Chapter VI

Are the Children Gone Yet? Empty Nesters Plan for Their 'Golden Years' in the Age of Uncertainty

The Empty Nester life stage includes members of the same age cohort as Mature Families. The distinguishing feature of this group is that they started their families at an earlier age and their children have graduated from high school and either are in college or are pursuing their professional careers. Indeed, Empty Nesters are not financially burdened with the daily lifestyle expenses of raising children although some are financially supporting children in college or paying for educational expenses with student loans. In addition to lower household expenses, Empty Nesters are in the prime of their professional/work careers and are increasing their savings for retirement. Since this is the homestretch of their full-time employment, they are mindful about financial planning, fearful about making mistakes in maximizing their assets (few have annuities or "defined" pensions), and evaluating their residential options such as downsizing to a smaller home and/or exploring the purchase of a second home. For those who have not amassed significant financial assets, this is their final opportunity to save and invest for retirement.

Overall, the Empty Nester participants range in age from 45 to 63 years old (median age of 54) and were randomly selected from the Orlando, Florida Metropolitan area. Approximately 60 percent are women and 40 percent are men with almost one-fourth racial/ethnic minorities (Latinos, African-Americans).[1] The Orlando, Florida Metropolitan area was selected based on the following criteria: its geographic location in the southeastern Sun Belt, its dynamic regional economy (high-tech, entertainment, services), its rapidly expanding population, its booming yet reasonably-priced housing market and its popularity as a destination for retirement including low taxes. Since many residents have moved to the area during their work careers, this setting provides insights into the social and economic strains of geographically-dispersed families as well as household strategies for planning retirement in communities with a lower cost of living. Nearly two-fifths of the participants have earned a college degree and almost one-fifth have earned a junior college degree; 44 percent have earned only a high school degree. This is generally consistent with the region and represents a substantial improvement over the educational attainment of their parents (18 percent college graduates). Two-thirds of the participants report dual-incomes and the annual household income ranges from a low of about $27,000 to a high of more than $120,000; median household income of the participants is approximately $55,000. All participants are homeowners. Most have experienced substantial appreciation of their homes—at least 150 percent—primarily since 1999.

The attitudes and behaviors of Empty Nesters toward credit and debt reflect the changing financial demands of their specific life stage and the unique historical experiences that conditioned their material aspirations. In this chapter, four key factors are examined. First, the intergenerational conflict over saving and socially appropriate spending that affirms the cultural values underlying "good" versus "bad" debt and the importance of personal responsibility in satisfying financial obligations. Second, the Puritan ethos of frugality and thrift still reigns supreme among this age cohort but it has been largely resisted by their children. This has long-term consequences to Empty Nesters since many of their children are reluctant to terminate financially-dependent relationships. Third, the concerted effort to minimize and hopefully eliminate consumer debt before retirement with particular concern over the continued financial drain of their children. And finally, strategies to maximize their financial assets as they prepare for their "Golden Years" in retirement.

The ability of Empty Nesters to successfully resolve these competing demands will fundamentally influence the timing and quality of life in retirement.

The Best of Economic Times?

Maximizing Financial Resources in the Impending Age of Scarcity

The attitudes of Empty Nesters toward consumption and debt remain significantly influenced by past social, cultural and family experiences with economic scarcity—especially familial experiences during the Great Depression and rationing during World War II. Their most formative personal experiences with consumer credit were shaped by the personal nature of the pre-1980 community banking system with its guiding tenets of risk aversion and installment loans, low debt-to-income underwriting standards and promotion of household asset accumulation. This set of attitudinal values and institutional policies emphasized borrowing to satisfy household needs rather than desires and a sense of personal responsibility and commitment to meeting debt obligations. Hence, financial security enables Empty Nesters to pursue what they consider a "morally superior" cash-based rather than debt-based lifestyle that signifies their prudent social and economic behavior.[2]

The most salient feature of Empty Nesters, as a group, is their anxiety over their economic future in retirement. This fear has emerged despite the group's responsible behavior as industrious financial managers who save and invest. At this stage of their lives, the expected reward of economic security in retirement diverges sharply from the reality of intensifying economic demands in the present (health care, children, parents) which in turn are exacerbated by their perception of increasing future financial uncertainty (potential pension and Social Security cuts, job loss, meager investment returns). Most Empty Nesters believe that their responsible financial conduct is being unfairly "punished" in comparison to past generations due to escalating economic pressures that are outside of their control.

In terms of household resources, Table 1 shows that the income of Empty Nesters has already passed its financial peak (all numbers in 2004 dollars). In 1993, for example, the median household income of Empty Nesters ($43,092) was 27.5 percent less than Mature Families ($59,483). During the economically robust 1990s, median household income jumped to $50,627 for Empty Nesters (a 17.5 percent increase) and to $64,497 for Mature Families (an 8.4 percent increase). After enjoying this sharp wage growth, Empty Nesters have experienced an unexpected decline in their real earnings. Between 1999 and 2004, median household income declined to $50,400 (a 0.5 percent decrease) for Empty Nesters and to $61,111 (-5.2 percent decrease) for Mature Families.[3] In 2005, real wages have continued to fall, nearly 2.5 percent.[4] This constitutes a serious blow to the savings goals of Empty Nesters since most are in the last decade of full-time employment.

For most Empty Nesters, falling real household income in the 2000s is compounded by the recent decline in non-housing financial assets.[5] Overall, slightly more than one-half (51.9 percent) of U.S. households directly or indirectly owned stocks in 2001[6] while the top 10 percent of U.S. households owned 79.8 percent of net financial assets.[7] About 30 percent of U.S. households possessed a net wealth of less than $10,000 in 2001.[8] In comparison, housing assets are more equally distributed; the top 10 percent of U.S. households own 50.6 percent of housing equity and the bottom 90 percent own 49.4 percent in 1998.[9] For most middle and lower-income Americans, the growth in non-housing financial assets has been outstripped by the increase in consumer debt over the last decade—especially since 2000.

For example, between 1989 and 2001, the middle or third economic quintile of American households (40 percent above and 40 percent below) reported stock/investment gains from $4,000 to $12,000, compared to an increase in total non-mortgage consumer debt from $37,000 to $50,500. Indeed, the overall increase in net worth of these households – from $63,900 to $75,000 – is primarily attributed to the appreciation of their homes. For the bottom 40 percent of American households, net worth improved an average of about $7,300 over this 12-year period.[10] The trend of rising housing appreciation is worrisome for Empty Nesters, who are contemplating whether to "downsize" to a smaller residence or stay put on the assumption that their homes will sell for a higher price in the future. Indeed, as reported in Table 2, total non-housing net worth declined between 2001 and 2003 by an annual average of -2.9 percent led by stocks at -6.7 percent. Fortunately, net financial assets during this period rebounded by an average of 4.2 percent (primarily housing assets) followed by mutual funds at 4.1 percent.[11] Nevertheless, for Empty Nesters, each year of stagnant wages and investment returns is very difficult to make up as they approach retirement.

Who Do You Trust?
Empty Nesters Formative Experiences with Credit and Debt

The psychological influences that shaped the formative consumption and credit/debt behaviors of Empty Nesters have exacerbated the cognitive anxiety over their impending retirement even though their present circumstances may be financially stable. A contributing factor relates to the group's concern over the rapidly changing practices and policies of the modern financial services industry. For instance, most Empty Nesters have previous borrowing experiences where decisions were almost exclusively made according to the discretion of the local bank manager. From this perspective, access to consumer credit was an earned privilege that could only be maintained through the cultivation of local social relationships and the meticulous repayment of outstanding loans. Today, Empty Nesters are sufficiently experienced with the modern banking system, and they recognize that the financial gate keeping function has shifted responsibility to individual borrowers who are expected to accurately understand their debt capacity and contractual obligations. In the past, when bankers and loan officers used subjective underwriting criteria including their personal relationship with the client, financial decisions were carefully scrutinized and even subject to local moral standards. Today, the emphasis on more objective underwriting standards—such as the use of credit scores—is important in improving access to credit among previously discriminated groups as well as facilitating the approval of emergency funds to Empty Nesters with considerable home equity. Significantly, this change tends to be overlooked by Empty Nesters due to their reproval of debt in general and especially in the latter life stages.

For some Empty Nesters, the distinction between good versus bad debt has religious connotations. That is, criticism of credit cards and other forms of consumer credit was often guided by local religious tenets where fiscal prudence was tied to appropriate social conduct including consumption patterns, credit use and the accumulation of debt.[12] Imprudent consumption activities and high debt burdens were commonly moralized as "wrong" with accompanying social condemnation. The traditional 10 percent tithe to the church not only constrained discretionary household resources and the means for pursuing indolent behavior but served as a voluntary contribution for financing local community projects and assisting needy families. These cultural attitudes helped to define more traditionally held views of good versus bad forms of debt which ultimately affirmed religious values that associate responsible consumption practices with one's commitment to faith, ethics and sound personal character.

It seems there's a lifestyle and cultural difference that was prevalent then that doesn't [exist] now. You lived within your means, my folks did. If you could afford it, you bought it. If you couldn't afford it, you didn't buy it.
-Stuart, 56

As Daniel, a 47-year-old truck driver and Florida native who is currently experiencing very serious financial difficulties explained: *"Little churches always tried to get you to be good stewards of your money ... [I was] taught that you're not supposed to be in debt and not supposed to owe any man."* Such strong religious influences were instrumental in molding basic attitudes toward credit and debt among many Empty Nesters in the South. This emphasis on fiscal temperance was echoed by 57-year-old Jim: *"Moderation, everything in moderation. . . Isn't that what most churches teach? If you're going to do something, [buy a house, a car, vacation] be moderate about it.*" Others discussed the importance of personal responsibility and trust which reduced the risk of default to banks because people did not want to borrow money that they could not repay in the future. According to Stuart, a 56-year-old substitute teacher:

> *There was honor then. There was honor in your word. A handshake meant something and if you couldn't make it happen, then you were thought of differently than you would be today, certainly less honored… It seems there's a lifestyle and cultural difference that was prevalent then that doesn't [exist] now. You lived within your means, my folks did. If you could afford it, you bought it. If you couldn't afford it, you didn't buy it.*

My mother died with millions of dollars. Her only entertainment was TV. She only got two channels, one of them quite snowy. I said, 'Mom why don't you get cable TV?' … she said, 'I can't afford it.' -Runet, 54

Of course, the key social institution in the intergenerational transfer of traditional values is the family and, especially, the role of parental influences in shaping attitudes toward saving and spending. This is illustrated by Runet, a 54-year-old entrepreneur, who was born in New York City: "*my mother died with millions of dollars. Her only entertainment was TV. She only got two channels, one of them quite snowy. I said, 'Mom why don't you get cable TV?' … she said, 'I can't afford it.'*" Runet elaborated on the impact of these formative experiences on her personal spending behavior: *"[I] always spend less than [I] make and save the difference. Those were the lessons we were taught growing up. Save, save, live within your means and save for that rainy day... In case that rainy day's going to come."* Jan, a 56-year-old mother of two, who has been married for 27 years, describes similar childhood experiences:

> *My mom and dad… they came from Puerto Rico, and my dad was in the [military] service…later he went to college and medical school. I can still remember when I was in high school and college… my mother would go for [retail] sales, she'd drive 10 miles to save $1 or whatever. Even after dad's [financial] success… she still had the mentality of save, save, save!*

Despite these early family influences, fiscal conservatism has declined significantly among Empty Nester households, even among the thriftiest respondents. For example, more than 50 percent of the participants described their household budgets as *"More Liberal"* or *"Much More Liberal"* than their parents at the same age. This pattern is consistent with the responses that more than one-half of Empty Nesters' parents still attempt to influence their budgetary practices. Significantly, nearly two-thirds of these respondents wish that their children's spending and credit practices would be *"More Conservative."* Of course, not all childhood experiences encouraged responsible financial behavior. As 53-year-old Dave explains, his parents were raised in the rural farm economy where little money and a subsistence lifestyle prevailed: *"My parents … were not frugal at all. They taught us kids all the wrong things … [and] today, they've lost all their money… Two years ago, I was forced into bankruptcy and I was just like my parents were with credit card and other [debts]. It was humiliating for me and I never want to experience it again."* Currently, Dave financially supports his parents (including medical expenses) while also providing some financial assistance to a young adult daughter.

Fearing 'The Monster That We Have Created': Cultural or Economic Factors in the Birth of "The Generation in Debt"

As loyalists of the Puritan ethos, most Empty Nesters have made conscientious attempts to pass on their personal financial attitudes to their children. Almost 70 percent provided some form of personal financial training to their children. Even so, Empty Nesters candidly admit that they have not succeeded in their efforts to transmit their generational values of thrift and self-discipline to their children and grandchildren. Some are adamant in assigning blame to themselves—as parents—due to their ineffective instruction and lack of fiscal "tough love" discipline. According to Stuart:

> *Where temporary needs are met, they [parents] don't have to be responsible. I think that's basically what it is in this [historical period]. Pleasure without responsibility is in… We're in an era where we want pleasure but we don't want to be responsible for it. I think we show that to our children. As long as we can provide more stuff, we can temporarily satisfy our own lack of desire to educate and be responsible, spend time with them, and do the moral and ethical things that we as parents ought to be doing to raise our kids right.*

This is exemplified by Empty Nesters' desire to provide their children with the material accoutrements that they were denied in their own childhoods. By acceding to the wants and desires of their children and grandchildren, Empty Nesters acknowledge the possible life-long financial dependence of the younger generation which increases the importance of maximizing their household resources. Although based on noble intentions, the persistent financial demands of adult children ultimately undermine the ability of Empty Nesters to amass sufficient resources for their own retirement. Sadly, these economic "ties that bind" often remain a source of financial strain—even in retirement—as illustrated by the experiences of some Seniors in the next chapter.

A related issue for Empty Nesters concerns the increasing commercialization of social and family leisure activities that were previously community-based and available for free or at a low cost. The implications of commercialized recreation are especially significant for American households when viewed in the context of competitive, family-based consumption. For example, visiting an expensive theme park versus a free or inexpensive public zoo, or taking a vacation at a local beach versus booking an expensive cruise. Personal guilt or even childhood memories of material deprivation profoundly influence the desire of Empty Nesters to indulge their children and grandchildren with costly consumer expenditures while exercising personal restraint and resisting self-indulgent purchases for themselves.

I wanted my children to have a whole lot more than I had. I wanted them to have all this stuff and be happy and I related happiness with stuff... Did I, did we create these monsters?
-James, 53

Indeed, it is striking that many respondents profess a willingness to sacrifice their own consumption aspirations in order to pay for the wants and desires of their children and/or grandchildren. In the process, the costs associated with entertainment and therefore "happiness" imply that the more one spends then the more "fun" one will have. As 53-year-old James, a Buffalo native and career truck driver notes: *"When I was a kid, we used to go out and play tackle football or go play baseball, anything that didn't cost money back then. I thought it was great. I loved it."* Similarly, 52-year-old Beth commented:

> *The towns would have picnics and [other social activities]. And everybody would come and bring food. You'd have sack races. [It did] not cost anything. You were entertaining*

yourself because you didn't have the money. Now, it's marketed so that you have to spend this to be able to do that. I can remember going to the creek swimming. Now you have to pay $40 to go down a [water] slide.

Empty Nesters are also concerned about social pressures on their children to exceed the standard of living of past generations. These intensifying consumption pressures, together with the desire by Empty Nesters to give their children more material items than they enjoyed in their youth, have led to the erosion of the very cultural values that they cherish and that contributed to their current economic comfort. In this regard, Empty Nesters view the actions of parents as the key factor in shaping their children's most basic attitudes toward spending and debt. This is consistent with the findings of the College Students life stage, in which parents are the leading source of financial advice and instruction. As James observed:

> *[Our children] want … to have more, bigger, better, fancier … I wanted my children to have a whole lot more than I had. I wanted them to have all this stuff and be happy and I related happiness with stuff. So without me being aware of it, maybe I'm partly the reason that they are thinking the way that they are thinking. Because I trained them that for the kids to be happy, you have to give them all this stuff… Did I, did we create these monsters?*

Similarly, 52-year-old Jenny, originally from San Juan, Puerto Rico, explains: *"[It] doesn't matter what we tell them, it is our example that educates them. It is what we do. And if we're going to handle finances, the way we handle our life, the way we deal with other people, that's what they learn."* Significantly, such self-criticism differs sharply from the responses of Young Families (Chapter Four) who are more inclined to attribute larger societal forces, competitive social pressures, and target marketing as the primary reasons for escalating household indebtedness.

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Seeing the Light at the End of the Tunnel:

The Financial Health of Empty Nesters as They Approach Retirement

The inevitable departure of children from the household – typically soon after the completion of high school or college – signifies the long-awaited severing of financial ties and economic dependency. Increasingly, Empty Nesters are realizing that the period of time between supporting their offspring and saving for retirement has shrunk dramatically, with the prospect of inadequate resources for retirement. Indeed, most are learning that even though they have been conservative with their household budgets, they are still not adequately prepared financially for retirement. They feel this is largely due to financial pressures related to lingering economic ties with their children. Now, as they approach the final phase of their work careers, Empty Nesters are primarily concerned about maximizing their assets for retirement, their ability to eliminate existing debt and their preparedness for dealing with unforeseen medical expenses. In addition, they are confronting the reality that they may have to remain employed full-time for longer than initially planned. And, the final report card on their personal finances may not be the expected "A" as graded by their performance on savings, investments and lack of consumer debt.

Empty Nesters are very fiscally disciplined and motivated to effectively channel their relatively high discretionary income into specific programs for achieving their financial goals. When asked how they describe their spending behavior, three-fourths of the project participants describe themselves as *"Savers"* in terms of their reluctance to buy new items and preference to defer instant gratification. For example, less than one-fourth responded that consumer credit is important in their personal consumption decisions. Stuart, who has lived in Orlando for approximately 30 years, summarized the view of his fellow Empty Nesters: *"I try to limit [my use of] credit to what I have in hard cash."*

This underscores the role of consumer credit as primarily a transactional convenience of Empty Nesters; almost one-half describe consumer credit as only *"Somewhat Important"* in their personal consumption behavior. In the context of their personal experiences with material scarcity, Empty Nesters tout their budgetary prowess as an important factor in their current economic stability. As George, a 54-year-old blue-collar factory worker explained, "*When I first started my family 30 years ago, every silver dime I found … change and quarters … I save[d] it all and [I'd] have a big collection of it in case [of an unexpected need].*"

If it isn't in the budget, and we haven't saved for it, we don't get it.
-William, 63

As retirement looms, Empty Nesters are the most serious in regard to the urgency of financial planning; nearly 80 percent describe financial planning as either *"Important"* or *"Very Important"* at this stage in their lives. In fact, similar responses are reported when Empty Nesters are asked about how important they perceive planning for future medical expenses for themselves and for elderly family relatives. Nearly 80 percent have monthly budgets and they generally view themselves as prudently managing their household resources. *"If it isn't in the budget, and we haven't saved for it, we don't get it,"* noted William, 63, who has five credit cards and no credit card debt. Yet, despite their limited reliance on credit cards, Empty Nesters are overwhelmingly *"Very Concerned"* or *"Concerned"* about their financial planning for retirement; almost three-fourths of the project participants expressed anxiety about their ability to save enough for the "glory days."

Not surprisingly, most Empty Nesters are more comfortable about pursuing household asset enhancement strategies that emphasize the reduction of expenditures than the increase in investment revenues. This reflects their lack of confidence in the equities markets as well as their personal memories of major market fluctuations that produced significant losses to small investors. A 2004 study by Oppenheimer Investments, which surveyed Americans' financial knowledge (sample of 1000 respondents between 45 and 75 years-old), found that only five percent considered themselves "Excellent" and about 40 percent "Good" investors. The most important need reported by the respondents was information on investment techniques and strategies.[13] Even so, it is shocking that so few Empty Nesters (less than one-fifth) had an informed understanding of the necessary resources/investment portfolio for ensuring an adequate standard of living throughout their retirement years. This is consistent with the findings of the Oppenheimer Funds study.

A substantial proportion of Empty Nesters have accepted the reality of postponing their retirement (at least one-third) while about one-half expect to work at least part-time after the age of 65—assuming that they are healthy. This situation is articulated by James, a 57-year-old manufacturing worker: *"I'll probably drop dead on the floor of the work place. I don't have … insurance. Things are too temporary. I had a job for nine years. But with it, when they [company] went defunct, everything went, so I have nothing [saved for retirement]."* Other studies report similar trends of financial distress among America's seniors. The Oppenheimer Funds study reports that approximately 40 percent of its respondents were employed during their early retirement years and estimated that at least one-fifth of the Empty Nester and Mature Family age groups in the survey expect to retire with some credit card debt.[14] This is supported by a recent study of consumer debt levels that found average household credit card balances among those between 55 and 64 years old had jumped from $2,778 in 1992 to $4,088 in 2001.[15] Even among the Empty Nester participants, 45 percent reported a balance on their credit cards—at a median level of $1300.

In comparison, some public employees and those with private pensions are fortunate to have guaranteed or defined pensions that provide a specified monthly income. This desirable situation is illustrated by 54-year-old Beth, who has a bachelor's degree in accounting and is employed as a payroll clerk: *"Right now I'm vested with Sears, Albertson's, and Interstate. I will be debt free, meet my [retirement] goal[s], and [then] I will sell my house and pay cash for whatever we do…so I'll be getting from $3,000 to $4,000 a month depending on what happens with Interstate."* Not surprisingly, the high cost of adequately funding these programs has led to a sharp decline in eligible participants. Indeed, Beth's experience is not shared by other respondents in the study who were much more likely to report the loss or severe reduction in their pension and health care benefits. As the rate of participation in defined pension programs falls, planning for retirement will become increasingly dependent on market outcomes as well as the ability of individuals to save and invest for the future. These contrasting examples are illustrative of the increasingly disparate economic realities that are shaping the lifestyles of Baby Boomers in retirement.

Although Empty Nesters as a group do not possess a sophisticated understanding of the Central Florida real estate market, they are very concerned about the rapid rate of housing appreciation. For most, housing is not a commodity to be bought and sold like a speculative investment; only 17 percent reported that they purchased their home primarily as an investment. In particular, they are fearful of the economic pressures that rising housing costs will impose on their children who they tend to describe more as "spenders" than "savers." This fear is compounded by uncertain macro-economic trends, such as concerns over unexpected job loss and rising interest rates, which could increase consumer debt burdens and create greater financial insecurity among the children of Empty Nesters. As James emphasized: *"my house has gone through the roof as far as what I paid and what it's worth today—in just the last three years. I am kind of scared for my son. How much money is he going to have to make in order to have a house?"* As 63-year-old William declared: *"That is one thing [housing appreciation] that frightens me now. How are people going to afford to even have a roof over their head?"* Indeed, the project participants have enjoyed an extraordinary increase in the asset value of their homes. The median period of time in their current house is 16 years and the median appreciation for the group (all are home owners) is more than 300 percent.

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-James, 53

These views reflect both the cognitive and economic anxieties of Empty Nesters. They are fearful that the social value of self-sufficiency will be undermined by economic forces outside of their control. Significantly, the monthly mortgage payments of Empty Nesters are typically within the conservative 25-30 percent range of total household income. This generally frugal approach to home ownership contributes to the ability of Empty Nesters to pay off their mortgages long before they begin retirement. In comparison to Mature Families in northern metropolitan areas, the housing budgets of these Empty Nesters have enabled them to save and direct more of their household income into a more diversified investment portfolio. Nevertheless, it is striking that while one-half of the participants report having a home equity loan, very few have refinanced their modest-sized mortgages; the median reported interest rate is 7.5 percent. Clearly, greater awareness of the financial advantages of "smart borrowing" could provide considerable savings to this generally economically savvy group.

Is It Too Late to Save My Retirement? Empty Nesters Struggle to Cross Their Financial Finish Line

Planning for retirement offers a final report card for evaluating the successful attainment of personal financial goals. Typically, Empty Nesters aspire to be debt free, financially independent, and economically prepared to handle unexpected health care-related expenses. Despite prudent attitudes toward spending and debt, most Empty Nesters have not accumulated sufficient wealth to pass on to succeeding generations. This is significant since it implies that few financial assets will be passed on to younger family members through inheritance. In fact, less than 15 percent of the participants indicated that they themselves expect to receive an inheritance that would substantially improve their retirement lifestyle. Instead, most commented that they had already either received a modest inheritance or that their parents' assets are less than expected after medical and burial expenses. For instance, as 53-year-old Linda explained, *"My dad left me $25,000 which is long gone. I take care of my mother [now]. She is 80 years old and she lives with me on $800 a month, her assisted care [payment]."* Others worried that they would have to spend some of their retirement savings to assist their aged parents or other family members. According to 61-year-old Eunice,

> *I know there's no inheritance for me. We're working right now on retirement… before we were working on the girls' education… we're both working desperately to try to create a retirement [nest egg]. We're nowhere near what I figure we will probably need. I did talk to a [financial] counselor and he shocked me on what he thought we would need to survive to pay for medications, etc. I'm nowhere near that. I will be debt free by the end of the year but I'm afraid that even with working until I'm 65, I probably won't have the [amount] of money that I'm going to need.*

Fortunately, less than 20 percent of Empty Nesters expect to financially assist an elderly relative. There are, however, other continuing financial pressures that loom on the horizon of retirement. That is, many of their children and grandchildren will remain an enduring source of economic strain even after the Empty Nesters retire. As Stuart confided: *"I have one boy in need. Not because he isn't trying, it's just hard [for him to be financially independent]. As a parent, you still have to be compassionate and have empathy for your children. So yeah, he comes to me and needs help, sure. Here's whatever help I can give you."* Added James: *"I'm the CEO for First National Bank of Mom and Dad and that's a bad mistake because when they [ask] not for a want, but for a need, they can always come to us."* As demonstrated by some of the Seniors in the next chapter, this financial responsibility may continue indefinitely.

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-James, 53

As illustrated by the prior chapter on Mature Families, the conflicting demands of saving for retirement and for children's college education exacerbates household financial anxieties. In the worst case scenario, it can result in the serious under funding of both savings needs. For older households that appreciate higher education, saving for college tends to be a priority, with the proviso that the kids will not rely on their parents' financial benevolence after completing their formal education. Randy, a 56-year-old entrepreneur, epitomizes this view,

> *When my kids were growing up, they were going to go to college, and it was much more important for me to save for that than it was to save for my retirement…I sacrificed for their college fund. I thought if I got them through school, a good education, then I wouldn't have to worry about them suffering and needing help…I thought once they got through college and they got a good education, my job was done and I wouldn't have any further financial burden. [Unfortunately], that didn't happen.*

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-Randy, 56

Yet, more than half of the participants reported that they did not save for their children's college education. This underlies the increasingly common reality that financially inexperienced teenagers will eventually become encumbered with high levels of student loan debt, potentially protracting the financial dependency of their children on their Empty Nester parents.

Although the median price of the participants' homes has more than doubled over the last decade to $250,000, some Empty Nesters are beginning to explore relocating to even less expensive areas, especially with the rising cost of living in the Orlando Metropolitan area. Indeed, they see little evidence that they will receive much financial relief through inheritance or other forms of intergenerational wealth transfers. As a result, many Empty Nesters are confronting the prospect of delaying their retirement. Significantly, most replied that they would prefer to extend their full-time employment rather than assume the risk of more aggressive investment strategies.

Table 1

Median Household Income by Life Stage of Family: 1980-2004

(reported in 2004 dollars)

Year	Young Families 25-34	Mature Families 35-44	Mature Families 45-54	Empty Nesters 55 - 64
1980	$41,986	$51,301	$54,544	$42,442
1981	$40,715	$50,383	$53,678	$41,763
1982	$39,880	$49,417	$52,443	$41,368
1983	$39,126	$49,800	$54,610	$40,983
1984	$41,066	$51,532	$54,529	$41,687
1985	$42,002	$52,016	$55,628	$42,792
1986	$42,585	$53,913	$58,638	$44,029
1987	$42,881	$55,950	$59,162	$43,825
1988	$43,586	$56,085	$58,630	$44,346
1989	$43,873	$55,366	$61,085	$45,339
1990	$42,546	$54,040	$58,751	$45,357
1991	$41,714	$53,220	$59,174	$45,044
1992	$41,218	$52,583	$58,630	$44,851
1993	$40,269	$52,602	$59,483	$43,092
1994	$41,796	$52,533	$59,585	$44,419
1995	$42,713	$53,500	$59,153	$46,868
1996	$43,019	$53,246	$60,500	$47,726
1997	$44,802	$54,409	$60,882	$48,537
1998	$46,374	$56,074	$62,668	$49,959
1999	$47,709	$57,592	$64,497	$50,627
2000	$48,717	$58,971	$63,227	$49,199
2001	$48,105	$56,898	$61,940	$48,942
2002	$47,615	$56,219	$61,996	$49,582
2003	$45,982	$56,523	$61,861	$50,538
2004	$45,485	$56,785	$61,111	$50,400

Source: U.S. Census Bureau, Historical Income Tables (Table H-10), "Age of Head of Household: All Races," available at http://www.census.gov/hhes/www/income/histinc/h10ar.html

Table 2

Growth of Household Wealth, 1949-2003
Annual growth of net worth per household

Type of Wealth	1949-67	1967-73	1979-89	1989-00	2000-03	2001-03
Total net worth*	2.3%	-0.8%	2.3%	4.4%	-6.4%	-2.9%
Net tangible assets**	2.7	-0.4	2.5	4.2	-3.9	-0.6
Net financial assets***	1.9	3.0	1.2	0.3	3.0	4.2
Financial Assets						
Stock	7.0	-8.1	4.0	8.9	-12.4	-6.7
Mutual Funds	11.7	-8.7	19.9	14.4	-1.3	4.1
Stock and Mutual Funds	7.2	-8.1	5.6	10.2	-8.9	-3.2

* Includes all households, personal trusts and nonprofit organizations
** Consumer durables, housing and land assets less home mortgages
*** Financial assets less non-mortgage debt

Source: Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, The State of Working America, (Ithaca: Cornell University Press, 2005), page 280.

Endnotes

[1] The selection protocol excluded Non-English speaking, recent immigrants. This sampling restriction was based on the decision that the small number of project participants would not adequately reflect the diversity of the region's immigrant population.

[2] Lendol Calder, *Financing the American Dream: A Cultural History of Consumer Credit,* Princeton: Princeton University Press, 2000 and Robert D. Manning, *Credit Card Nation, America's Dangerous Addiction to Credit,* New York: Basic Books, 2000, Chapter 4.

[3] The Empty Nester income gap, in comparison to Mature Families, is partially explained by the relatively lower educational attainment of this age cohort and erosion of unionized blue-collar employment as well as transitional work schedules of many Empty Nesters from full- to part-time employment, voluntary and involuntary early retirement due to employer mandated layoffs, and employment interruptions due to health related problems. For wage data trends, see U.S. Census Bureau, Historical Income Tables (Table H-10), "Age of Head of Household: All Races," available at http://www.census.gov/hhes/www/income/histinc/h10ar.html

[4] Agence France Presse, AFP News Report**,** "25-year record U.S. inflation surge sparks debate," October 14, 2005.

[5] The overall annual growth in total net worth of all American households averaged a post-World War II high of 4.4 percent in the period 1989 to 2000. In terms of financial assets, the booming equity markets produced impressive yields of 8.9 percent for stocks, 14.4 percent for mutual funds, and 10.2 percent for stock and mutual funds. See Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Growth of Household Wealth, 1949-2001," *The State of Working America,* Ithaca: Cornell University Press, 2005, page 280.

[6] Non-housing investment gains primarily accrue to a small proportion of Americans. For example, the top 10 percent of U.S. households owned 77.0 percent of all common stock and 84.8 percent of all non-equity financial assets in 2001; 90 percent of American households own less than 23 percent of all outstanding common stock. Similarly, in the last year of data available on the distribution of stock ownership (2001), one-fifth (21.3 percent) of U.S. households owned stock and 47.7 percent indirectly own stocks through a mutual fund or 401(k)-style, defined contribution pension plan. See Edward Wolff cited in Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Share of Households Owning Stock, 1989-2001," *The State of Working America,* Ithaca: Cornell University Press, 2005, page 287.

[7] Edward Wolff cited in Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Distribution of Income and Wealth, 2001," *The State of Working America,* Ithaca: Cornell University Press, 2005, page 279.

[8] Edward Wolff cited in Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Households with Low Net Wealth, 1962-2001," *The State of Working America,* Ithaca: Cornell University Press, 2005, page 285.

[9] James M. Poterba, "Stock Market Wealth and Consumption," *Journal of Economic Perspectives,* Vol 14 (2), pages 99-118.

[10] Edward Wolff cited in Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Average Household Assets and Liabilities by Wealth Class, 1962-2001," *The State of Working America,* Ithaca: Cornell University Press, 2005, page 289.

[11] See Laurence Mishel, Jared Bernstein, and Sylvia Allegretto, "Growth of Household Wealth, 1949-2001," *The State of Working America,* Ithaca: Cornell University Press, 2005, page 280.

[12] See David M. Tucker, *The Decline of Thrift in America: Our Cultural Shift From Saving to Spending,* New York: Praeger, 1991; Lendol Calder, *Financing the American Dream: A Cultural History of Consumer Credit,* Princeton: Princeton University Press, 2000; and Robert D. Manning, *Credit Card Nation: America's Dangerous Addiction to Debt,* New York: Basic Books, 2000, Chapter 4.

[13] Oppenheimer Funds, *Investing for Retirement Survey*, New York: Oppenheimer Funds, 2005.

[14] Oppenheimer Funds, *Investing for Retirement Survey*, New York: Oppenheimer Funds, 2005. The sample selection universe of the study was higher income households (minimum annual income of $75,000 or $300,000 investment portfolio) between 45 and 75 years old.

[15] Tamara Draut and Javier Silva, *Borrowing to Make Ends Meet: The Growth of Credit Card Debt in the '90s,* New York: Demos, 2003, p. 25. The study is based on an empirical analysis of the Survey of Consumer Finance (1989 to 2001).