Friday, Apr 26, 201

Making Ends Meet In The Middle

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Published: November 23, 2008

Lay off the lattes.

Buy a house you can afford.

Refrain from grabbing every electronic doodad that rolls off the Best Buy truck.

Those as yet untouched by the sour economy are quick to point fingers of blame at those in trouble.

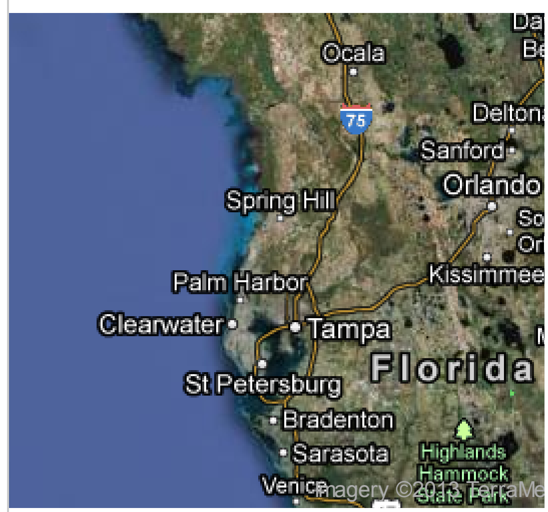
But some economists say the middle class - particularly families with children - are caught in a complicated bind not wholly of their making. Rather, a confluence of changes within a single generation has introduced an increased vulnerability to economic downturn.

Now that the country is in a recession, some families barely are hanging on to their middle-class lives. Others have lost their grip. Parents say they worry most about the negative effects on their children.

Alysha Cobb's three youngsters come first.

A graduate of Howard University, Cobb decided to

Your Weather



put her career on hold for a while to be a stay-at-home mom. She and her husband bought a four-bedroom house in a beautiful new subdivision in Tampa.

When the couple divorced a short time ago, she had to leave her home and find a job. She applied all over, she says, with no luck. She had two choices: Move into housing she could afford - likely putting her preschoolers in a riskier neighborhood - or move back in with her parents.

She chose the latter, even though it meant her son had to double up in a bedroom with a cousin.

"I'm lucky I had that option," says Cobb, who has started her own event-planning business. "My main goal was to keep my kids' quality of life as intact as possible."

Economist Kristen Lewis says the media have portrayed middle-class families scrambling to buy McMansions as a means of showing off and living beyond their means - even if it meant taking riskier loans.

That's just not it, she says.

"It's less to be in a bigger house than it is to get their kids in a better school," says Lewis, a researcher with the American Human Development Project, a nonprofit, nonpartisan organization.

"Parents fully realize the returns to education are so much greater now."

As recently as the 1970s, driven by a glut of college graduates and higher union membership, those with a high school diploma earned only a bit less than those with a four-year degree. However, that has changed dramatically, and parents know it, Lewis says.

Previously, middle-class parents bought a home in the suburbs and assumed their children would go to the neighborhood school. Now, parents critically assess the quality of the nearby school before purchasing a home, or find the school first, then search the surrounding neighborhoods.

"Generally, the thinking is, if you want to get your kid in a good school, you buy in an expensive neighborhood," Lewis says. A good school means a better shot at college, now more critical than ever to maintaining a spot in the middle class or moving beyond.

Parents also hope for an environment where other families share their values and aspirations, and where their children can make friends with other good kids.

Big Changes

A number of additional factors have made finances more precarious for middle-class families over the past generation, a time marked by higher individual risk and lower rewards.

From the end of World War II until the 1970s, the nation had a sense of shared prosperity. The GI Bill helped families buy homes and gain education; employer benefits covered unforeseen health problems; companies offered pensions in exchange for loyalty; and, generally, fathers could provide for their families on one income.

If a death or poor health struck, the family had an ace in the hole: Mom could go to work, even if at a lower income, to keep the family afloat.

However, big changes occurred during the past few decades as women poured into the workplace. Both incomes became needed to keep families afloat, and not necessarily because couples began spending more extravagantly.

Health costs spiked, and workers assumed more of the fees. Pensions were replaced by the 401(k), which puts greater risk on the worker. Employees increasingly are considered expendable, and even those with longtime loyalty to a company can be laid off. Education is more costly, and child care adds another fixed expense uncommon decades ago.

Fixed Expenses Eating Into Pay

It is counterintuitive, says Harvard University

Hitler's food taster tells of poisoning fears
St. Lucia police detail rescue after boat sinking

bankruptcy scholar Elizabeth Warren, but people are spending less of a percentage of their income on clothes, food, appliances and cars than they did 30 years ago.

Fixed expenses - housing, utilities, health insurance, transportation - are eating up more of people's income today. Warren says that in the 1970s, families spent 50 percent on those inflexible costs. Today, it's 75 percent.

When hard times hit recently, families began cutting where they could.

Hope Paolotto teaches private violin lessons in the Brandon area; her husband works for an engineering firm. This time last year, they were doing well enough to buy a new car and family passes to Busch Gardens.

But since then, half of her students have had to quit their lessons because of finances, some after their parents were laid off. Some started taking class less regularly. One teen babysits Paolotto's 3-year-old in exchange for instruction.

"Lessons are the first thing that goes," says Paolotto, who says all the private music teachers she knows are in the same boat.

The lack of students has hit the family hard. She traded in her new car for a less-expensive model, renegotiated her rent and lowered her cell phone expenses. The local park will take the place of trips to Busch Gardens in 2009.

Her husband is looking for an additional part-time job while she takes 18 hours of classes at the University of South Florida to complete her degree, hoping for a steadier paycheck teaching in public schools. Her parents provide child care and help with tuition.

"We've really had to make a lot of changes in our lifestyle," she says. "We never eat out anymore. If I think about it, I take the $10 I would have spent at Taco Bell and put it in a drawer. I can't think of any other things we can do."

Many families cope by taking on massive credit card debt or dropping their children from their company's insurance provider. They postpone medical or dental care. Some raid their retirement funds. Many foist more of the cost of college education on their children, who graduate now with an average of $20,000 in student loans.

The accumulated wealth that middle-class families pass down to the next generation is drying up as well. Many parents no longer have the money in reserve to give their young adult children an older family car or second-hand furniture, pay for a wedding or help with the down payment on a house. Young people are making the transition to adulthood saddled with more debt.

Teenagers, hoping to ease the family economic burden and put away money for college, are competing for jobs with out-of-work adults forced to accept lower wages.

Retail spending is down, fewer families are dining out and even the seemingly recession-proof Walt Disney Co. is reporting a 13 percent decline in profits as families cut vacations and movie-going. For the first time, more than half of Hillsborough County's students receive free or reduced-price lunches.

Down To The Bone

During the holidays, the teenagers in the Madison family of Valrico typically take trips out of state.

But not this year.

This year, the family doesn't expect to exchange gifts at Christmas. The expensive Nike shoes daughter Marlesa hopes for? Out of the question.

"I have a certain stock that I know how it performs," says Darryl Madison, who owns a video production company and does taxes during tax season. "If I put in $5,000, I get a return of $25,000. But this year, I ended up with $23.

"I was devastated. Devastated."

His wife, Aurienta, who has worked for 20 years for an airline catering service, has seen her 401(k) take a huge hit.

"I don't know if I'm going to have enough gas to get to work," she says.

Lewis says problems that used to burden only the poor - no safety net, inadequate health care, living paycheck to paycheck - are increasingly shared by many in the middle class.

"The vulnerability of the middle class is definitely increasing," she says. "They are looking more and more like the lower class."

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