Percentage of older people at wave 2 with any non-mortgage borrowing at wave 1 and wave 2, and the comparable age groups at wave 1



Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 (*n*=18,291).

[2] Given inconsistencies in reported ages between waves for a minority of individuals (n=25), this takes age at wave 2 and subtracts two years (all respondents being followed-up in the second year following their first interview).

These findings strongly suggest that the trend we saw above, of declining credit use with increasing age, is related more to people's age (and their ageing) than the cohort they belong to: age-for-age people in wave 2 looked like their counterparts in wave 1 in terms of their propensity to have active commitments. It also appears to suggest that any early impacts of the financial crash of 2008, including the recession and the constriction on borrowing which followed in its wake, had not filtered through materially to the propensity to have outstanding commitments among the over 50s by 2008/10, although it may have been felt in other ways.

Types of borrowing

When we turn to look at the types of active credit commitment people had, credit cards were the most common source of borrowing among older people in 2008/10 (11 per cent; Table 4). This was followed by overdrafts and personal and cash loans (of any kind, whether formal or informal; seven per cent) and hire purchase agreements (five per cent). They were less likely to owe money on mail order accounts (three per cent) or store cards (one per cent). This is broadly consistent with patterns of borrowing, by type, in the population as a whole (Office for National Statistics, 2012).

Across the products, the propensity to have each type of commitment fell with every increasing age group, the fall being steeper the more common the type of borrowing was overall (Table 4). As such, some 20 per cent of people in their early 50s in 2008/10 owed money on one or more credit cards, compared with less than one per cent of the over 85s, with a similarly steep fall from 13 per cent to less than one per cent for personal loans.

Table 4 Percentage of older people at wave 2 with any non-mortgage borrowing by type of commitment, at wave 2

Age at wave 2	Credit card	Store card	Overdraft (in use)	Hire purchase	Mail order	Personal and cash loans
50 to 54	20	3	13	10	6	13
55 to 59	15	2	10	6	4	10
60 to 64	12	1	7	7	4	8
65 to 69	8	1	5	4	3	4
70 to 74	7	1	4	3	3	3
75 to 79	4	1	2	2	2	2
80 to 84	2	1	1	1	1	<1
85 and over	<1	-	-	-	1	<1
All older people	**11**	**1**	**7**	**5**	**3**	**7**

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 (*n=18,291*).

For the same group of individuals two years earlier, there was a very similar pattern of borrowing, by type of commitment, with credit cards being the more popular source (12 per cent). However, although the differences in the proportions of people with these commitments are small they are statistically significant (Table 5). So, older people in wave 2 were slightly more likely to have had outstanding borrowing on credit cards, store cards, overdrafts, hire purchase and mail order accounts in the two years previously. Collectively, this accounts for the lower proportion of older people overall with credit commitments at wave 2 compared with two years earlier. Notably, however, they had been less likely to have had personal and cash loans in 2006/08, albeit only by a marginal amount (six per cent compared with seven per cent in 2008/10).

Table 5 Percentage of older people at wave 2 with any non-mortgage borrowing by type of commitment, at wave 1

Age at wave 2	Credit card	Store card	Overdraft (in use)	Hire purchase	Mail order	Personal and cash loans
50 to 54	22 **	3	14	12 **	7 **	12 *
55 to 59	17 *	3 **	11	10 **	5	9
60 to 64	14 **	2	8	7	5 **	6 *
65 to 69	10 **	2	5	5 *	4 **	4
70 to 74	7	1	4	3	4 **	3
75 to 79	5	1	2	2	3	2
80 to 84	2	<1	1	2 *	1	1
85 and over	<1	<1	-	1	1	1
All older people	**12 ** **	**2 ** **	**7 * **	**7 ** **	**5 ** **	**6 ** **

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 (*n=18,291*). Notes: ** indicates a highly significant difference ($p<.05$) and * indicates a significant difference ($p<.01$) between waves in a McNemar test.

Table 5 additionally shows where differences between waves for each age group are statistically significant. Perhaps the most notable difference relates to credit card borrowing among people in their 50s in wave 2, which fell by two percentage points, and hire purchase among people in their late 50s in particular (which fell by four percentage points). None of the apparent differences in relation to overdraft use are significant, suggesting that this type of borrowing, where held, is especially persistent among older people.

A particular family of credit commitments that has come under increasing scrutiny in recent years is so-called high-cost credit, which normally refers to types of borrowing that enable small amounts to be borrowed over relatively short-term periods (e.g. of about a year and often much less than this). The Wealth and Assets Survey captures three types of potentially higher-cost borrowing: home credit (including cash loans and hire purchase), payday loans and pawnbroking loans (the latter both subsets of personal and cash loans). Previous analysis has looked at higher-cost borrowing captured explicitly in the Wealth and Assets Survey in the population; this found that home credit made up the largest share of this type of lending among people of all ages (PFRC, 2013). In 2008/10, less than one per cent of people aged 50 and over had money outstanding on any of these types of commitments at the time of their interview, ranging from one per cent among people aged 50 to 54 to less than one per cent among the over 60s. This low level is in keeping with low levels seen in the population as a whole and among adults of working age (PFRC, 2013; Finney et al., forthcoming) and in part this reflects the rather short-term nature of this type of borrowing. In turn, this was not significantly different from their interviews two years previously (and did not differ significantly across the waves for any one age group). Overall, it appears that higher-cost borrowing comprises only a small part of the overall portfolio of credit use among people in older age at any one snapshot in time.

Amounts outstanding

Consistent with the finding that the propensity to have active credit commitments was lower overall for the over 50s cohorts at wave 2 compared with wave 1, the amount that the over-50s had outstanding on non-mortgage commitments was also lower in wave 2 than wave 1, by approximately £200 (Table

4).[3] On average (measured by the mean), over 50s owed £1,000 in wave 2 compared with £1,200 two years earlier. This includes people without any active credit commitments (who are counted as having £0 holding). The difference was significant for several age groups, but not all (Table 6). If we exclude people without any credit commitments (i.e. excluding the £0 holdings), the mean average amount owed was £4,500 in 2008-10 (with a corresponding median of £1,500), from £4,600 (with a median of only £1,300) in 2006-08, noting that these would not necessarily be the same individuals at each wave. The differences between the means and medians suggest that in 2008-10 fewer people had extremely high amounts outstanding while more had more moderate amounts.

When broken down by age group, the biggest change recorded was among people in their late 50s in wave 2, who owed £400 less on average in 2008/10 (£1,400, including £0 holdings) than two years previously (£1,900; differences may not appear correct due to the effect of rounding on the estimates). As a group, people in their late 60s and those aged 85 and over in wave 2 also owed less in 2008/10 than they had in 2006/08, by £200 and £100 respectively. In contrast, people in their early 80s owed statistically significantly more in outstanding credit commitments in wave 2, although in practice this amounted to a difference of only a few pounds (and considerably less than £100; the means shown in the table do not appear to differ due to the effect of rounding).

Table 6 Amount outstanding in non-mortgage borrowing at wave 1 and wave 2 among all older people at wave 2

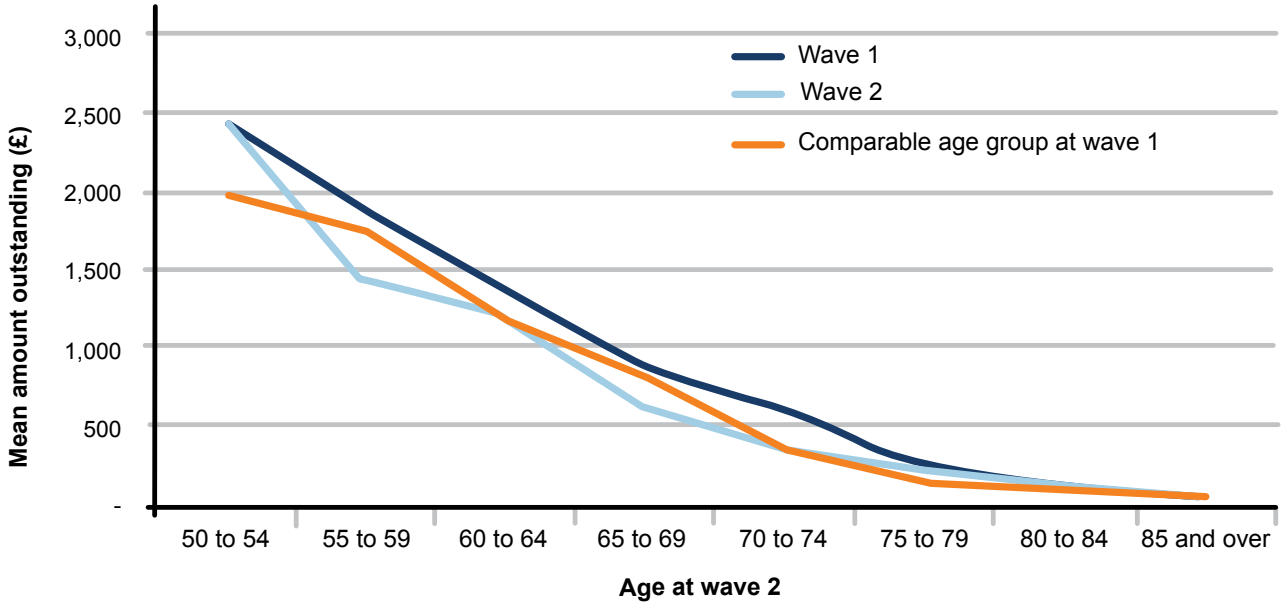
Age at wave 2	Wave 1 mean (£)	Wave 2 mean (£)	Difference (wave 1 to wave 2)
50 to 54	2,500	2,400	- <100
55 to 59	1,900	1,400	- 400 **
60 to 64	1,400	1,200	- 100
65 to 69	900	600	- 200 *
70 to 74	600	400	- 300
75 to 79	200	200	+ <100
80 to 84	100	100	+ <100 *
85 and over	100	<100	- <100 *
Total	**1,200**	**1,000**	**- 200 ** **
Unweighted base	*18,291*	*18,291*	*18,291*

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2. Notes: All figures are rounded to the nearest £100. The nominal change in the mean between waves is calculated using unrounded figures and therefore may not appear to be correct. ** indicates a highly significant difference ($p<.05$) and * indicates a significant difference ($p<.01$) between waves in a Wilcoxon signed rank test.

The trend by age is illustrated in Figure 7. When the trend for the age-comparable sample at wave 1 (i.e. those aged 50 and over in wave 1) is laid over these trend lines, this tracks the wave 2 trend more closely than the wave 1 trend.

[3] For consistency with Office for National Statistics conventions, all estimates are rounded to the nearest £100.

Figure 7 Amount outstanding in non-mortgage borrowing at wave 1 and wave 2 among all older people at wave 2 and the comparable age groups at wave 1(Mean £)



Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 (*n=18,291*).

This again suggests that the fall in the amounts owed related more to an ageing effect than a cohort effect. Nonetheless, there are clear differences for certain age groups. In particular, people aged in their early 50s in 2008/10 owed considerably more (around £500 more) than their counterparts in 2006/08, while those in their late 50s in 2008/10 owed rather less (£300). This may indicate a greater effort among people in their late 50s in 2008/10 to have consciously paid down their borrowing, perhaps in the wake of the financial crisis, than their counterparts prior to the crisis and the cohort following immediately in their footsteps. Alternatively (or additionally) it may indicate a heightened need for people in their early 50s to borrow, for example to make ends meet or assist adult children financially, in 2008/10 than 2006/08, or a legacy of higher levels of borrowing among this particular cohort.

Non-mortgage borrowing by older people: changes at the individual level

Panel surveys, like the Wealth and Assets Survey, provide a powerful opportunity to examine how social behaviours and outcomes vary over time for individuals, not just for a defined population that individuals belong to. Analysis of the Wealth and Assets Survey will be even more powerful when future waves of data are released. Even so, with two waves of the data available it is possible to start looking now at transitions in non-mortgage borrowing – over a two year period – and use this to better understand what influences non-mortgage borrowing by older individuals.

Transitions in active credit commitments

Some 66 per cent of older people, defined based on their age at wave 2, had no active credit commitments in either wave. Of those with active commitments at wave 2, twice as many had also had active commitments at wave 1 than had not: 16 per cent of all older people had borrowing at both waves; eight per cent had borrowing in wave 2 only; while the remaining 11 per cent had borrowing only at wave 1. Put another way, fewer than one in five older people transitioned from or to active borrowing across the two waves of the survey. This underlines a persistence of credit use (and non-credit use) over time among older people that has been documented previously in relation to studies of the wider population (e.g. Kempson et al., 2004).

Table 8 shows how this breakdown varies across the age range. As we should expect to see, based on the analysis we saw above, younger age groups were more likely to have had outstanding commitments at both waves, ranging from 30 per cent of people aged in their early 50s to 18 per cent of those in their early 60s, to less than one per cent of those aged 85 or older. Conversely, the propensity to have active commitments at *neither* wave more than doubles across the age range from 44 per cent of those in their early 50s to 91 per cent of those in their early 80s and 96 per cent of people aged over 85.

Table 8 Percentage of older people at wave 2 by any non-mortgage borrowing at waves 1 and 2 combined

Age at wave 2	Both waves	Wave 2 only	Wave 1 only	Neither wave
50 to 54	30	12	15	44
55 to 59	23	10	15	53
60 to 64	18	9	12	61
65 to 69	11	7	11	71
70 to 74	10	6	7	77
75 to 79	6	5	6	83
80 to 84	3	2	4	91
85 and over	<1	1	3	96
Total	**16**	**8**	**11**	**66**

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 (*n=18,291*).

The group of greatest potential interest, however, is those with active commitments at wave 2 only, having not had any outstanding commitments at wave 1; these make up eight per cent of all older people. This is not to say that these individuals would not have borrowed prior to their interview in 2006/08, or indeed since, just that they only recorded borrowing at the time of the wave 2 survey; as such, this is broadly (but not precisely) indicative of a group moving into borrowing in their older age. Again, we find that this pattern of borrowing across the two survey waves was most common among the youngest age group (those in their early 50s; 12 per cent), falling steadily with increasing age to just one per cent among the over 85s. This makes a great deal of sense, intuitively, because people in their 50s are much more likely to be in work – and so able to access credit more readily – and to have lumpy expenditure – one of the principle reasons for using credit (Finney et al., 2007), such as spending on children – than their older counterparts.

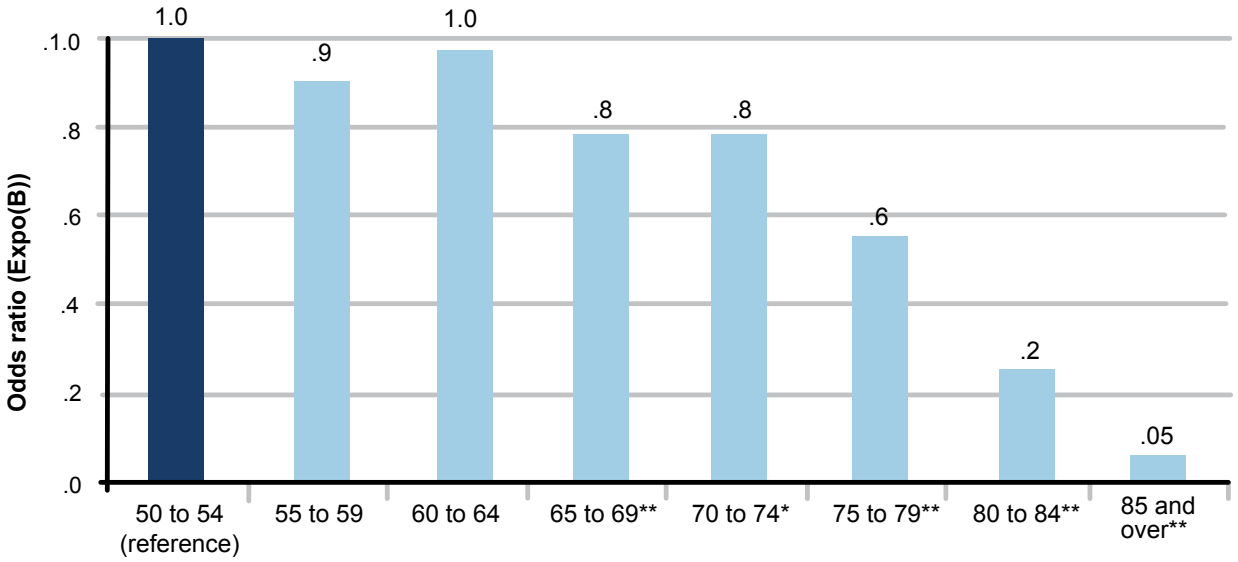
Key socio-demographic determinants of active borrowing

In addition to age, any number of factors may explain why people might have had credit commitments in wave 2 (when they may or may not have done in wave 1); indeed, and as already implied above, age itself may well be reflective of other factors that influence borrowing rather than being simply a direct effect of age. We can explore a range of factors captured in the Wealth and Assets Survey that may have had some bearing on whether or not people had borrowing in wave 2 in regression analysis. Regression analysis is a statistical technique that considers, simultaneously, the correlation between an outcome measure of interest (in this case any active credit commitments at wave 2) with multiple demographic and other relevant characteristics in order to identify the *independent* relationship of each characteristic to that outcome.

The first key finding to note from an initial regression, which 'predicts' whether or not someone has any active credit commitments based on their demographic and socio-economic characteristics, is that age remains statistically significant (and highly so) even when other factors are taken into account (Figure 9; Table 10). This is indicated by a significance (*p*) value of less than .05 against the reference category for age, 50 to 54 year olds (shown in bold in Table 10). The odds ratio, which

represents the likelihood that someone had active commitments, falls steadily with increasing age,[4] and is significantly different from 50 to 54 year olds for all groups from 65 to 69 year olds and older (again indicated by the significance (p) value of less than .05). In other words, the likelihood of having active credit commitments decreased steadily with age *independently* of other characteristics. All other things being equal, the odds that someone in their early 50s had outstanding borrowing were nearly double that of someone in their late 70s and five times that of someone in their early 80s; they were some 10 times higher than for people aged 85 and over.

Figure 9 Odds of having any non-mortgage borrowing at wave 2, by age at wave 2



Source: Wealth and Assets Survey 2006-10 (new analysis). Unweighted base is all adults aged 50 and over at wave 2 (18,291). ** indicates a highly significant difference ($p<.05$) and * indicates a significant difference ($p<.01$) in the odds ratio for this category when compared with the reference category, in a logistic regression. See Table 10 for more detail.

Even more striking is that this strong effect of age holds true even though credit use at wave 1 is controlled for in the model, itself also highly significant. If someone had active credit commitments at wave 1, they had nine times higher odds of having active commitments at wave 2, all other things being equal. This corroborates the earlier finding that fewer than one in five older people transitioned from or to credit use between waves, and underlines the important influence of past behaviour and circumstances on future behaviour. It could in turn attest to difficulties individuals may have in paying down the borrowing they already have. These two findings, in combination, could suggest the potential for age-specific messages around credit and debt, for example for the under 65s and the over-65s, that reflect the relative propensity to have borrowing but also the potential for it to impact on individuals' and households' future financial wellbeing.

Several other wave 1 characteristics of individuals were also significant in the model, some more notable than others. In particular, people describing themselves at wave 1 as being from Black or Black British backgrounds had twice the odds of having active credit commitments than people from any other ethnic background. Previous research has also found that, all other things being equal, people from a non-White background are more likely to use mainstream credit and, separately, to feel that the use of higher-cost credit trapped them in a cycle of borrowing than those from a White background (PFRC, 2013).

[4] The *odds* of an outcome occurring (in this case having any active credit commitment) represent the probability of it occurring divided by the probability of it not occurring. As such, odds and probabilities are related, but not identical concepts. The *odds* ratio is the odds that an outcome occurred for one group compared with another, usually the reference category for a characteristic. The reference category, by definition, carries an odds ratio of 1.0. An odds ratio greater than one for a category indicates that the outcome was more likely for this category than the reference (and an odds ratio of less than one indicates that the outcome was less likely to have occurred).

Table 10 Logistic regression predicting whether or not someone had by any non-mortgage borrowing at wave 2

	Significance (p-value)	Odds ratio (Exp(B))	95% confidence interval	
			Lower	Upper
Active borrowing at wave 1: Yes (reference is No)**	**.000**	**8.5**	**7.8**	**9.3**
Age group at wave 2 (reference is 50 to 54)**	**.000**			
55 to 59	.124	.9	.8	1.0
60 to 64	.691	1.0	.8	1.1
65 to 69	.007	.8	.7	.9
70 to 74	.010	.8	.6	.9
75 to 79	.000	.6	.4	.7
80 to 84	.000	.2	.2	.3
85 and over	.000	.1	.03	.1
Ethnic background (reference is White British)**	**.000**			
Non-British White	.895	1.0	.8	1.3
Asian or Asian British	.674	.9	.7	1.2
Black or Black British	.000	2.3	1.7	3.2
Any other ethnic background	.904	1.0	.7	1.4
Missing/Prefer not to say	.265	1.9	.6	6.0
Highest qualification achieved (Reference is degree level or above)**	**.001**			
Other level	.000	1.3	1.1	1.5
None, including 1 case with unknown level	.093	1.1	1.0	1.4
Government Office Region (reference is West Midlands)**	**.003**			
North East of England	.090	1.2	1.0	1.6
North West of England	.000	1.4	1.2	1.7
Yorkshire and the Humber	.818	1.0	.8	1.3
East Midlands	.082	1.2	1.0	1.5
East of England	.103	1.2	1.0	1.4
London	.021	1.3	1.0	1.6
South East of England	.006	1.3	1.1	1.6
South West of England	.007	1.3	1.1	1.6
Wales	.008	1.4	1.1	1.7
Scotland	.468	1.1	.9	1.3
HRP status (reference is HRP at both waves)**	**.006**			
HRP in wave 1 only	.085	.8	.7	1.0
HRP in wave 2 only	.035	.8	.7	1.0
Never an HRP	.001	.8	.7	.9
Has dependent children (reference is Both waves)**	**.008**			
Wave 1 only	.090	.8	.6	1.0
Wave 2 only	.959	1.0	.6	1.6
Neither wave	.001	.8	.6	.9
Has mortgage or rent to pay (reference is Both waves)**	**.000**			
Wave 1 only	.000	.6	.5	.8
Wave 2 only	.200	1.2	.9	1.7
Neither wave	.000	.5	.5	.6
Working (reference is Both waves)**	**.000**			
Wave 1 only	.000	.6	.5	.7
Wave 2 only	.352	.9	.6	1.2
Neither wave	.000	.7	.6	.8
Receives income-replacement benefits received: (reference is Both waves)**	**.000**			
Wave 1 only	.004	.7	.5	.9
Wave 2 only	.294	.9	.7	1.1
Neither wave	.000	.7	.6	.8
Change in household income resulting in change in individual's financial situation (reference is No Change)**	**.000**			
Increase in income	.039	.9	.7	1.0
Decreased in income	.000	1.3	1.2	1.5
Constant	**.000**	**.4**		

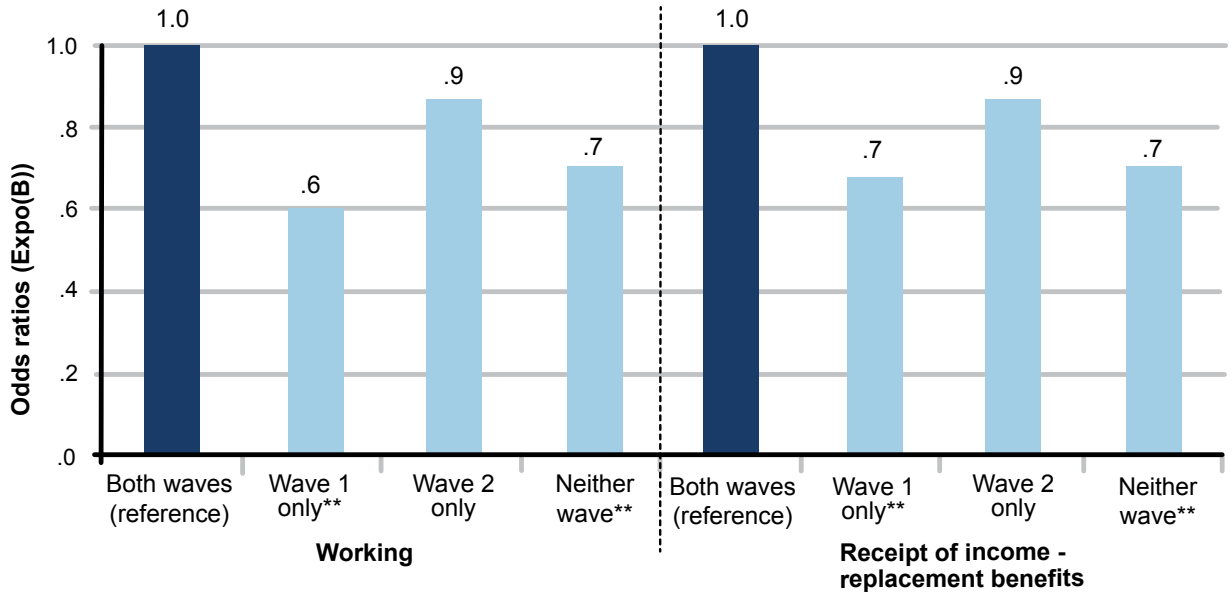
Source: Wealth and Assets Survey 2006-10 (new analysis). Unweighted base is all adults aged 50 and over at wave 2 (18,291); Hosmer and Lemeshow p=.083 (13.967; 8); Nagelkerke R square = .393. Except where stated, the measure reflects the respondent's status at wave 1 and missing cases were included but are not shown. Someone's gender, socio-economic classification and whether they lived in an urban or rural area at wave 1, and whether they lived as part of a couple at either wave were not significant in the model.

Differences in the types of credit commitments people from different ethnic groups tend to use have also been found to exist (e.g. Chouhan et al., 2011, Herbert and Kempson, 1994, PFRC, 2013). Nonetheless, what is driving this particular finding among older people from Black or Black British backgrounds is difficult to explain without further investigation (outside the scope of this analysis).

The highest qualification someone had received and where they lived across Great Britain at wave 1 (by country and region of residence) were also significant, although the change in odds did not vary greatly across the categories making up these measures – to a maximum of 1.4 times the odds among people living in the North West of England compared with a low of 1.0 odds among people in the West Midlands and Yorkshire and the Humber. Someone's gender, their socio-economic classification (based on their current or last occupation) and whether they lived in an urban or rural area were not statistically significant determinants of active use of credit.

The particular power of regression analysis when using longitudinal data is the ability to consider the impact of change on certain measures over time on outcomes of interest. Therefore, we included several measures in this regression that take into account how people's household or financial circumstances may have changed between wave 1 and 2 (these are also shown in Table 10). Of most note is the effect of someone's working status and whether or not they were in receipt of income-replacement benefits at each wave (illustrated in Figure 11).

Figure 11 **Odds of having any non-mortgage borrowing at wave 2, by whether working and receiving income-replacement benefits at wave 2**



Source: Wealth and Assets Survey 2006-10 (new analysis). Unweighted base is all adults aged 50 and over at wave 2 (18,291). ** indicates a highly significant difference (p<.05) and * indicates a significant difference (p<.01) in the odds ratio for this category when compared with the reference category, in a logistic regression. See Table 10 for more detail.

The odds of having active credit commitments at wave 2 were higher, by a factor of about two, when someone was working at both waves than when they either worked only at wave 1 or at neither wave. Similarly, the odds were higher if they received income-replacement benefits at both waves than if they received them at neither wave or only at wave 1.[5] These, seemingly contradictory, findings may reflect a greater ability to access credit when someone is in work, but also a greater need to borrow

[5] Income-replacement benefits were defined at both wave 1 and 2 as Job Seekers Allowance, Income Support, Incapacity Benefit, Working Tax Credit (excluding any childcare tax credit) and Pension Credit. Note that the survey waves pre-date the major welfare reforms announced by Government in late 2010. This analysis does not take into account the possibility that someone else in the household may be receiving income-replacement benefits and if someone was not claiming any benefits they may have been entitled to.

when living on a very low income. In combination, these findings suggest that someone in low-paid work who is reliant on supplementary income from benefits or tax credits to bring their incomes up to minimum thresholds is especially likely to have active borrowing.

Reporting experiencing a deteriorating financial situation over the last two years as a result of a decrease in household income (expected or unexpected) also increased the odds that someone had active commitments. Although people may find credit harder to access at these times, previous qualitative research with people of working age has found a strong tendency for people to draw on existing unused credit following financial shocks, particularly using credit cards and overdrafts which had been put aside for use only in emergencies (e.g. Finney and Davies, 2011).

Other characteristics that reflect the potential for the status of the household to change over the course of the two survey waves were also significant. In particular, the effect of living in a household with a mortgage or rent to pay on the main home was highly significant. All other things being equal, people in households paying for housing costs at both waves were more likely to have active non-mortgage borrowing at wave 2 than those paying housing costs in neither wave or at wave 1 only; those with housing costs at wave 2 only (from not paying any at wave 1) were even more likely. This would seem to indicate that older people with higher fixed costs, as a result of mortgage or rent payments, have a greater need to borrow money. This resonates with the findings of recent analysis of expenditure patterns among older households, which identified a fairly small but distinct group of older households with high housing-related costs and lower than average spending on other goods and services, which, when coupled with lower than average income levels, suggested their ability to spend on these other things was constrained (Hayes and Finney, forthcoming). Equally, however, having a mortgage (and home ownership in general) is known to correlate with non-mortgage borrowing, in part because people with housing capital may be better able to access other types of credit and at more favourable interest rates (e.g. Del-Rio and Young, 2005; May et al., 2004).

Having dependent children at both waves was associated with higher odds of active borrowing at wave 2 than if someone had children at neither wave or only at wave 1. This may reflect the greater demands placed on incomes in families with children. Finally, heads of households (HRP) at both waves were more likely to have credit commitments at wave 2 than people who were not the head of household at either wave.[6] This could relate to the greater responsibility placed on heads of households to meet the household's bills and other commitments and ensure the wellbeing of other household members. Alternatively, it may reflect the higher incomes HRPs, by definition, receive compared with other household members, with higher incomes affording better access to credit.

The effect of the ability to make ends meet and attitudinal characteristics on active borrowing

A number of subjective and attitudinal questions have been asked in the Wealth and Assets Survey since its inception. These were asked of all respondents except those who were not interviewed in person. One such question, included at waves 1 and 2, asked people to rate how often in the last 12 months they had had money left over before the end of the week or month – a proxy for an individual's ability to make ends meet. Five response categories were offered, ranging from all of the time through sometimes to never. Based on a binary version of this measure at each wave, which divides people into those saying they had money left over all or most of the time from everyone else, we have combined wave 1 and wave 2 responses into a single measure. This finds that a third of older people (35 per cent) said they had money left over at both waves and a further third (35 per cent) had money left over at neither wave (Table 12). Of the remainder, it was slightly more common for people to have money left over at wave 1 only (18 per cent) than wave 2 only (12 per cent).

However, when broken down by older people's patterns of active borrowing across the two waves a rather different picture emerges (Table 12). Among those who had borrowing at both waves, a majority (60 per cent) had not had money left over at either wave. This contrasts with 27 per cent of those with no active credit commitments at either wave. Meanwhile, four in ten (41 per cent) of those

[6] The household reference person (HRP) is the person in whose name the property is owned or rented (i.e. the householder). If there are joint householders the HRP is taken to be the person with the highest income, and if incomes are the same, the oldest person.

with no commitments at either wave described having money left over at both waves, compared with only two in ten (18 per cent) of those with commitments at both waves. This suggests that active borrowing and difficulties making ends meet until the end of the week or month go hand-in-glove to a certain degree, although the direction of any causal influences in this relationship as yet remains unclear.

Table 12 Changes in any non-mortgage borrowing wave 1 to wave 2, by changes in the frequency of having money left over

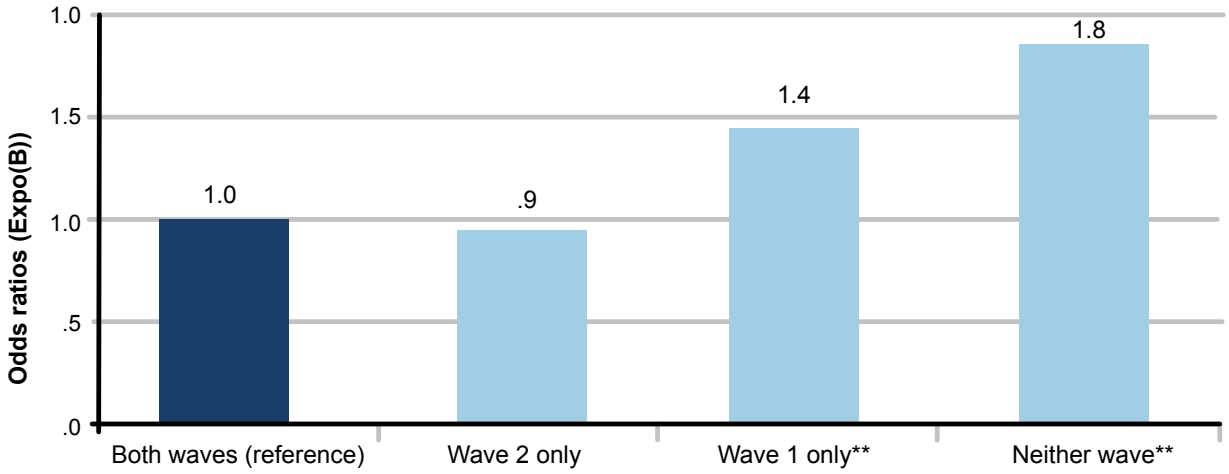
Reports having had money left over most or all of the time	Active credit commitment at both waves, combined (%)				
	Both waves	Wave 2 only	Wave 1 only	Neither wave	Total
Both waves	18	26	28	41	35
Wave 2 only	9	9	15	13	12
Wave 1 only	12	21	15	19	18
Neither wave	60	43	41	27	35
Unweighted base	***2,274***	***1,155***	***1,568***	***10,901***	***15,898***

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 for those responding in person at both waves.

The profiles of older people who had active borrowing at wave 1 or wave 2 only were broadly similar on this measure. The largest proportions of them (41 per cent and 43 per cent respectively) had not had money left over at either wave, and a further quarter (28 per cent and 26 per cent respectively) had borrowing at both waves. However, those with active borrowing at wave 2 only were rather more likely to have had money left over only at wave 1 (21 per cent) than at wave 2 (nine per cent). The same does not appear to hold among those with active commitments only at wave 1: similar proportions of this group had money left over at wave 1 only (15 per cent) and wave 2 only (15 per cent). Looked at another way, however, a larger proportion of older people with wave-2 only borrowing had money left over only at wave 1 (21 per cent) than those with wave-1 only borrowing (15 per cent) and fewer of them (nine per cent) had money left over at wave 2 (compared with 15 per cent). Together, this would seem to suggest that financial constraints at wave 2 contributed to this group's borrowing at wave 2, although they did not wholly account for it. Other factors, such as underlying attitudes towards credit are likely to play a role.

We can explore the independent effect of people's ability to make ends meet and other attitudinal factors on borrowing at wave 2, controlling for other factors, again using regression analysis. A second regression was therefore run, including these factors in addition to all of those previously considered. Someone's ability to make ends meet at each wave was statistically significant in the model (Figure 13; Table 14). Compared with those reporting having money left over all or most of the time at both waves (or indeed only at wave 2), the odds of having commitments were significantly higher if they had money left over at wave 1 only (by a factor or 1.4) or at neither wave (by a factor of 1.8). This evidences an independent relationship between difficulties making ends meet and active borrowing among the older population; further research might explore whether this is the case for other sectors of the population. In particular, the finding that having money left over only at wave 1 increases the odds of active borrowing at wave 2 and that the effect of having money left over at neither wave is stronger still (whilst also controlling for active borrowing at wave 1) provides stronger evidence yet of the contributory role of difficulties making ends meet on credit use.

Figure 13 Odds of having any non-mortgage borrowing at wave 2, by having money left over most or all of the time



Source: Wealth and Assets Survey 2006-10 (new analysis). Unweighted base is all adults aged 50 and over at wave 2 (18,291). ** indicates a highly significant difference ($p<.05$) and * indicates a significant difference ($p<.01$) in the odds ratio for this category when compared with the reference category, in a logistic regression. See Table 14 for more detail.

People's attitudes to spending, borrowing and saving have previously been shown to vary by age, with older people having more debt and spend-averse attitudes on average (e.g. Finney, 2009; Kneale and Walker, 2013; McKay et al, 2008). People's attitudes are also likely to vary depending on other factors, which may or may not in turn be related to their age. We therefore included two attitudinal measures in the same regression, one examining attitudes towards spending vs saving at wave 1 and a similar question at wave 2. These were also statistically significant in the model. Someone who agreed at wave 2 that they 'find it more satisfying to spend money than to save' and disagreed at wave 1 that they are 'more of a saver than a spender' were highly likely to have active borrowing at wave 2, all other things being equal. This underlines the importance of attitudinal dimensions in borrowing behaviour as distinct from people's ability to make ends meet, for example for reasons of hardship rather than over-spending. Nonetheless, the continued statistical significance of other key factors also underlines the ongoing importance of those other factors, including people's material circumstances, independently of their attitudes.

Even with the inclusion of these measures, age and active borrowing at wave 1 remained highly significant factors in active borrowing at wave 2, as did several other variables, including ethnic background (Table 14). However, other characteristics that were previously significant were no longer important. This indicates that the effects of these characteristics observed in the earlier regression are moderated by someone's ability to make ends meet or their attitudes towards spending and saving (or both).

Table 14 Regression predicting whether or not someone had any non-mortgage borrowing at wave 2, testing the effect of the ability making ends meet and attitudinal characteristics

	Significance (p-value)	Odds ratio (Exp(B))	95% confidence interval	
			Lower	Upper
Active borrowing at wave 1: Yes (reference is No)**	**.000**	**7.8**	**7.0**	**8.6**
Age group at wave 2 (reference is 50 to 54)**	**.000**			
55 to 59	.202	.9	.8	1.1
60 to 64	.563	1.0	.9	1.2
65 to 69	.089	.8	.7	1.0
70 to 74	.177	.9	.7	1.1
75 to 79	.000	.6	.5	.8
80 to 84	.000	.3	.2	.4
85 and over	.000	.1	.03	.1
Ethnic background (reference is White British)**	**.000**			
Non-British White	.287	.9	.6	1.1
Asian or Asian British	.927	1.0	.7	1.4
Black or Black British	.000	3.0	2.1	4.3
Any other ethnic background	.990	1.0	.7	1.5
Missing/Prefer not to say	.170	3.3	.6	17.7
Government Office Region (reference is West Midlands)*	**.020**			
North East of England	.049	1.3	1.0	1.7
North West of England	.014	1.3	1.1	1.6
Yorkshire and the Humber	.586	.9	.7	1.2
East Midlands	.164	1.2	.9	1.5
East of England	.496	1.1	.9	1.3
London	.220	1.2	.9	1.5
South East of England	.050	1.2	1.0	1.5
South West of England	.050	1.2	1.0	1.5
Wales	.107	1.2	1.0	1.6
Scotland	.728	1.0	.8	1.2
HRP status (reference is HRP at both waves)*	**.032**			
HRP in wave 1 only	.161	.9	.7	1.1
HRP in wave 2 only	.032	.8	.6	1.0
Never an HRP	.012	.8	.7	1.0
Has mortgage or rent to pay (reference is Both waves)**	**.000**			
Wave 1 only	.001	.7	.6	.9
Wave 2 only	.251	1.2	.9	1.8
Neither wave	.000	.6	.5	.6
Working (ref is Both waves)**	**.000**			
Wave 1 only	.000	.6	.5	.7
Wave 2 only	.188	.8	.6	1.1
Neither wave	.000	.6	.5	.7
Receives income-replacement benefits received: (reference is Both waves)*	**.015**			
Wave 1 only	.007	.7	.5	.9
Wave 2 only	.639	.9	.7	1.2
Neither wave	.013	.8	.7	1.0
Had money left over most or all of the time (reference is Both waves)**	**.000**			
Wave 2 only	.167	.9	.7	1.1
Wave 1 only	.000	1.4	1.2	1.7
Neither wave	.000	1.8	1.6	2.1
I find it more satisfying to spend money than to save' wave 2 (reference is Agree)**	.000			
Neither agree nor disagree	.000	.6	.5	.8
Disagree	.000	.8	.7	.9
'I am more of a saver than a spender' wave 1 (reference is Agree)**	**.000**			
Neither agree nor disagree	.000	1.3	1.1	1.4
Disagree	.000	1.7	1.5	2.0
Constant	**.000**	**.3**		

Source: Wealth and Assets Survey 2006-10 (new analysis). Unweighted base is all adults aged 50 and over at wave 2 who responded to both survey waves in person (15,898); Hosmer and Lemeshow p=.058(15.78; 8); Nagelkerke R square = .429. Except where stated, the measure reflects the respondent's status at wave 1 and missing cases were included but are not shown. Someone's gender, highest qualification, socio-economic classification, their area and region/country or residence at wave 1, and whether they had children, whether they lived as part of a couple at either wave or had experienced a change in household income between waves were not significant in the model.

Owing more, less or about the same

The detailed information captured in the Wealth and Assets Survey enables us to look additionally at transitions in the amounts older people owed on non-mortgage borrowing commitments between the two waves. We have approached this by looking at whether people's outstanding balances had decreased by 10 per cent or more across the waves, increased by 10 per cent or more, or broadly stayed the same to within 10 per cent of their wave 1 balance (to take account of smaller fluctuations in people's patterns of borrowing). If people moved to having sums outstanding from a zero-value holding, or vice versa, they also counted as having more, or less, borrowing outstanding respectively.

As before, we find that two-thirds of older people (66 per cent) did not have any borrowing at either wave (Table 15). Again this was especially common among the older age groups (in excess of nine in ten among the over 80s). A further one per cent owed similar amounts at both waves, to within 10 per cent of their original borrowing, falling from a high of two per cent among people in their early 50s. Of the remainder, it was slightly more common for older people overall to have reduced the sums they owed between waves 1 and 2 than to have increased the amounts owed.

Table 15 Percentage of older people at wave 2 by changes in the amounts outstanding in non-mortgage borrowing, wave 1 to wave 2

Age at wave 2	No borrowing either wave	At least 10% less borrowing at wave 2 than wave 1	Same amount of borrowing at each wave, to within 10%	At least 10% more borrowing at wave 2 than wave 1
50 to 54	44	28	2	26
55 to 59	53	25	2	21
60 to 64	61	20	1	18
65 to 69	71	16	1	13
70 to 74	77	13	1	10
75 to 79	83	8	<1	8
80 to 84	91	6	-	3
85 and over	96	3	<1	1
Total	**66**	**18**	**1**	**15**

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 (n=15,898).

Even so, one in seven older people (15 per cent) owed at least 10 per cent more in wave 2 than wave 1. This fell from more than one in five people aged in their 50s (26 per cent among the 50s-54s and 21 per cent among the 55s to 59s) to less than one in ten among those aged 75 and over. Still, more than one in ten of older people in their late 60s (13 per cent) and early 70s (10 per cent) had more borrowing at wave 2 than wave 1, at a time, following State Pension Age, when the ability to access and repay credit is likely to be more limited.

Older people with at least 10 per cent more borrowing at wave 2 than wave 1 owed £5,100 on average at wave 2. This is almost five times more than those owing less at wave 2 (£1,100). Interestingly, however, the small group who owed similar amounts at both waves owed the most of all the groups, at an average of £7,600 per person. This may indicate that these individuals were more likely to be at the limits of the credit available to them, possibly unable to access further credit or struggling to pay their borrowing down (or a combination of both). It is important to emphasise, however, that this applies to only a very small proportion of older people in Great Britain.

Nonetheless, at 60 per cent, members of this same group were particularly likely to not report having money left over (all or most of the time) at either wave (Table 16). Similarly, around a half of those who owed more (53 per cent) or less (48 per cent) at wave 2 did not report having money left over, substantially more than those with no borrowing at either wave (27 per cent).

Table 16 Changes in amounts outstanding in non-mortgage borrowing, by changes in the frequency of having money left over

Reports having had money left over all or most of the time	Change in amounts outstanding between waves (%)				
	No borrowing either wave	At least 10% less borrowing at wave 2 than wave 1	Same amount of borrowing at each wave, to within 10%	At least 10% more borrowing at wave 2 than wave 1	Total
Both waves	41	25	22	21	35
Wave 2 only	13	13	7	9	12
Wave 1 only	19	14	10	17	18
Neither wave	27	48	60	53	35
Unweighted base	*10,901*	*2,623*	*150*	*2,224*	*15,898*

Source: Wealth and Assets Survey 2006-10 (new analysis). The base is the wave 1-2 linked records for people aged 50 and over at wave 2 who responded to the survey in person at both waves.

An additional regression analysis was run to examine the effect of age, the ability to make ends meet and attitudinal factors (controlling for other factors) on owing the *same amount or more* in non-mortgage borrowing at wave 2 than wave 1 (Table 17), compared with owing nothing at both waves or less at wave 2 than wave 1. Compared with previous regressions, fewer of the characteristics included in the regression were statistically significant. In particular, characteristics related to household composition and the country and region of Great Britain in which people lived at wave 1 were not significant. However, age at wave 2 remained highly significant, in the expected direction (decreasing with age).

Whether or not an older person had active commitments at wave 1 was also highly significant. Although the change in odds was more muted than in the previous analyses described above (at 2.2 times the odds of someone without commitments at wave 1), the direction of the effect in this analysis is consistent with those previous models. This is in turn somewhat surprising, as the outcome measure in this analysis, which examines whether or not someone has *the same or more* borrowing at wave 2, implicitly includes people who had any outstanding borrowing at wave 2 when they had none at wave 1. This tells us that, controlling for the other characteristics included in this analysis, owing the same or more at wave 2 (compared with owing nothing at both waves or less at wave 2) is precipitated by owing at least something at wave 1. In other words, and given that this group is dominated in number by those owing more at wave 2, existing credit users are more likely to become bigger borrowers than people without credit commitments are to become credit users. This may reflect the amounts of borrowing that older people had taken on over time, or the effect of compounding of interest charges and other fees, particularly if people had not repaid according to their contract.

A very similar pattern to the previous regression analysis emerges in relation to the ability to make ends meet and attitudes towards spending. As such, having money left over at wave 1 only increased the odds that someone owed the same amount or more in borrowing at wave 2 compared with someone who had money left over at wave 2; and having money left over at neither wave increased the odds still further. Agreeing with the statement 'I find it more satisfying to spend money than to save' at wave 2 and disagreeing that 'I am more of a saver than a spender' at wave 1 increased the likelihood that someone had the same amount or more outstanding at wave 2 than wave 1, all other things being equal.

Table 17 Regression predicting whether or not someone had a similar amount or more outstanding non-mortgage borrowing at wave 2

	Significance (p-value)	Odds ratio (Exp(B))	95% confidence interval	
			Lower	Upper
Active borrowing at wave 1: Yes (reference is No)**	**.000**	**2.2**	**2.0**	**2.5**
Age group at wave 2 (reference is 50 to 54)**	**.000**			
55 to 59	.242	.9	.8	1.1
60 to 64	.750	1.0	.9	1.2
65 to 69	.089	.8	.7	1.0
70 to 74	.003	.7	.6	.9
75 to 79	.000	.6	.5	.8
80 to 84	.000	.2	.2	.3
85 and over	.000	.1	.03	.1
Ethnic background (reference is White British)**	**.000**			
Non-British White	.877	1.0	.7	1.3
Asian or Asian British	.724	1.1	.8	1.5
Black or Black British	.000	2.3	1.6	3.2
Any other ethnic background	.091	1.4	.9	2.1
Missing	.022	5.9	1.3	27.3
Has mortgage or rent to pay (reference is Both waves)**	**.000**			
Wave 1 only	.005	.7	.6	.9
Wave 2 only	.067	1.4	1.0	2.0
Neither wave	.000	.6	.5	.7
Working (ref is Both waves)**	**.000**			
Wave 1 only	.000	.7	.5	.8
Wave 2 only	.224	.8	.6	1.1
Neither wave	.000	.7	.6	.8
Receives income-replacement benefits received: (reference is Both waves)*	**.015**			
Wave 1 only	.032	.7	.6	1.0
Wave 2 only	.946	1.0	.8	1.3
Neither wave	.009	.8	.7	.9
Had money left over most or all of the time (reference is Both waves)**	**.000**			
Wave 2 only	.978	1.0	.8	1.2
Wave 1 only	.000	1.5	1.3	1.8
Neither wave	.000	1.8	1.6	2.1
I find it more satisfying to spend money than to save' wave 2 (reference is Agree)**	**.000**			
Neither agree nor disagree	.001	.7	.6	.9
Disagree	.000	.8	.7	.9
'I am more of a saver than a spender' wave 1 (reference is Agree)**	**.000**			
Neither agree nor disagree	.001	1.2	1.1	1.4
Disagree	.000	1.5	1.3	1.7
Constant	**.000**	**.2**		

Source: Wealth and Assets Survey 2006-10 (new analysis). Unweighted base is all adults aged 50 and over at wave 2 who responded to both survey waves in person (15,898); Hosmer and Lemeshow *p*=.001 (27.546; 8); Nagelkerke R square = .209. Except where stated, the measure reflects the respondent's status at wave 1 and missing cases were included but are not shown. Someone's gender, highest qualification, socio-economic classification, their area and region/country or residence at wave 1, and their HRP status, whether they had children and whether they lived as part of a couple at either wave or had had experienced a change in household income between waves were not significant in the model.

In an otherwise identical model (not shown), we additionally included a set of variables to represent transitions in the types of credit commitments older people owed money on between waves. The inclusion of these measures greatly improved the explanatory power of the regression model as a whole.[7] Across the types of borrowing, if someone had active commitments at neither wave, and especially if they had active commitments at wave 1 only, they were very unlikely to owe the same or more at wave 2 – all other things being equal. While if they had commitments at both waves and especially if they had borrowing at wave 2 only the odds of owing the same or more at wave 2 were generally very high. This is partly because of the inherent circularity between these predictors and the outcome measure (for example, someone with no borrowing at wave 1 or wave 2 cannot owe the same or more on our outcome measure; and someone with borrowing at wave 2 only cannot owe nothing or less on the outcome measure).

However, it is the differences between the types of credit that are most noteworthy here. The odds of owing the same or more at wave 2 were particularly high for people who had taken on credit cards, personal and cash loans and especially hire purchase agreements between the two waves. This most likely reflects the larger sums and longer terms over which hire purchase agreements (in particular) tend to be made, for example for the purchase of a car. The odds of owing the same or more were also high, relative to having borrowing at neither wave, for people with credit cards and especially mail order accounts at *both* waves. This may indicate particular difficulties with escalating or fluctuating balances on these types of commitments.

[7] Indicated by an increase in the Nagelkerke R square from .200 to .721.

De-mystifying borrowing in older age: conclusions and implications for policy

About a quarter of the over 50s have at least some outstanding non-mortgage borrowing. However, there is a strong correlation with age even among the over 50s, whereby levels of active non-mortgage borrowing fall with increasing age, consistently and independently of a wide range of other factors. This is principally the effect of ageing rather than the cohort into which people were born, although cohort effects may still play a role in levels of borrowing as people approach older age. There is no strong evidence that the squeeze on access to credit which followed the financial crash of 2008 had filtered through to actual levels of unsecured borrowing among older people, at least not by 2008/10; where it had been felt, people may still have had recourse to existing, unused lines of credit. Higher-cost credit was not a particular feature of credit use among older people, no more so than in the population as a whole; however, this may change over time, given the expansion of the payday lending market in particular in recent years (PFRC, 2013).

With fewer than one in five older people transitioning into or out of active borrowing across the waves the main picture is one of persistence in credit use among a core of older people over a two-year period. This partly reflects an underlying attitudinal disposition towards borrowing but also attests to difficulties individuals may have in paying down credit already accrued. Certainly those with broadly the same amount of borrowing at both waves owed the largest sums of all active credit users at wave 2, although these were a particularly small minority. This raises important questions for the financial services industry about access to suitable credit products for people reaching and entering retirement. It also has implications for older credit users in the event of interest rate rises, when these debts will become harder for them to service, and the commensurate need for providers to have strategies in place that can deal with this situation effectively.

That a half of people in their early and late 50s had outstanding credit commitments in 2006/08 or 2008/10 (and that more than a quarter had outstanding borrowing in both) also has clear implications in particular for older people's ability to save. The national household savings ratio is already predicted to decline in the coming years to levels lower than they were 20 years ago, at least in part because of expected improvements in credit conditions (Office for Budget Responsibility, 2013). With saving rates at their peak when people are in their late 50s (Crossley and O'Dea, 2010), this is a crucial time for people to boost their retirement savings; indebtedness is almost certain to stymie people's ability to do so, risking their financial security in later life. These findings underline the importance of protecting funding for money and debt advice and suggest a role for money advice to better target older, persistent borrowers (particularly those aged in their 50s) to encourage recognition of the risks of persistent borrowing going into retirement and help to break the cycle of borrowing.

In addition to the effects of consumer borrowing, people in their 50s are also likely to be experiencing the widespread squeeze on in-work pay, a problem that gives no sign of easing in the current economic climate. This will further impact older workers' ability to provide adequately for their retirement. With the decline in traditional defined-benefit pensions impacting on the size (and security) of people's pension pots, these problems are likely to become even more acute for subsequent generations, the so-called 'squeezed middle ages', who already report feeling the greatest effects of the additional costs of running a home and raising a young family in an era of high inflation (Telegraph, 2012).

The effect of having higher fixed costs – indicated by having a mortgage or rent to pay and having dependent children – and lower incomes – indicated by receipt of income-replacement benefits or tax credits and experiencing a detrimental drop in income – appears to underline the apparent necessity of credit use among older people. This is all the clearer when people's ability to make ends

meet at each wave is considered and points to a direct contributory role of low disposable incomes on credit use, one which is independent of any underlying propensity to over-spend. This resonates with the notion of 'having too much month at the end of the money' and would seem to suggest that alternative financial safety nets (or, at least, access to and use of them) are not adequate for older people who find themselves in financial strain. With expenditure recently estimated to outstrip income (across the population) by some £150 every month (Aviva, 2013), there is a clear role for government to put in place provision that ensures the rising costs of essentials alone do not force more older people into debt. Where people *also* have a propensity to over-spend this will tend to compound the problems associated with limited and constrained resources, highlighting a need for greater early intervention by support and advice services, and better (and potentially age-appropriate) messaging about the availability of these services when people do start to find themselves facing financial strain.

The role of parenthood in turn in the propensity to borrow further highlights the potential financial risks to parents who may be keen to help their children (and grandchildren) cope with unmanageable debts and the increasing cost of living, university fees and homeownership. While already a comparatively common practice, research has shown that support of this kind by grandparents alone is likely to be an increasing reality in the coming years (Beach, 2013). Among the other challenges older people are likely to face financially, providing financial support to children and grandchildren is likely to pose an increasing dilemma for our ageing population at a time when they may well be less able to do so. The release of subsequent waves of survey data will enable longitudinal changes in older people's non-mortgage borrowing to be explored in the period beyond the first impacts of the financial crisis and into the new age of austerity Britain's older people face today.

About the Wealth and Assets Survey

The Wealth and Assets Survey is a large-scale national panel survey of private households in Great Britain. It is carried out by the Office for National Statistics on behalf of a consortium of government departments. First started in 2006 each wave of interviews spans a two-year period, with respondents re-interviewed at two-year intervals. In wave 2 of the survey, which was carried out in 2008/10, a total of 46,347 adults living in 20,170 households were successfully interviewed. Of these, 19,260 individuals were aged 50 years or over, most of whom (18,291) were also successfully interviewed at wave 1 ('linked records').

The primary purpose of the Wealth and Assets Survey is to provide survey-based estimates of the economic wellbeing of households. It measures wealth across four components: physical wealth; property wealth; financial wealth; and private pension wealth. In addition to the main measures of wealth captured, the survey also includes a range of supplementary measures, encompassing household and individual demographics, socio-economic characteristics, and measures of financial behaviours, attitudes and financial difficulties.

Our approach

All analysis presented here was undertaken using the Wealth and Assets Survey 2006-10 (Special Licence) data in IBM SPSS (v19). It uses wave 1-2 linked records from people aged 50 years and over in wave 2 (18,291 cases), and weights these using the longitudinal weight to make the linked sample representative of the older population in Great Britain. More detail about the longitudinal weighting strategy can be found in Office for National Statistics (2012a). Significance testing in the current paper does not take design effects into account (as these are not currently available) and should therefore be treated with caution.

The use of non-mortgage borrowing is captured within the survey's financial wealth questions. Most types of non-mortgage borrowing commitments – mail order, hire purchase and personal and cash loans – can only be lent to and held by one individual, in their sole name. The measurement of these types of borrowing reflects this and is therefore correctly allocated to the person with contractual responsibility for the repayments. However, some types of commitments (credit cards, store cards and overdrafts on current accounts) may be held jointly by more than one individual. Being designed primarily to measure wealth at the household – rather than individual – level, and to avoid double-counting, joint holdings are asked only of one household member in the survey interview.

Data processing for the analysis presented here has therefore involved re-allocating a share of any joint holdings to the other named joint holder. In doing so, we have allocated an equal share of outstanding balances to each joint holder, where these were present in the household. We note, however, that this may not represent perceived responsibility for outstanding balances by joint holders, and that all joint holders will, contractually, have equal responsibility for the full balance owing.

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