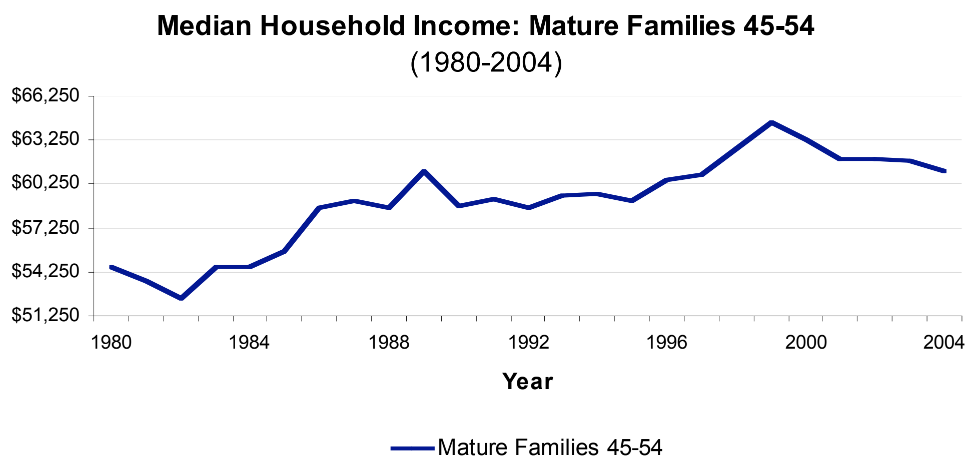
Chapter V

Mature Families Confront the Savings Gap: The Challenge of Balancing Children's "Wants" with Parents' "Needs"

In comparison to the economic struggles of Young Families (Chapter 4), the Mature Family life stage (45 to 64 years old with teenage children) features a sharp improvement in household finances and prosperity. By virtue of their age and experience, these middle-aged citizens are enjoying the prime of their professional/work careers. This enables many of them to pursue realistic saving and investment plans for retirement while preparing to send their remaining teenage children to college or helping them to establish independent residences. Overall, the study participants range in age from 42 to 57 years-old (median age of 49) and were randomly selected from the Washington, D.C. Metropolitan area, including the suburbs of Virginia and Maryland. Approximately 60 percent of the project participants are men and 40 percent are women with almost one-fifth racial/ethnic minorities (primarily African Americans).[1] The Washington D.C. Metropolitan area was chosen due to its booming regional economy (high-tech, government, services) and soaring demand for blue- and white-collar skilled labor as well as its flourishing housing market, which is one of the most robust in the United States. About three-fourths of the participants have earned at least a college degree which is consistent with the high educational levels of the region; their median annual household income of over $120,000 is more than twice the national average yet typical for the local economy. Moreover, nearly all participants are homeowners and most have experienced enormous appreciation of their homes—especially since 1999.

Figure 1

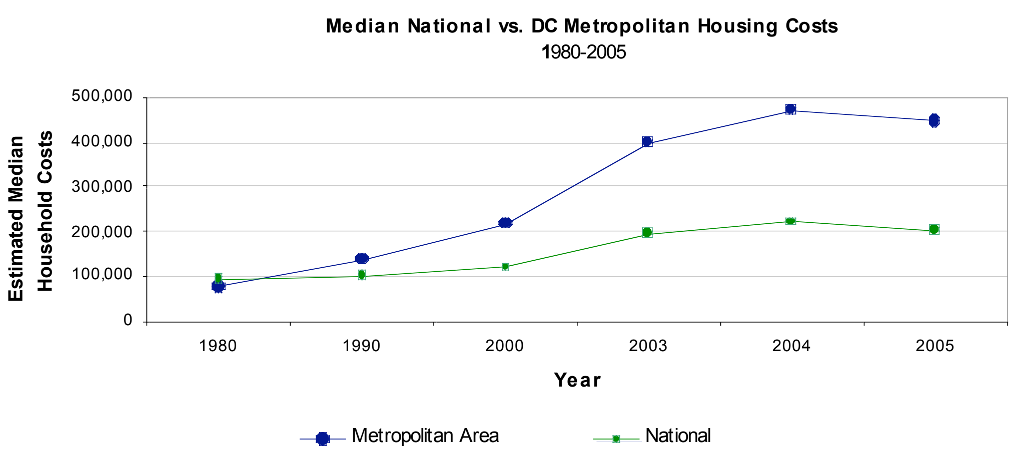


Source: U.S. Census Bureau, Historical Income Tables, Table H-10. Age of Head of Household: All Races, available at http://www.census.gov/hhes/www/income/histinc/h10ar.html

Unlike Young Families, this group has accumulated substantial net assets since their income is peaking, assets are growing (especially real estate), and their consumer debt is typically declining (with lower interest rates)—especially home mortgages and credit card balances. Indeed, as shown in Figure 1, the late 40s and 50s are the prime income earning years of the lifecycle as the median income of dual-earner households peaked at over $74,500 ($64,500 in 2004 dollars for all households in this age range) in 1999.[2] For dual-income households (divorce is the most common factor for single-income households in this life stage), combined family income continues to rise due to professional advancement—especially women who have returned to the workforce after their children have entered school. Interestingly, the traditional relationship between income growth and housing prices has ruptured during this period—defying fundamental economic principles. For example, median household income (adjusted for inflation) has declined more than six percent since 1999 for this age group (over two percent in 2005),[3] whereas housing prices have more than doubled since 1999 in the Washington, D.C. Metropolitan area.[4] See Figure 2 and Table 1. Most Mature Families have experienced an enormous increase in their home values—even recent buyers. For example, 46-year-old John, a military retiree and consultant for a defense contractor, purchased his first house in 1998 for $210,000 in a Northern Virginia suburb. It is now worth over $500,000 and climbing.

The attitudes and behaviors of Mature Families toward credit and debt reflect the financial demands of their specific life stage and the unique historical experiences that conditioned their material aspirations. In this chapter, three distinguishing factors are examined. First, the generational conflict over saving and socially-appropriate spending that affirms the cultural values underlying "good" versus "bad" debt. For this age cohort, the Puritan ethos of frugality and thrift still reigns supreme in shaping their consumption decisions but has been largely resisted by their children. Second, satisfying the costly "wants" and "desires" of their children not only underscores the generational conflict over these core values but has also contributed to reduced household savings rates. This is having a profound impact on their long-term financial planning. Third, the unexpectedly low household savings rate is exacerbated by the fiscal realities of their under-funded retirement programs and the soaring costs of college for their children. The resolution of these competing demands will profoundly influence the timing and quality of life of their future retirement.

Figure 2



Sources: U.S. Census Bureau's Decennial Survey, 1940-2000, available at http://www.census.gov/hhes/www/housing/census/historic/values.html. 2005 data from U.S. Department of Housing and Urban Development and estimates based on U.S. Census Housing Inflation Index for Northeast Urban Size Class A cities.

From the Scarcity of the Great Depression to the Abundance of the Consumer Society:

Generational Conflict over Saving and Spending

For most Mature Families, the formative development of their attitudes and behaviors toward consumer credit and debt were either directly or indirectly influenced by the culture of scarcity that was shaped during the Great Depression and World War II.[5] Stories of rationing, personal sacrifice, and even deprivation were shared by parents or grandparents as cognitive guideposts for influencing socio-cultural attitudes that emphasized work over leisure and saving over debt. Nancy S., a 47-year-old college-educated administrator in the U.S. Marshall's Office, described how her grandparents suffered during the 1930s as banks were unable to return depositors money and rural families had to become self-sufficient by growing their own food and canning vegetables and jams during the winter. Murray, a 55-year-old lawyer, recounted his parents' lack of some basic foods such as fresh milk while 42-year-old Veronica, an African-American hair dresser, recounted stories of her parents' experiences with rationed food, household items, and gasoline during World War II. These childhood experiences of thrift and savings profoundly shaped their contemporary attitudes toward borrowing as well as personal definitions of needs versus wants. They also constitute the attitudinal foundation for transferring these values to their children.

For these parents, traditional notions of good versus bad debt were reinforced by local community bankers who strictly limited the types of loans they were willing to approve; informal credit from small shopkeepers and installment loans from banks were the primary borrowing options of their parents as well as themselves until the early 1980s. For most of these participants, consumer credit was considered a privilege that was earned through hard work and careful financial planning—a reward for prudent financial management. Indeed, Mature Families' psychological commitment to hard work underscores their cognitive anxiety toward potential scarcity by maximizing the accumulation of limited resources through saving and minimizing future financial obligations through avoidance of debt. This is in sharp contrast to younger age cohorts who tend to immediately use the resources that are available to them, and willingly borrow on the expectation of higher future earnings. Unlike Young Families, who have not endured the financial distress and professional uncertainty of a major recession, most Mature Families remain devotees of saving for the proverbial "rainy day" and maintain cash reserves and access to other liquid assets in case of emergencies. Their relatively high incomes and access to home equity loans reduce their reliance on borrowing from credit cards, which they view with disdain as corrosive influences on the Puritan ethos of thrift and industry.

However, nearly three-fourths of Mature Families describe themselves as *"More Liberal"* or *"Much More Liberal"* in the use of consumer credit than their parents. Even so, compared to Young Families, their disciplined behavior toward budgeting and personal finance is similar to Empty Nesters and Seniors. For instance, this group is more careful about maintaining a budget and they are meticulous about monitoring household cash flow even if the process is intuitive or recorded in ledger journals. As a result, they are more likely to make spending adjustments on a month-to-month basis in response to fluctuations in income or expenses. Intriguingly, the "Latte Factor," the minimum financial threshold for recording expenditures, tends to be lower among Mature Families than Young Families even though the incomes of the latter are much smaller. This is illustrated by John, who works for a defense contractor in Northern Virginia. With a combined household income of nearly $140,000 and retirement assets that include over $250,000 in equity investments and $300,000 in home equity, he carefully reviews his monthly budget and expenditures. *"When I am balancing my check book, if it's less than a buck, then I generally don't worry about it. [Otherwise] I'm pretty obsessive about my budget every month. I keep track of it pretty closely."*

As changes in the lending environment have made credit more widely available to all age and income groups since the early 1980s, Mature Families have come to appreciate the easier access and the lower cost of consumer loans. However, they lament the decline of personal relationships with banks that affirmed their credit "worthiness," as well as their perception of bank policies that erode traditional values promoting saving and responsible borrowing. Furthermore, they are concerned about these influences on younger and less financially experienced families who may view credit as a social entitlement and thus do not fully consider or understand their personal and long-term financial responsibilities. Indeed, Mature Families' early experiences with local community banks emphasized the importance of honoring their fiscal commitments—evidence of their moral character—by paying off their debts as soon as possible. For example, Greg, a 50-year-old suburban Virginia account manager complained: *"We do not promote morality… when banks encourage borrowing to pay other debts… It may be profitable for the banks but it does not promote [personal] responsibility."* The importance of personal reputation and relationships with loan officers is illustrated by John. He recounted his experience in obtaining a credit card in the late 1970s with his local branch manager who was a family friend. John recalls vividly the torturous process of obtaining approval from a senior lending officer in another state over the telephone. Following a lengthy conversation, his credit line of only a few hundred dollars was approved.

Today, these middle-aged adults respond contemptuously to the widespread liberalization of consumer credit—which they feel are marketed without an emphasis on personal responsibility, especially as relates to the solicitation of credit cards to inexperienced teenagers. This view assigns much blame for increasing consumerism, indebtedness, and other social problems among younger groups to the perceived irresponsible lending practices of credit card companies and other financial institutions. According to Nancy M., a 46-year-old program executive at a suburban Maryland consulting firm: *"There [seems] to be no conscience with the credit card companies and payday lenders…This used to be called loan sharking…now it's called good business."* In fact, 42-year-old Veronica's experience with credit cards exacerbated her financial problems and led her to cancel all of her credit accounts. A native of the District of Columbia, Veronica asserted that banks prey upon those in desperate financial circumstances and simply seek an excuse to charge usurious interest rates to clients with few economic options. This led her to describe bank credit cards with religious overtones: the "devil in plastic."

When Christmas Comes 'Round Every Day: The Soaring Costs of Satisfying Children's 'Needs' in the Society of Abundance

Despite Mature Families' overwhelming agreement that consumer debt should be avoided and needs should be prioritized over wants, they increasingly make exceptions that offer valuable insights into the psychology of current spending practices. The most notable departure from the traditional values of frugality and thrift relates to the desire to "adequately" provide for the "needs" of their children. Essentially, Mature Families have accepted competitive consumption pressures that dramatically increase the cost of providing their children with socially important lifestyle amenities. Significantly, Mature Families are willing to exceed their budgets in order to satisfy their children's wants while at the same time cutting back on their own personal needs. Hence, this generational clash of attitudes toward spending and debt is resulting in the ascendance of consumption priorities that value spending over saving and "flash" over functionality.

Karen, a 54-year-old public school teacher in the District of Columbia, described the sharply different lifestyle expectations of her children in comparison to her own childhood, *"When I was growing up, we had three pairs of shoes: [everyday for] school, Keds [sneakers], and [dress for] Sunday School… and we had to take good care of them. Today, my son has over 20 pairs of expensive sneakers and I don't even know how many my daughter has…"* She continued by describing costly expenses that we take for granted:

> *There are all kinds of expenses that we have today that my parents didn't have…air conditioning was a luxury back then, now it is a need… I had to pay $500 to pull some [infected] teeth of the [family] dog at the vet… when I was a child, if our dog was sick my father would take 'em to the vet and he would come back with different colored spots… [laughing] He would have gotten us another dog rather than pay for expensive treatments from the vet…*

I think that my kids are pretty typical. They want everything that they see on TV and I probably give in too much to what they want. If they want something, I definitely try and give it to them, versus when I was growing up we didn't have a lot and so you just didn't ask for anything.
-Kris, 43

Similarly, Dan, a 49-year-old police detective, discussed how his parents and all three children shared a single bathroom when he was growing up. *"We didn't think of ourselves as poor, we had the same [material] conditions as everyone else. Today, however, you can't buy a new house without a [separate] toilet for each bedroom. Peoples' expectations are much higher now…*"

Some Mature Families expressed frustration over the continuous spending demands of their children as if this behavior was beyond their control. For example, Rosemary, a 53-year-old employee of a communications conglomerate, explained the difficulty of restraining the spending demands of her children. After taking out a home equity loan to retire $40,000 in consumer debt, she complained: "*I have two teenage girls who are spenders big-time, which prevents me from being a* *spender. I'm trying to be a saver because I am inundated with spenders."* Rosemary's husband was laid off a few years ago and they have depleted most of his retirement account because of his difficulty in finding comparable employment. Due to their unexpected financial plight, Rosemary said she will not be able to help pay for her children's college expenses as she and her husband must pay off their home equity loan in preparation for retirement. Indeed, the financial empowerment offered by the enhanced liquidity of home equity wealth is balanced by the reality that these loans are not free money and must be paid off. The recent popularity of these low-cost loans is reported by the Joint Center for Housing Studies of Harvard University. It estimates that home equity loans totaled $333 billion during the three year period 2001-2003—jumping from $86 billion to $139 billion.[6]

Unlike Rosemary, Kris, a 43-year-old mother of three and a customer service representative, would be considered a disciplined saver by allocating 10 percent of her 2004 annual income to her company's 401(k) program. Yet, Kris notes with a sense of helplessness her children's lack of financial awareness:

> *I think that my kids are pretty typical. They want everything that they see on TV and I probably give in too much to what they want. If they want something, I definitely try and give it to them, versus when I was growing up we didn't have a lot and so you just didn't ask for anything. I just went to buy a car for my daughter and she was going right for the $35,000 and $40,000 cars. It just doesn't seem wrong to them…they just think that they should have this stuff. I am not very diligent about forcing them to save…it's more of a suggestion.*

Kids want to have everything [even] for no special occasion. They don't understand the value of what you spend. It's sad because Christmas used to be so special… [the anticipation of] the gifts that you would get… instead, they already have everything they want…
-Carl, 48

Most of the study's participants agreed that this emergent "culture of want" embraced by most of their children views saving as a form of denial and spending as an expression of independence and empowerment. For teens who embrace competitive consumption, the Mature Families concurred that it is the responsibility of parents to rein in the impulsive, short-term focus of their children. But, with intense peer pressures, most found themselves retreating from their unpopular and often isolated positions as the family "Scrooge;" they related that the parents of their children's friends tend to accede to the consumption demands of their children. This led Carl, a 48- year-old property manager in Northern Virginia, to exclaim: *"Kids want to have everything [even] for no special occasion. They don't understand the value of what you spend. It's sad because*

Christmas used to be so special… [the anticipation of] the gifts that you would get… instead, they already have everything they want… It's hard to pick out gifts [for special occasions]."

The failure of Mature Families to pass on their traditional financial values to their children is a striking feature of this life stage. Significantly, Mature Families view these unrestrained consumption impulses as now typical of the current generation of teenagers. This highlights the common parental assumption that the elevated lifestyle of teenagers has become a contemporary social norm. However, when compared to teenage consumption patterns of only a generation ago, the magnitude of this attitudinal shift is truly profound. Indeed, the psychological desire of Mature Families to satisfy the needs and wants of their children appears to underlie an increasing cognitive paralysis that affects even highly disciplined families. This contributes to lower household saving rates and higher consumer debt levels that create further stress and obstacles to achieving their long-term financial goals.

[My wife and I] have no credit card debt! [Having a credit card] – it's just a convenience and I have always operated on the principle of pay it off every month. But when it comes to the children, I'm always spending [like] crazy…
-Bernie, 49

This cognitive conflict is illustrated by Bennie, a 49-year-old African-American from the District of Columbia, who works two full-time jobs as an alarm and assembly technician as well as a retail clothing vendor. Despite very traditional and conservative views toward consumer debt (especially credit card debt) that are shared by his wife, a financial auditor, Bennie's spending behavior is radically different when it concerns his two sons who are 11 and 13 years old. In compensating for his materially deprived childhood, Bernie is often unable to control his consumerist impulses—even against the explicit wishes of his wife:

> *[My wife and I] have no credit card debt!" [Having a credit card] – it's just a convenience and I have always operated on the principle of pay it off every month. But when it comes to the children, I'm always spending [like] crazy. [Admittedly,] my children are spoiled and mostly it's because of me. Every time they want to stop somewhere or to get something I usually oblige, much to the disagreement of my wife... When they wanted a new bicycle, I got them the nicest one that I could find [reminded that] my parents could not afford one for me… It's my fault because they are spoiled.*

Some Mature Families prefer not to economize when encouraging their children to participate in socially beneficial life experiences and educational activities. Fitting in and being accepted in the "right" social groups underscores the growing influence of teenage peer groups on the spending decisions of Mature Families. As Nancy S. noted: *"The band trip, and the soccer uniforms, all of these things have been elevated to necessities to fit within the social group and to have the opportunity exposed to them so that as they get older they narrow their interests and have some life skills."* Other Mature Family participants noted the soaring cost of some school activities: $500 prom gowns, $2,500 trombones, and $3,000 summer camps. Carl continues: *"I am probably just as conservative as my parents in spending money [on myself], but with my sons I'm not. To think about all the money that I spend on my kid just so that he can kick a soccer ball..."*

As the children of Mature Families seek financial independence and work part-time jobs, their parents lament their declining influence over spending and consumption decisions. Karen discussed this challenge concerning her 18-year-old daughter whose job at a coffee shop provides an income for financing her lifestyle activities: *"I try to encourage her to save as much as possible but I'm not very successful. She needs to learn to save for unexpected problems like when the brakes in her car wore out… Instead, she saves for what she wants [to buy]…"* As a result, Mature Families often resort to teaching their children how to become "target" savers. Such fiscal compromises serve to selectively encourage a work and saving ethic while failing to curb their children's consumption desires. This trend highlights a major shift in parental guidance that once prepared children to discipline their spending habits and save their earnings for long-term, personal "investment" goals such as college tuition or a used car.

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-Nancy, 47

Cutting the Financial Purse Strings:

Competing Demands for College Tuition and Saving for Retirement

The most important fiscal challenge confronting Mature Families is financing the educational expenses of their children while simultaneously planning their rapidly approaching retirement years. Overall, two-thirds of the Mature Family participants reported being *"Very Concerned"* about their saving for retirement and the rest reported being *"Concerned."* Similarly, almost 85 percent reported being *"Worried"* about saving for their children's college education while more than 70 percent responded that they faced a *"Conflict"* over saving for their children's education versus saving for their retirement; less than one-half had saved any money for their children's education and only one-fourth had saved at least $30,000. A common matter-of-fact response—even among households with combined incomes over $100,00—was *"The kids are going to have to pay for most of their college education rather than [us] borrowing against our retirement."* This sentiment is shared by Carl. Although his annual household income exceeded $100,000 last year, illustrating the economic opportunities available to blue-collar workers in the regional economy, Carl is committed to enhancing the career options for his children by financing their college educations. However, with three children–the oldest recently graduated from college, the next a current college student, and the youngest soon to enter high school—Carl describes the stress arising from these economic demands:

> *I am wondering if I am doing the right thing by mortgaging my retirement for [my sons'] education and how far do I go with that. What about me now that I am getting older? You run into a scare where a company cuts back and where does that leave you?*

Despite fiscal prudence in their own consumption habits, the challenge of saving for retirement and their children's college education has been difficult for most Mature Families to effectively manage, particularly those with more modest household incomes. Aside from unexpected medical problems, paying for college expenses is the most significant financial factor in curtailing

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-Carl, 48

the retirement expectations of Mature Families. In fact, some have already accepted the reality of postponing their retirement until their late 60s or even early 70s. As a result, planning for retirement and saving for college consistently rank among the top three major financial concerns of Mature Family members. This is especially striking since several participants in the study are less than ten years away from their anticipated retirement. And, some face not only continued financial demands from their children but also from aging parents and relatives (aunts, uncles). For example, Nancy S., who recently divorced, has a daughter who starts college in 2006 and a younger son who will attend college in four or five years. Nancy expects that she will soon have to assume some of the financial burden of caring for her elderly parents, both of whom are over 80 years old and, together, receive less than $15,000 per year in retirement benefits. Nancy confided: *"I can't afford to retire soon. I was hoping that by now I'd have a half a million [saved but right now] I don't know how I am going to get there."*

In most cases, Mature Families are willing to provide for the educational expenses of their children, with the expectation that they will accumulate sufficient household assets to maintain a comfortable lifestyle in their retirement years. The general assumption is that they will discontinue their financial support after the completion of their children's high school or college degrees; an expectation that is consistent with the view expressed by Young Families in the preceding chapter. Nevertheless, this may be an unrealistic assumption based on the experiences of Empty Nesters and Seniors as reported in the following chapters. Even parents in retirement have been reluctant to terminate financial assistance to their needy adult children. This emotional strain is revealed by Joy, a 48-year-old African-American entrepreneur, who works from her home in the health wellness industry: *"Once the kids get to an age where you're supposed to push 'em out, it's hard, and I'm sort of having that quandary right now. My daughter is still in school and working. You want to give them a sense of responsibility but I don't want to force her out of school if her income is not enough yet."*

For most Mature Families, the assumption is that they will accumulate the bulk of their retirement assets after supporting their children through college and paying off their home mortgage. This view assumes that more careful financial planning will increase household assets through appropriately diversified wealth-building investment vehicles such as stocks, bonds and home equity. However, a startling finding is that less than 20 percent of Mature

Families have regularly consulted a professional financial planner. Most have relied on friends or family members in the past and now look to financial advice periodicals (print and online) as well as investment advisors available through their employers. Only a few members of this group have an estimated asset accumulation target for their retirement; less than one-half could offer an estimate of how much they needed and less than one-fourth were pursuing a financial strategy to achieve their financial goals. Although some Mature Families have consulted financial advisors, they expressed uncertainty regarding the underlying rationale for achieving their investment goals as well as their associated risks. They also expressed skepticism about deferring to the expertise of some of the more reputable financial planning firms, largely due to declining professional trust and recent industry scandals.[7] With asset retirement goals ranging from $400,000 to $2.5 million, it is unlikely that more than one-third will come close to accumulating the assets necessary to sustain their expected lifestyle in retirement. As a result, most of the participants felt perplexed, having remained faithfully frugal and industrious their entire lives yet still far from achieving their financial goals. As Lee, a 57-year-old teacher and business owner exclaimed: "*How has this happened [to me]? How is it that my father with a lot less education and a lot less financially had everything and here I am still not quite where I need to be?*"

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-Lee, 57

A new source of wealth for Mature Families in major metropolitan areas is home equity due to the recent appreciation of their homes. Almost all respondents (87 percent) in the project are homeowners and they reported that the value of their homes have appreciated tremendously. The current value of their homes range from $220,000 to $900,000 with a median price of $500,000. Overall, the participants reported that their homes have doubled in price since 1999, nearly tripled since the early 1990s, and quadrupled since the mid-1980s. For example, Trish bought her modest home in a Northern Virginia suburb for $115,000 in 1986 and it is worth $385,000 today. More recently, Lee bought his house in a Northern Virginia suburb in 1999 for $225,000 and its market value is reported at $600,000. Hence, the bulk of the net worth of Mature Families is the equity value of their homes which has primarily occurred over the last decade—especially since 1999.

Due to the relatively low cost and ease in obtaining home equity loans in the early 2000s, this sharp increase in the household assets of Mature Families has created unexpected investment opportunities. For example, in response to the high financial returns in the regional housing market, some Mature Family members have withdrawn capital from their equity accounts and mutual funds in order to invest in the booming regional housing market. Others have taken advantage of the increased liquidity of their home equity and pursued investments in real estate or the equity markets. Indeed, one of the significant psychological trends is the changing view of housing as a "need" to housing as a combined investment/residence. Not surprisingly, 87 percent of the participants responded that they view their home as a combination of shelter/investment versus 13 percent viewing it solely as necessary shelter. This cognitive shift has created a financial rationality for the purchase of bigger houses, assumption of larger mortgages (more than 30 percent of household monthly income), and use of home equity "cash out" loans for household expenses based on the assumption that it is a prudent investment strategy for maximizing household wealth due to modest returns in alternative investment markets. Indeed, this housing "dividend"—a spin-off of the household "wealth effect"—has contributed to a recent surge in home equity and home re-financings. More than one-third (35 percent) of the project participants have borrowed from the equity in their homes—ranging from a low of $10,000 to a high of $168,000.

In some instances, Mature Families do not fully understand the positive value of their personal credit histories and are subsequently unaware of the appropriate borrowing rates, making it more difficult for them to make informed and prudent financial decisions. As a result, even though many Mature Families have taken advantage of low interest rates to refinance their homes and obtain home equity loans, they are not adequately prepared to make strategic investment decisions for improving the financial fundamentals that will fund their future retirement. For these households, financial workshops and personal finance classes that promote smarter borrowing could save considerable amounts of money. This is an important issue since most members of the Mature Family group expressed their concern about making the "best" investment decisions due to the realization that they have little margin for error with retirement looming on the horizon.

Finally, a popular argument that challenges the dire economic forecasts of the Baby Boomers' retirement prospects is the expected intergenerational transfer of several trillions of dollars through family inheritance and gift giving practices.[8] However, among the Mature Families, only 39 percent believe that they will receive any future inheritance and less than one-half of this group expect that their inheritance will significantly improve their financial situation in retirement. Some, like 47-year-old Rick, a PhD economist employed by a non-profit organization in Northern Virginia, received a moderate inheritance more than 15 years ago and used it to finance his graduate studies. Others, like Veronica who inherited her principal residence a decade ago from her mother, have already incorporated these assets into their current lifestyles.

More commonly, medical and burial expenses leave only modest amounts of wealth to be divided among several family members since their parents' homes tend to be much more modest by contemporary standards and tend not to be located in rapidly appreciating metropolitan markets. Indeed, a more typical reality for Mature Families is the experience of Nancy, who does not expect to inherit any assets from her parents. Furthermore, she anticipates the additional financial strain of supporting elderly family members will erode future savings and contributions to her retirement/investment accounts. Although many plan to work part-time to augment their limited retirement resources, a commonly discussed strategy is to sell their homes and use their proceeds to retire to a smaller residence in a less expensive area such as Central Florida, West Virginia, or Pennsylvania. This has become an increasingly popular strategy that can have substantial lifestyle and cost-of-living advantages. However, this retirement strategy entails severing ties with longstanding social support networks in their local communities such as family, friends, and fraternal/religious organizations, which will likely require unexpected expenses in the future.

Table 1

Median Prices of Houses Sold by Region

Year	National	Washington, DC Metro Area	Inflation Index
1940	30,600	n/a	
1950	44,600	n/a	
1960	58,600	n/a	
1970	65,300	n/a	
1980	93,400	75,747	0.811
1990	101,100	139,215	1.377
2000	119,600	218,150	1.824
2003	195,000	398,190	2.042
2004	221,000	469,404	2.124
2005	203,800	446,322	2.190

Sources: U.S. Census Bureau's Decennial Survey, 1940-2000, available at http://www.census.gov/hhes/www/housing/census/historic/values.html. 2005 data from U.S. Department of Housing and Urban Development and estimates based on U.S. Census Housing Inflation Index for Northeast Urban Size Class A cities.

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] Mishel, Lawrence, Jared Bernstein, and Sylvia Allegreto, *The State of Working America 2004-2005,* Ithaca: Cornell University Press, 2005, page 56.

[3] Agence France Presse, AFP News Report**,** "25-year record US inflation surge sparks debate," October 14, 2005 and 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] U.S. Census Bureau, 1940-2000 Decennial Surveys, available at http://www.census.gov/hhes/www/housing/census/historic/values.html. Other data from U.S. Department of Housing and Urban Development and estimates based on U.S. Census Housing Inflation Index for Northeast Urban Size Class A cities.

[5] 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.

[6] Joint Center for Housing Studies, *The State of the Nation's Housing,* Cambridge, MA: Harvard University, page 7.

[7] The results are consistent with the finding of a recent survey of investor attitudes. See 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.

[8] For a discussion of the factors that are responsible for the decline in expected inheritance levels, see Lois A. Vitt (ed.), *Encyclopedia of Retirement and Finance*, Westport, Conn: Greenwood Press, 2003