Retiring Boomers Find 401(k) Plans Fall Short

By E.S. Browning

The 401(k) generation is beginning to retire, and it isn’t a pretty sight.

The retirement savings plans that many baby boomers thought would see them through old age are falling short in many cases.

The median household headed by a person aged 60 to 62 with a 401(k) account has less than one-quarter of what is needed in that account to maintain its standard of living in retirement, according to data compiled by the Federal Reserve and analyzed by the Center for Retirement Research at Boston College for The Wall Street Journal. Even counting Social Security and any pensions or other savings, most 401(k) participants appear to have insufficient savings. Data from other sources also show big gaps between savings and what people need, and the financial crisis has made things worse.

This analysis uses estimates of 401(k) balances from the end of 2010 and of salaries from 2009. It assumes people need 85% of their working income after they retire in order to maintain their standard of living, a common yardstick.

Facing shortfalls, many people are postponing retirement, moving to cheaper housing, buying less-expensive food, cutting back on travel, taking bigger risks with their investments and making other sacrifices they never imagined.

“Inevitably, we find that, for the average person, there is not enough there,” says financial adviser Paul Merritt of NTTrust Wealth Management in Virginia Beach, Va., who has found himself advising many retirement-age people with too little savings. “The discussion turns out to be: What kind of part-time work do you want to do after you retire?”

He has clients contemplating part-time work into their 70s, he says.

Tax-deferred 401(k) retirement accounts came into wide use in the 1980s, making baby boomers trying to retire now among the first to rely heavily on them.

The problems are widespread, especially among middle-income earners. About 60% of households nearing retirement age have 401(k)-type accounts, according to government data, and those represent the majority of most people’s savings. The situation is less dire for those in a higher income bracket, who tend to save more outside their 401(k) accounts and who have more margin for error if their retirement returns fall below the recommended 85% figure.

Steven Rutschmann, 60 years old, manages the buildings and grounds at a Midwest research facility. His employer recently
offered him a bonus if he retired early. Mr. Rutschmann’s 401(k) is well into six figures. His wife has a 401(k) and expects a small pension from her nursing job. An outdoorsman, he dreams of spending time hunting, fishing and hiking.

So he consulted a financial planner at Ernst & Young and learned that even with the bonus, his savings could run out before he turns 85. Now he expects to work for several more years.

“I was disappointed,” says Mr. Rutschmann, whose 401(k) balance was damaged by the financial crisis and who still has a large mortgage.

In general, people facing problems today got too little advice, or bad advice. They didn’t realize that a 6% annual contribution, with a 3% company match, might not be enough.

Some started saving too late or suspended contributions when they or their spouses lost jobs. Others borrowed against 401(k) accounts for medical emergencies or ran up debts too close to their planned retirement dates.

In the stock-market collapses of 2000-2002 and 2007-2009, many people were over-invested in stocks. Some bailed out after the market collapse, suffering on the way down and then missing the rebound.

Initially envisioned as a way for management-level people to put aside extra retirement money, the 401(k) was embraced by big companies in the 1980s as a replacement for costly pension funds. Suddenly, they were able to transfer the burden of funding employees’ retirement to the employees themselves. Employees had control over their savings, and were able carry them to new jobs.

They were a gold mine for money-management firms. In 30 years, the 401(k) went from a small program to a multi-trillion-dollar industry supporting thousands of financial planners and money managers.

But a 401(k) also requires steady, significant savings. And unlike corporate pension plans, which are guaranteed by the U.S.
government, 401(k) plans have no such backstop.

The government and employers aren’t going to pay more for people’s retirements. Unless people begin saving earlier and contributing more to their 401(k) plans, advisers say, they’re destined to hit retirement age with too little money.

Vanguard Group, one of the biggest providers of 401(k) plans, has changed its advice on how much people should save. Vanguard long advised people to put 9% to 12% of their salaries—including the employer contribution—in their 401(k) plans. The current median amount that people contribute is 9%, counting the employer contribution, Vanguard says.

Recently, Vanguard has begun urging people to contribute 12% to 15%, including the employer contribution, because of the stock market’s weak returns and uncertainty about the future of Social Security and Medicare.

Plans of younger people have been affected too. Of those 45 to 59 who had substantial retirement assets prior to the downturn, 40% planned to work longer, according to a study by the Center for Retirement Research.

Glória Moss has been contributing to a 401(k) since 1985, when she went back to work after having children. Especially after divorcing, she wasn’t able to contribute as much as she wished and when her children finished college, she focused on repaying college loans. She says she lost more than half her savings in the recent financial crisis, then shifted heavily to bonds and missed the stock rebound.

“I thought I was doing the right thing, and found out otherwise,” she says. When she consulted a financial adviser, “I got a report that said, ‘You have a 5% chance of reaching your retirement goal.’”

In her early 60s, she is ready to retire, but if she does that now, “I will have $25,000 to $30,000 a year less than I anticipated having,” she says.

To retire at her current standard of living, she figures, she needs nearly twice the savings she has now.

Dr. Moss, who has a Ph.D. in education, also made good decisions along the way. She saw trouble coming at the educational software company where she worked and found a new job a week after losing hers.

Now she has sold the condominium she loved, near the Atlantic Ocean, and moved to a cheaper house. She cut back on vacations and meals out. She adores the theater but hasn’t been to a play in at least a year.

She works extra hours each week and contributes to her employer’s version of a 401(k), but doesn’t feel financially able to contribute the maximum amount.

“I am going to probably have to work considerably longer than I anticipated,” she says. “It is a nice job but I had not planned to be working well into my sixties,” she says. “A lot of people are doing that. They need the money.”

It isn’t possible to calculate precisely how many people are able to cover the recommended 85% of their pre-retirement income, but Federal Reserve data suggest that many people can’t.

Consider households headed by people aged 60 to 62, nearing retirement, with a 401(k)-type account at their jobs.

Such households had a median income of $74,545 in 2000, according to data from the Center for Retirement Research at Boston College, which derived this and other numbers by updating Fed survey data, at The Journal’s request. The 85% needed for retirement would be $74,545 a year.

Experts estimate Social Security will provide as much as 40% of pre-retirement income, or $35,080 a year for that median family. That leaves $39,465 needed from other sources. Most 401(k) accounts don’t come close to making up that gap.

The median 401(k) plan held $149,400, including plans from previous jobs, according to the Center for Retirement Research.

To figure the annual income from that, analysts typically look at what the family would get from a fixed annuity.

That $149,400 would generate just $9,073 a year for a couple, according to New York Life Insurance Co., the leading provider of such annuities—less than one-quarter of the $39,465 needed.

Just 8% of households approaching retirement have the $636,673 or more in their 401(k)s that would be needed to generate $39,465 a year.

Some families do have other income. Just under half expect pension income of a median $26,500 a year. Added to the $9,073 in 401(k) income, that still falls short. Some families have other savings, but Federal Reserve and other data suggest that those don’t fill the gap for most people.

These data don’t even include people who are in the direst situations: Those who have lost their jobs, stopped contributing to 401(k) plans or shifted to jobs without 401(k) plans. The numbers also don’t account for inflation, which would further eat into income from a 401(k).

Some researchers question the Fed numbers because they are based on surveys rather than on records of actual contributions.

Jack VanDerhei, head of research at the Employee Benefit Research Institute, a group supported by 401(k) providers, estimates the median person actually has about $158,754, based on data from 401(k) providers. That is based on individuals in their 60s who have been at the same company for more than 30 years, a somewhat different group than that measured by the Fed data.

Even that amount of 401(k) savings generates much less than what is needed.

The difficulties have been worsened by the 2007-2009 financial crisis. Since the housing and financial markets began to collapse, about 39% of all Americans have been foreclosed upon, unemployed, underwater on a mortgage or behind more than two months on a mortgage, says Michael Hurd, director of the Rand Corporation’s Center for the Study of Aging.

In 2008, when he was 59, John Mastej figured he was on track to retire in his early 60s. He and his wife both were working, with 401(k) plans. Counting all their savings, they had close to $200,000. Mr. Mastej was putting 20% of his salary into his 401(k).

The financial collapse cut their savings in half and left Mr. Mastej out of work for two years, with no 401(k) contributions. He had to dip into other savings and use up an inheritance to pay the mortgage. He found a new job in a specialty food store, but it paid much less than his old one in a plastics factory.

Today, Mr. Mastej figures he has about $90,000 in savings left, including about $50,000 from the two 401(k)s, now mostly in a fixed annuity that isn’t affected by the stock market. He and his wife have canceled their satellite television and drive 11-year-old cars to work.

They buy some food at discounted prices through their church, but are proud they have remained current on their mort-
gage, home-equity loan, insurance and property taxes.

“We don’t go out to dinner. We don’t do much entertaining,” Mr. Mastej says. “I will probably end up having to work for another 10 years.”

Carol Dailey is continuing to work at age 71. Ms. Dailey spent 10 years as an executive assistant at America Online and had stock options that figures were once worth $1.7 million. The options’ value collapsed with the company’s stock.

Now she relies on her 401(k), which took a hit in the 2008 market plunge. She has cut back spending for entertainment and organic food, and continues to work three days a week as an office manager for an Internet security company.

“At AOL, we were buying $60 bottles of wine and not blinking. Now I drink box wine,” she says.

Eventually, she wants to retire completely. Then, to make ends meet, she plans to take bigger investment risks. Her financial adviser then will shift some of her savings out of an annuity and into high-yielding bonds and real-estate investment trusts, aiming to double the return on that money to 10% a year.

Some people were done in by the twin collapses of the housing and stock markets.

Patti and Bob Webster had accumulated a six-figure balance in their 401(k) accounts and were building a dream house in North Carolina in 2007. They planned to retire there in about a year. Then their builder went out of business and the stock collapse knocked 40% off their savings. They temporarily suspended 401(k) contributions.

“We thought we had the perfect plan,” says Patti Webster. “When the bottom fell out of the market, it kind of fell out of our perfect plan as well.”

Today in their mid-60s, they have completed the house but have worked two years longer than planned and expect to work two years more.

“We are having to spend another two years in just trying to catch up with what the market did to us,” Ms. Webster says.
Debt Hobbles Older Americans

By E.S. Browning

More Americans are reaching their 60s with so much debt they can’t afford to retire.

Most people used to pay off their debts before retiring. But as wages have barely kept up with rising prices over the past 35 years Americans have pushed debt higher, living beyond their means. Now, people are postponing retirement, cutting living standards or both.

All kinds of debt held by this age group have risen, but the big problem is mortgages. Thirty-nine percent of households with heads aged 60 through 64 had primary mortgages in 2010 and 20% had secondary mortgages, including home-equity lines, according to research group Strategic Business Insights’ MacroMonitor. That was up from just 22% and 12%, respectively, in 1994.

The housing crash has made things worse. A few years ago, homeowners in their 60s with big mortgages could sell their homes for a profit and buy smaller places or rent. But the drop in housing values means that many homeowners have little equity, and some now owe more than their houses are worth.

People have tried to reduce debt since the financial crisis, with limited success. Americans of all ages owed $11.4 trillion at the end of the second quarter, based on data from the Federal Reserve Bank of New York. That’s down about 15% from 2007 but nearly double what they owed in 1999, adjusted for inflation and population.

Older Americans also have struggled to dig out in the past four years. “Relative to the value of their homes, the amount of indebtedness if anything has gone up because house prices have fallen faster than mortgages have been reduced,” says Christopher Herbert, director of research at Harvard’s Joint Center for Housing Studies.

Many have little choice but to keep working. “I imagine I’ll be working until I’m 70,” says Christine Shiber, a 59-year-old Methodist minister in California’s Bay Area, struggling to pay off her mortgage, credit-card debt and a loan she took against her retirement account.

Debt isn’t the only issue clouding retirement prospects. People aren’t saving enough either. As calculated in a Wall Street Journal article earlier this year, the typical American household nearing retirement with a 401(k) retirement account has less than one-quarter of what it needs in that account to maintain its standard of living in retirement.

Four out of five households with heads in their early 60s and with mortgages had too little savings in 2008 to pay off debts without dipping into retirement accounts, according to Boston College economist Anthony Webb.

Instead of boosting their savings as they approach retirement, a period when people usually make their largest retirement contributions, some older people are stopping contributions in order to service debts. Some who had already retired are going back to work because they can’t make the financial numbers add up.

The combination of easy credit, low interest rates and a consumption-oriented culture helped fuel a spending binge for Americans until the financial crisis.

People with problems aren’t just those who took subprime loans or spent foolishly on lavish lifestyles. They are people from all backgrounds, including some with six-figure incomes.

“We have gotten into this ‘debt’s OK’ mentality and it is going to be very hard to get out of it,” says financial planner Greg Heller of Heller Capital Resources in Los Angeles, who says he has wealthy clients in their 50s with problems.

The Rev. Shiber and her husband borrowed to buy a home and for their children’s education, something many Americans have done. They divorced in 2007 and sold the home, repaying debts.

But Ms. Shiber needed a place to live. In 2008, she took out a fresh mortgage to buy a condominium. The down payment, together with her son’s college costs, used a big chunk of her remaining savings.

Soon, Ms. Shiber realized that she wasn’t making ends meet. She had trouble paying credit-card bills and started running a balance. Her 2001 Ford Focus needed a big, unexpected repair. She borrowed against her retirement account.

To her relief, Ms. Shiber negotiated a raise late last year. She then got a letter from her bank saying it had under-calculated her property-tax obligations. It raised her monthly mortgage bill, including property taxes, by an amount slightly more than the raise.

To Ms. Shiber, the debt burden began to seem biblical. “Even with Job, there weren’t these coincidences,” she laments. “I said, ‘Now, God, you are really messing with me!’”

After consulting with a financial adviser, Ms. Shiber cut living expenses. She travels less to visit her mother and daughter in New York and has fewer meals out. To her advisor’s dismay, she also has cut most of her contributions to her retirement plan.

Christine and Mark Nordell, a couple in their 60s, have put off retirement for at least two more years as they struggle to pay down their mortgage and credit-card debt and a daughter’s student loan.

Their plan was to sell their house in a Minneapolis suburb, pay off their debt and retire to a second home near a lake. But the Minneapolis home’s value plunged in the housing collapse and their plans went on hold.

Then Mr. Nordell lost his job when the nonprofit entity he founded to help African immigrants in the U.S. lost its funding. His new job as a part-time minister provides less income.
Heavy debt takes a toll. Christine Shiber, left, 59 years old, figures she will work until she is 70. Rob and Wendi Salvaggio, center, fear a financial hit when they retire. Christine and Mark Nordell, right, have put off retirement.

The family lives mainly on Ms. Nordell’s income as a speech pathologist.

Despite efforts to cut spending and pay down debt, their credit-card debt sometimes has crept higher. Their home requires improvements before it can be sold, and they can’t afford them. They refinanced the mortgage and increased the loan balance to reduce high-interest credit-card balances.

They have retirement savings and a pension, which they think will cover retirement needs, but only after they get rid of the debt. Ms. Nordell hopes that the housing market recovers enough so they can sell their Minneapolis home, which would solve some problems.

“We did have some good stock investments, which have really saved us,” she says. “I have gradually had to cash them all in to help us with living expenses.”

Debt levels of older Americans have been rising for more than two decades. Of households with heads aged 62 through 69 and with mortgages, the median amount of mortgage debt hit $71,000 in 2007, five times the 1987 inflation-adjusted median, according to a study by William Appar, then at Harvard’s Joint Center for Housing Studies.

Most people make their biggest salaries in their 50s and 60s, which should permit them to make their biggest retirement-savings contributions. But partly because of debt payments, many are missing out on the end-of-career push that is supposed to boost retirement savings to where they need to be.

Fidelity Investments, one of the largest managers of 401(k) retirement accounts, says participants aged 55 to 60 contributed a median 8% of salary in the first quarter of this year, down from 10% in the same quarter of 2006.

Some cut contributions to zero. Even the 8% level is well below the double-digit contribution rate financial planners recommend for older workers.

In addition, some people, like Ms. Shiber, have borrowed against existing retirement savings. Others have withdrawn savings early.

TIAA-CREF, another large retirement-money manager, says that new loans taken out by participants of all ages against retirement accounts rose by 18.8% in 2010 over 2009.

Debt problems are so pervasive that they are affecting retirement expectations even of people far from retirement.

Rob Salvaggio of Glencoe, Ill., won’t turn 50 until later this month, but he already is expecting a financial hit when he retires.

Mr. Salvaggio, who works for a real-estate manager, once dreamed of retiring at 55, but his mortgage, auto and credit-card debts are so high that he is aiming now at something more like 65. Because of heavy monthly debt payments, his wife has stopped contributing to her 401(k) and he is making only minimal contributions to his.

““We aren’t going to be able to maintain or increase our standard of living in retirement,” he says. “We are going to go backwards.”

Mr. Salvaggio and his wife, Wendi, make good incomes and their financial adviser has urged them to cut back on their standard of living to reduce their...
debt. But Mrs. Salvaggio, who works for a multinational technology company, went through a difficult divorce before they married. Now, to provide stability for her son, they are determined to remain in the neighborhood where they live, even though it is expensive. When the landlord took back their rental home, they decided to buy another home, take on a mortgage and cut back on retirement savings. “We all agreed that it wasn’t the optimal idea,” he says, although he hopes his home’s value will rise, permitting him to sell at a profit when he retires. “We thought it was better for our son to stay here.”
Oldest Baby Boomers Face Jobs Bust

BY E.S. BROWNING

Many older Americans fear they will be working well into their 60s because they didn’t save enough to retire. Millions more wish they were that lucky: Without full-time jobs, they are short of money and afraid of what lies ahead.

Deborah Kallick was a professor of biomedical chemistry at the University of Minnesota until she ventured into the private sector in 2000 with a job in genomics research. She is now one of more than four million Americans aged 55 to 64 who can’t find full-time work. That number has nearly doubled in five years, according to U.S. Department of Labor figures in October.

Ms. Kallick, 60 years old, has been unemployed since 2007 and lives in the Northern California home of an ex-boyfriend. She has run out of unemployment insurance, used up most of her retirement savings and is indebted to relatives and credit-card companies.

A good job could settle her accounts, she said. Until then, Ms. Kallick relies on generosity, occasional consulting work and the sale of sweaters, purses and other possessions on eBay.

“It is very hard to work through this and learn to be calm and happy day to day,” said Ms. Kallick, who never married. “It has taken a lot of strength and courage to learn to do that.”

Older Baby Boomers are trying to break free of the stereotype that younger workers are taking their jobs. Many find their spending habits far outpaced their thrift. With U.S. unemployment at 8.6%, and much higher among people in their teens and 20s, younger members of the labor pool accuse Boomers of refusing to gracefully exit the workplace.

But their long-held grip is slipping, as employers look past older Americans to younger, cheaper workers.

The Labor Department counts people as unemployed only if they have looked for a job in the previous month. By that definition, 6.5% of workers aged 55 to 64 were unemployed in October, below the national average but more than twice the jobless rate for the group five years earlier.

Taking into account the number of older people who want full-time work but are unemployed, working part-time or need a job but have quit looking, the unemployment rates have increased to 17.4%, or 4.3 million Americans ages 55 to 64, according to the government data. The number has grown from 2.4 million in October 2006.

This group without full-time work now accounts for more than one in six older Americans seeking positions.

In some ways, older people are doing better than everyone else: Among all U.S. workers, 20% are unemployed, underemployed or have given up looking for jobs. But older people have far less time to rebuild savings.

“This is new. It is different. It is worse than we have experienced before and it is very widespread,” said Carl Van Horn, head of the John J. Heldrich Center for Workforce Development at Rutgers University. “It is going to get worse. You are going to have a higher level of poverty among older Americans.”

Older people have more trouble finding new jobs. Among unemployed workers older than 55, more than half have been looking for more than two years, compared with 31% of younger workers, according to the Heldrich Center. Among older workers who found a new job, 72% took a pay cut, often a big one, the Rutgers data show.

The problem has been building for decades: Inflation-adjusted, middle-class incomes have stagnated in parallel with a free-spending culture of indebtedness that has left many Americans with too little saved. Over the same time, many U.S. companies cut pensions and shifted to less-generous retirement-savings plans such as 401(k) accounts that have stagnated or diminished in the market tumult of past years.

Older families aren’t just failing to save, they are increasingly draining accounts that were supposed to help finance retirement.

The median household headed by someone aged 55 to 64 has $87,200 in retirement accounts and other financial assets, according to Strategic Business Insights’ MacroMonitor database. If each of the 4.3 million unemployed or underemployed people in this age group runs through half the family savings, that will, in theory, total $188 billion in lost retirement money.

The typical retirement-age household has too little saved to maintain its standard of living in retirement, according to actuarial and Federal Reserve data.

Financial planners often advise that retirement resources be large enough to provide 85% of a person’s working income. Median households headed by a person aged 60 to 62 with a 401(k) account have saved less than one-quarter of what is needed in that account to live as well in retirement, according to Fed data analyzed for The Wall Street Journal by the Center for Retirement Research at Boston College.

The trouble spreads across generations. Older people hang on to jobs or, out of desperation, take lower-level jobs for which they are over-qualified. Either way, they displace younger workers.

In the past, older people who lost jobs often gave up and retired. No longer. In October, two-thirds of people aged 55 to 64 had jobs or wanted them, up from 59% in 1994, according to Labor Department data.

At an age when they should be generating peak incomes and savings, many unemployed and underemployed Americans are applying for early Social Security benefits and spending what’s left in their retirement accounts.

Kathi Paladie, 64 years old, lost her job as an executive assistant at a mortgage company in Tacoma, Wash., six years ago. She hasn’t found full-time work since but works occasionally as a...
Worth the Wait

If your retirement age is 66, you can start receiving Social Security benefits at age 62, but with a reduction. Here’s how much you receive if you wait.

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Source: Social Security Administration

Deborah Kallick, at Stanford University, has a Ph.D. but no full-time job.

already have done so, according to the Rutgers survey.

“People are taking in boarders, they are moving in with their kids, selling their homes for the cash that they can live on,” said Abby Snay, executive director in San Francisco for JVS, a community agency that teaches work skills.

Although her agency has long focused on young people, the fastest-growing client group is closer to retirement age. Before the recession, only 11% of her clients were older than 55; now, it is 17%.

“We are seeing people in a panic, in survival mode,” she said. “They are about to finish their financial assets and all they have after that is their retirement funds. They are trying to figure out some kind of bridge so they won’t have to pay an early withdrawal fee for their retirement incomes.”

Ms. Snay has even seen former donors return as clients. “There is a level of shame and humiliation,” she said, “and, ‘What have I done wrong?’”

She recently offered older clients a workshop on the website LinkedIn. She recalled some people said, “If I put up a picture, no one will hire me.”

Her response: “We advise people to put up a photo, put their best foot forward.”

His employer grades him on how fast he finishes each call and how customers rate his service. Mr. Foster recently contracted Bell’s palsy, a temporary facial paralysis thought to be stress-related.

The work pays a lot better than a previous job, delivery driver for a dry cleaner. Still, Mr. Foster said, it pays 40% less than what he earned as a programmer at the University of Colorado Hospital, a job he lost in a restructuring that kept more tenured employees.

Mr. Foster’s wife, Tina, has complications from a detached retina, which keeps her from working. Her treatment is only partially paid for by his medical plan, which classified Ms. Foster’s eye problem as a pre-existing condition.

He has a retirement-savings plan at his new employer, he said, but it’s hard to save, given the couple’s struggle “to make ends meet day to day.” He is putting off dental work, for example, to save money.

While out of work, Mr. Foster said, he sometimes depended on food banks. He filed for personal bankruptcy in 2008. He and his wife got a break recently: his wife’s sister and her husband helped them purchase a home. Mortgage payments to his in-laws are less than his rent. Retirement? He said he has no idea when.

Mr. Foster’s worries aren’t unusual. More than two-thirds of unemployed people older than 50 report extreme stress, trouble sleeping or family strains, according to surveys by the Heldrich Center at Rutgers. More than 60% of respondents said they didn’t expect to hold another full-time job in their field and a similar percentage said they were pessimistic about finding any job soon. One-third of those over 55 reported selling possessions to stay afloat.

In another unfortunate consequence, the younger people are when they apply for Social Security retirement benefits, the lower their monthly checks for the rest of their lives. Two-thirds of Americans older than 50 expect to file for the benefits earlier than they would prefer, or
Aging and Broke, More Lean on Family

Money Crunch Reshapes Relationships; ‘I Worry About Being a Burden on My Son’

By E.S. Browning

More aging Americans are doing something they never would have imagined: turning to family for financial aid. Some are even asking their children for a place to live.

The problem has been building as more Americans 55 and older have lost jobs or run through savings faster than expected.

Thirty-nine percent of adults with parents 65 and older reported giving parents financial aid in the past year, according to a September Pew Research Center survey. Some parents may have trouble acknowledging it: 10% of parents 65 and older reported receiving aid.

Eighteen percent of unemployed Americans 55 and older said they borrowed from family or friends other than adult children, while one in 25 reported moving in with family or friends to save money, according to a December 2010 survey by Rutgers University’s Heldrich Center for Workforce Development. The researchers didn’t measure the problem until recently; it wasn’t considered widespread.

“I worry about being a burden on my son,” says Mary Huss, 60 years old, who moved in with her son in Salinas, Calif., a year ago. Ms. Huss lost her job in 2008 when her nonprofit employer lost funding. Unable to find a job and facing diabetes and rheumatoid arthritis, she used up her retirement savings and sold her home.

Robert Huss, a data-systems manager for Monterey County, says he expects she will remain permanently.

“I don’t relish the thought of it, but I am not going to sit there and watch my family members live in a van or anything like that,” Mr. Huss says.

In 1990, 57% of adults 65 and older lived with relatives, according to Pew Research. Because of Social Security, Medicare and improving health and wealth, that rate declined to 17% by 1990, Pew says. Now it is up to 20%.

Older people still often are the ones taking in struggling children, not vice versa. But people working to assist the elderly are seeing more cases where the older person is the one in trouble.

The typical American household with a retirement savings account is reaching retirement age today with too little to maintain its standard of living even including Social Security, accord-
ing to research conducted for The Wall Street Journal by Boston College’s Center for Retirement Research and New York Life Insurance Co.

Medical bills blasted some people’s savings, as did the financial collapses of 2000-02 and 2008-09. Sometimes money was mismanaged. The recent recession made things worse, leaving many seniors jobless and forcing others to take pay cuts. Unemployment is heavier for the young, but older people are much more likely to stay jobless for long periods and give up looking.

“What I am seeing is older people having to borrow money, take money, move in with their kids, take rooms, all kinds of things that just aren’t quite normal or typical. It seems to be happening with increasing frequency,” says Mark Guterman, a career coach in San Francisco at JVS, a community agency that teaches work skills.

“We have several people that have done that. It is definitely increasing,” says Erin Carre, who helps run an apartment complex for seniors in Jacksonville, Fla., speaking of people who have left to live with relatives.

Craig Paul of Beverly Hills, Mich., was a contract computer programmer for Ford Motor Co. before losing his job about three years ago, he says. Now 65, he has given up looking for work.

Mr. Paul receives Social Security, a small pension from a former job and a monthly annuity check, but he sometimes has trouble paying property taxes, mortgage bills or unexpected home-repair costs. Credit-card and home-equity debt have risen. He has turned to his mother.

“My mother is still alive at 91. She will help me out if I have trouble paying the property taxes,” Mr. Paul says. He also hopes to take over a car she no longer uses.

Willard Freeman of Portland, Ore., lost his job at a mortgage company in 2008. Despite part-time jobs, he used up his retirement savings. Community agencies helped with electric and heating bills, but he fell behind on rent and turned to his sister and mother-in-law for loans.

“Rightly or wrongly, you don’t want to ask your younger sister for help,” says Mr. Freeman, who is 58. “We borrowed enough to get through one month and we thought it would get better the following month, and it didn’t.”

Now he has a job with an insurance agency. He is catching up on bills and gradually repaying relatives but can save little.

“My income now is about half of what it was five or six years ago,” Mr. Freeman says. “I don’t know when I will retire.”

The situation also can stress adult children.

“Adult children are the squeeze folks. They are taking care of college-age kids who don’t have jobs and at the same time they are taking care of older parents. They are the bologna in the sandwich,” says Cathy Brown, executive director of the Council on Aging in St. Johns County, Fla.

Veta Millard, a 43-year-old occupational therapist in Tampa, Fla., recently took in her 76-year-old mother after her mother stopped working. A daughter gave her room to her grandmother, Juanita Munroe, and now shares a double bed with her sister.

At one point, Ms. Millard couldn’t find day care for her mother. “I was just crying. I said, ‘What am I going to do? I can’t quit my job.’” Finally, an assisted-living facility made special arrangements to take in Ms. Munroe during the day.