

# WITHOUT A Cushion

By Ilana Polyak

**E**ach month the bills arrive and Madeleine Geluso does a sort of mathematical gymnastics trying to figure out how to make the numbers equal less than the amount of her fixed income. There's rent of \$850 a month on a one-bedroom apartment. Prescription drugs and dietary supplements eat up about \$300. Car insurance adds another \$80, utilities \$50 more. By the time Geluso, 81, finishes writing checks, it's as if the \$1,400 she collects in Social Security and interest from a savings account didn't arrive at all. Some months, such as the four times a year she must pay for a prescription drug insurance supplement, there's not enough left over to stretch into the last days of the month. So her son or daughter pitches in.

"The prescriptions kill me," Geluso said. "You don't realize it when you're

Living primarily on Social Security, many find the basics alone overwhelm the budget — and the comforts of retirement are out of reach

buying one prescription here, one prescription there, but they add up."

This isn't how Geluso of Oakdale imagined her retirement. When she worked as a hairdresser in Manhattan and her late husband, Dominic, worked as a construction worker and insurance salesman, she figured they would have a quiet retirement of leisure and carefree time. Without a significant nest egg, though, she's learning that retirement can be just as stressful as the working years.

It may be small comfort, but she's got plenty of company. Despite all the stories you see about "what to do with my \$500,000 retirement fund," most people never come anywhere near that kind of money. The truth is that three out of five people on the verge of retiring have total assets of less than \$100,000, including property, reports SRI Business Consulting Intelligence of Princeton. Another study by the Employee Benefits Retirement Institute in Washington, D.C., found 44 percent of retirees rely on Social Security for most of their income, which means they're certainly not rolling in dough (the maximum you can get tops out at around \$21,000 a year).

It's no wonder they don't have more: Very few companies still offer pension plans, so employees are generally left on their own to finance a retirement. Even then, only 36 percent of American households participate in an employer-sponsored retirement plan.

Meanwhile, the double-digit rise of medical costs is eroding retirees' income. Prescription drug costs rise by 19 percent a year and hospital costs by 9 percent a year. Yet Social Security increases are tied to the general rate of inflation, now running slightly more than 2 percent a year, and a serious illness can put you deep in the hole.

Geluso knows this firsthand. Thirteen years ago, she and Dominic sold their Flushing home. But the proceeds of that sale were almost entirely de-



Craig D. Robins, a Westbury attorney, shows the credit cards that once belonged to his bankruptcy clients.

to a startling rise of bankruptcy filings among older people. Though the elderly still are a small minority of the 1.6 million who filed for bankruptcy last year, they're the fastest growing group, according to the Consumer Bankruptcy Project. Their ranks tripled between 1991 and 2001.

Geraldine Miller of Roosevelt knows what it's like to have creditors call. While Miller, now 70, worked as a nurse's aide at Mayfair Health Care Center in Hempstead, she managed to make the payments on the mountainous \$18,000 credit card debt that she inherited from her late husband. But after retiring in 1998 due to nerve damage in her spine, Miller's \$1,078 Social Security payments didn't cover the climbing debts in addition to other expenses.

In July, she discharged her debts by filing a Chapter 13 bankruptcy. She worked out a payment plan with her creditors. Now she pays about \$300 a month, which she can afford. Though her four-bedroom home is paid in full, she still has expenses. There's a \$100

pleted by the expense of Dominic's stay in a nursing home two years ago.

To finance medical expenses, retirees are increasingly turning to credit cards. Deborah Thorne, an assistant professor at Ohio University in Athens, Ohio, and a co-author of the Consumer Bankruptcy Education Project, a public awareness program run by the National Consumer Law Center, said half of older people who file for bankruptcy do so because of medical expenses they put on their credit cards. "It's not like they're spending frivolously," she said. "There's a real problem here."

Credit-card debts among seniors are soaring. Fifty-three percent of people 65 and older had an outstanding balance in 2002, compared to just 18.2 percent in 1992, SRI reported. That's led

car insurance payment and \$90 for real estate taxes, food and clothing. In July, the active churchgoer had hip replacement surgery and spent almost 20 days in the hospital and a rehabilitation facility. The first bill for \$500 arrived a few weeks back. "I'll have to give them what I can," she says. "I don't have another way of paying the bill."

Cosmo and Rosemarie Sappia of Holtsville also decided that bankruptcy was the wisest move for them. The Sappias had nearly \$60,000 in credit card and medical bills by the time they filed for Chapter 7 in April. Co-signing a car loan for Rosemarie's grown daughter, which she didn't pay back in full, also did them in. The Sappias are trying to make a fresh start by putting the bad debts behind them.

Cosmo, 67, is a retired butcher. Rosemarie, 54, still is working, though she's in poor health. She had been an office administrator for a small business until

## Where To Find Help

### Credit Counselors

These agencies help create a budget to cover living expenses while you pay off debt. They might arrange for deposits of your income into a special account to prevent you from backsliding. There is sometimes a fee; some agencies get funding from creditors. To ensure a fair deal, says AARP, pick a counselor certified by the National Foundation for Credit Counseling or one that has passed the Accredited Financial Counselor exam.

### Free Legal Assistance

Local legal aid societies, bar associations and some law firms provide free help to senior citizens with low incomes and overwhelming debts. There's also a Senior Citizen Law Day program at the Student Activities Center at Stony Brook University on Oct. 25 from 9 a.m. to 3 p.m., where you can get a feel for whether a lawyer can help.

### Books

"NCLC Guide to Surviving Debt," National Consumer Law Center, 2002 Ed., \$19, 448 pp. In bookstores, or call 617-542-9595.

For more on financial planning for retirement, including an online retirement resources calculator, go to [www.newsday.com/act2](http://www.newsday.com/act2).

she was laid off this summer. Until recently, she was on disability after gall bladder surgery. In addition, she has a herniated disc in her spine, carpal tunnel syndrome and high blood pressure. To bring in some money, she has started driving a school bus.

They're not out of the woods yet. Cosmo's Social Security check and small pension total just \$1,900 a month. As a butcher, he made \$70,000 a year, he said. Rosemarie brings in another \$1,600 a month from her job. From that they pay the \$1,300 rent on their four-bedroom colonial house. Cosmo has a supplemental medical plan that costs \$170 and he pays \$260 in COBRA payments for Rosemarie's health insurance, which will end in December. After that, they'll have to buy another health care policy. They still have car payments, and Rosemarie's 86-year-old father, who has dementia, also lives with them.

Though still stigmatizing, filing for bankruptcy could be the best way out of a dire financial situation, said Craig D. Robins, a bankruptcy attorney in Westbury. Over the past couple of years, he noticed that the number of his older clients was spiking. "A bankruptcy stays on your record for 10 years," said Robins. "It might be harder for a younger person to recover from that if they are married and have kids, if they want a mortgage. But senior citizens generally aren't in a situation where they need additional credit."

Robins said most of his clients accumulated debts as the result of medical costs. Among them: Walter and Kathleen Roland of Franklin Square, who got out from under their credit card debts in June. Both are in poor health and are on medications and unable to work. "We had \$18,000 in debts and we didn't have anything to show for it," said Kathleen, 69. "It's not like we have nice furniture or jewelry."

Indeed, it's not the kind of cushy retirement you see in the brochures. Instead of a gated condo community, they live in a



Newsday Photos / Daniel Goodrich

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Cosmo and Rosemarie Sappia of Holtsville, below, declared bankruptcy after amassing \$60,000 in credit card and medical bills.

musty basement apartment that they moved to after the owner of their last apartment sold the building. He relocated them to the one-bedroom apartment, but they'll have to pack up again in November when the landlord's aunt takes over the space — and Kathleen isn't looking forward to the search. "We might have a hard time renting a new apartment because of the bankruptcy on our record," she said.

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