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At 61 She Lives in Basement While 87-Year-Old Dad Travels

By Carol Hymowitz - Dec 18, 2013

Eighty-seven-year-old Lew Manchester has just returned from a three-week trip touring Buddhist temples in Laos and cruising the Mekong Delta in Vietnam. His 61-year-old daughter Lee lives year-round in the basement of her friend's Cape Cod cottage, venturing into the winter cold to get to the bathroom.

Lew is making the most of his old age. Lee is paring back and lightening her load as she looks ahead to her later years. Both worked all their lives, both saved what they could. Yet Lew, a son of the Great Depression and former company man, and Lee, a baby boomer who has pursued careers as an entrepreneur and a mid-level manager, are winding up in two very different economic strata.

“Timing is everything and my dad's timing with jobs, real estate and retirement benefits was better,” said Lee.

While plenty of baby boomers, born from 1946 to 1964, have become affluent and many elderly around the U.S. face financial hardship, the wealth disparity of this father and daughter is emblematic of a broad shift occurring around the country. A rising tide of graying baby boomers is less secure financially and has a lower standard of living than their aged parents.

The median net worth for U.S. households headed by boomers aged 55 to 64 was almost 8 percent lower, at \$143,964, than those 75 and older in 2011, according to Census Bureau data. Boomers [lost more](#) than other groups in the stock market and housing bust of 2008, and many also lost their jobs in the aftermath at a critical point in their productive years.

Worse Off

That's left many ill prepared to provide for themselves as they approach old age, even as they are likely to live longer than their parents. For the first time in generations, the next wave of retirees will probably be worse off than the current elderly. More than half of those aged 50 to 64 think their standard of living in retirement will be somewhat or much worse than their parents, according to [a 2011 survey](#) by the AARP Public Policy Institute.

“Baby boomers are the first generation without the safety net of pensions and other benefits their parents have,” said [Alicia Munnell](#), director of the Center for Retirement Research at Boston College. “They're facing a much more challenging old age.”

Lee Manchester knows she'll have a more austere old age than her father's. She made a choice early on, seeking to become an entrepreneur rather than work for a large company with benefits, as he did. After running a real estate business with her Cape Cod friend, Brita Tate, she started a commercial construction company when she was 34. Instead of saving for retirement, she borrowed and spent money on her venture.

Work Ethic

To be sure, many parents have had more financial success than their children and Lee conceded that she's made a mistake or two along the way. Still, like [many of her generation](#), Lee pursued a steady path, forging ahead in the wake of economic headwinds and career setbacks.

Lee said she harbors no resentment for her dad, who she credits with instilling her with a strong work ethic. As teenagers, she, her older sister and her younger brother, all in their 60s now, each paid 5 cents a mile whenever they used their dad's car. After graduating from University of Wisconsin, she married her high school boyfriend and followed him to Arizona, where he was training to be an Air Force pilot. She worked as a substitute teacher until the couple returned to Hartford, Connecticut, where they'd both grown up.

"I was never allowed to dream," she said. "My parents and then my husband expected me to work, and I couldn't really think about what I most wanted to do."

New Company

Lee got the courage to stretch when she started a commercial construction company in 1986 with \$150,000 from her divorce settlement. She hired a dozen employees and succeeded in landing contracts supplying steel parts for buildings, until the construction industry slumped in 1989.

"When the company went down, my father was likely shaking his head and thinking, 'Holy mackerel, what is she doing?'" she said.

Her father, in fact, has never blamed Lee. "She did her best and tried to make it work," he said.

Bouncing back, Lee became a sales manager in the airport parking business. Still, she didn't start saving for retirement until she was in her late 40s, when her employer established a 401(k) account.

Median Savings

Lee is hardly the only baby boomer who didn't save enough, worked for companies without 401(k) accounts or lost significant amounts in the financial crisis. Today, her retirement savings of \$120,000 are right at the median 401(k) balance for households headed by baby boomers, according to 2011 data from the [Center for Retirement Research](#) at Boston College.

That will provide just \$4,800 a year to boomers when they turn 65, assuming they take out 4 percent annually, the limit financial planners say should be withdrawn to assure retirees don't run out of money in their lifetimes.

Her father said both he and Lee's mother worried about her finances and helped her raise her sons. They baby-sat regularly, and Lew took his grandsons camping. And they reduced the rent on the apartment Lee rented from them so she could send her younger son, who was having trouble in junior high, to a boarding school in ninth and 10th grades.

"It was our privilege to help raise our grandsons, and we thought of a way to help with their education that wasn't just writing a check to the school," her father said.

Fewer Pensions

Had boomers like Lee been thriftier, they would have still been hurt by a shift to 401(k) accounts from pensions in the 1980s. Thirty-seven percent of the elderly in the U.S. collect pensions, which provide some guaranteed income until they die. Fewer than 10 percent of boomers collect pensions, and that number is quickly shrinking.

Lee thought her finances were improving in 2008 when she was recruited as the business development manager at Parking Co. of America for \$70,000 a year, a 25 percent jump over her previous salary. Then the economy tanked. After one year she was laid off, just a few months before her employer filed for bankruptcy.

During the next two years Lee took whatever part-time jobs she could find, including telemarketing from home. She was remarried by then and her spouse's modest income helped cover living expenses. She resisted dipping into her depleted retirement account.

"I sold my silver, but didn't touch my savings, even when the value fell to \$35,000, from \$80,000, at one point," she said.

Mounting Costs

Although she found a new job in 2010 as manager of the customer service department at [Holo-Krome Co.](#), a manufacturer of metal fasteners, with an annual salary of \$52,000, it lasted only two years. She was laid off again just as her second marriage ended. Lee could no longer afford to cover the costs of her four-bedroom house, which she purchased for \$225,000 at the height of the housing bubble. Her health insurance costs rose to more than \$400 a month.

She asked her father for a loan to cover the legal costs for her divorce last year. He sent her a check within days.

"She has never complained to me about not having enough money," he said. "But if she needs it, I'll advance it."

Lee, who has repaid the money she borrowed, avoids dwelling on her difficulties during her weekly calls to her dad.

“I know he’ll help me if I fall off the ledge, but he taught me to be self-sufficient,” she said.

When she told him she’d have to either sell or rent her house in West Hartford, he suggested she move close to his assisted living residence in Sonoma, California, where she could rent an apartment for about \$1,300 a month.

“That was more than I was earning,” said Lee.

Housing Plan

Instead, she came up with a plan she thought would help both her and her former real estate partner and friend. Brita Tate, 70, had spent summers at Lee’s house while renting her one-bedroom cottage in Wellfleet, Massachusetts, an artsy coastal enclave near the tip of Cape Cod much coveted by summer vacationers.

“I asked, ‘How do you feel about me coming to you now?’” said Lee, who offered to pay \$400 a month to rent Brita’s basement. That would be enough to cover her friend’s real estate taxes and other costs so she would no longer need summer renters.

“She’s a very caring woman who has helped me so many times,” said Tate. “I said, ‘Move in as soon as you’re ready.’”

‘Breathing Room’

The arrangement, Lee figured, would also allow her to hold on to her house in Hartford by renting it for \$1,600 a month, enough to cover her mortgage and taxes. Though the house is still worth less than she paid for it, Lee is hoping that if she holds on to it long enough, she’ll be able to one day recoup her investment.

Her father was relieved.

“She would have a place with an old friend and some breathing room before she found another job,” he said.

Lee moved to Wellfleet last February when the town’s population, which quintuples in the summer, was less than 3,000 and most stores and restaurants were shuttered. Before leaving Hartford, she sold jewelry she’d inherited from her mother and grandmothers, gave her best furniture and household items to her sons, now 33 and 31, and donated or discarded the rest.

She arrived with a bed, a dresser, a hope chest, a small desk, a small amount of clothing, photos and artwork, and her two cats. That was plenty for the 250-square-foot finished basement space adjacent to the laundry room.

Less Stuff

“It’s liberating finally getting to a point in my life where I don’t need a lot of stuff,” she said. “I felt like I was getting rid of the baggage of life that I’d kept dragging behind me and which was just weighing me down.”

Within a month, she found a job managing the spa at Crowne Pointe Historic Inn in nearby Provincetown. It’s a year-round position, hard to find on Cape Cod. She earns \$13.50 an hour, working as a combination hostess, receptionist, fixer of gym equipment and laundress.

“Everyone here is on vacation, so no one is ever complaining,” said Lee.

After work, she fixes a salad for dinner and chats with Brita. Before heading to the basement, she makes sure to use the bathroom. There’s only one in the house and getting to it from her bedroom requires going outside and climbing the patio steps.

Trimming Expenses

Lee has cut her expenses by more than a half and is living on about \$2,000 month. She spends less than \$100 a month in Massachusetts for health insurance, a big incentive for her move. [Gasoline](#) is 30 cents a gallon cheaper in Wellfleet than Hartford and her car insurance is \$700 a year instead of \$1,200. She takes lunch to work instead of spending \$8 for a sandwich and gave up diet Coke to save a few more dollars each week.

Lew Manchester doesn’t worry about how much he spends on lunch, nor has he ever since retiring 23 years ago when he was 64. Every month, in addition to his \$1,750 Social Security payment, he gets two [pension](#) checks: \$1,000 from [Marsh & McLennan Cos.](#), the last insurance company where he worked, and \$783 from the military for serving in the Army Reserve for 20 years.

He also has more than \$800,000 in savings, close to \$400,000 of which he cleared from the sale of his Hartford home in 2005, when he and his then ailing wife moved to an assisted living residence in northern California, three years before the housing market crash. During the next five years, while caring for his wife, who died in 2010, he was able to save more. A long-term care policy he’d purchased years earlier for \$500 a month over 10 years paid out more than \$275,000, covering most of their living expenses, and it’s still available for him to use if he needs it.

Medical Complications

Lee could use a policy like that. She has multiple sclerosis, a disease she has controlled with medication and exercise for 27 years. Given her medical history, she doesn’t think she’d be eligible for long-term care insurance, although she can’t afford even a modest policy.

“I can’t worry about what I don’t have,” she said. “I have to focus on what is.”

That puts Lee among the swelling ranks of older Americans vulnerable to soaring medical costs. Hospital, doctor and medicine expenses for a 65-year-old couple retiring this year are expected to be \$220,000 over the course of their lives, as company-paid retiree health benefits disappear and the cost of Medicare rises, according to Fidelity Investments.

Lee hasn't discussed her health coverage with her father, who said he hopes she has "enough for her needs."

Her dad also knows he is fortunate to have had a working spouse. Lee's mother started a real estate business when the couple's children were teenagers. She saved some of her income in a [Roth IRA](#) that has grown to about \$250,000.

'Happy Money'

"I call that fund my happy money," he said. He uses it to pay for his travel, a pursuit he's loved since the Army stationed him in Japan shortly after World War II.

He's planning another trip to Hawaii this February with his new girlfriend, who's 77. In the spring he'll visit Lee for the first time in Wellfleet and then fly to Portugal.

Lee told him on a recent phone call that she's glad he's healthy enough to travel and that she likes his girlfriend.

"After taking care of mom for 10 years, you deserve to have fun," she said.

Lew has done careful estate planning and expects to leave money to each of his children and five grandchildren. Every Christmas he writes them each a check for several hundred dollars and this year plans to be more generous.

"The farther I go along, the less I need, so I'm loosening the purse strings," he said.

Looking Back

Lee sometimes can't help dreaming about the trips she'd be planning if she'd invested the \$150,000 she spent to start a construction company.

"If I'd done that, I wouldn't be where I am now," she said. Still, "launching the business was the most fun I ever had and my way to fight a frightening medical diagnosis."

Lee doesn't regret downsizing her life. She has more time than ever to enjoy the outdoors, read and spend time with her friends.

"There's so much pressure to keep up, to keep buying things, to stay on the treadmill always hoping to have more," she said. "Well, less can be better."

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