

## CHAPTER 1

# At 77 He Prepares Burgers, Earning in a Week His Former Hourly Wage

Carol Hymowitz

It seems like another life. At the height of his corporate career, Tom Palome was pulling in a salary in the low six figures and flying first class on business trips to Europe. (See the video.)

Today, the 77-year-old former vice president of marketing for Oral-B juggles two part-time jobs: one as a \$10-an-hour food demonstrator at Sam's Club, the other flipping burgers and serving drinks at a golf club grill for slightly more than minimum wage.

While Palome worked hard his entire career, paid off his mortgage, and put his kids through college, like most Americans he didn't save enough for retirement. Even many affluent Baby Boomers who are approaching the end of their careers haven't come close to saving the 10 to 20 times their annual working income that investment experts say they'll need to maintain their standard of living in old age.

For middle-class households, with incomes ranging from the mid-five to low-six figures, it's especially grim. When the 2008 financial crisis hit, what little Palome had saved—\$90,000—took a beating and he suddenly found himself in need of cash to maintain his lifestyle. With years if not decades of life ahead of him, Palome took the jobs he could find.

### Tom Palome Keeps Working

**At the height of his corporate career, Tom Palome was a vice president at Oral-B Laboratories, earning a salary in the low six figures. Today the 77-year-old works two part-time jobs, at about \$10 an hour, to support his retired lifestyle. Bloomberg's Emmitt Henry reports.**



Source: Bloomberg.

**Tom Palome, right, with Maxine Haynes, project director for Tampa's AARP Foundation, who helped him get an interview at Advantage Sales & Marketing LLC, which runs food demonstrations for Sam's Club and other stores.**



Photograph by Phelan M. Ebenhack/Bloomberg.

## Mopping Floors

The youthful and perennially optimistic grandfather considers himself lucky. He's blessed with good health, he said. He's able to work, live independently, and maintain his dignity, even if he has to mop the floors at the club grill before going home at 8 p.m. and finally getting off his feet. "That's part of the job," he said. "You have to respect the job you're doing and not be negative—or don't do it."

Low-income Americans have long had to scrape by in old age, relying primarily on Social Security. The middle class, with its more educated and resourceful retirees, is supposed to be better prepared, with some even having the luxury to forge fulfilling second acts as they redefine retirement on their own terms—or so popular culture tells us.

## Retirement on Hold for Millions

### Retirement Still on Hold for Millions of Seniors

Most Baby Boomers haven't come close to saving enough for retirement. They simply can't afford to stop working. For these seniors and millions more like them, it's the end of retirement.

GRAPHIC: DAVE MERRILL / BLOOMBERG VISUAL DATA

#### Still Working

Some 72 million Americans who were 65 and older were employed last year, a 67 percent increase from a decade ago.

#### Percentage employed

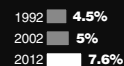
##### Aged 65 to 69 years



##### Aged 70 to 74 years



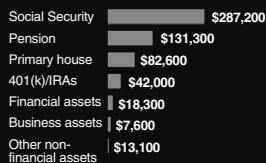
##### Aged 75 and older



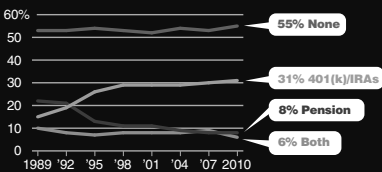
#### Lack of Savings

The typical household facing retirement has only \$18,000 in financial assets and will rely on Social Security for 70 percent of retirement income.

#### Source of retirement wealth of a typical<sup>1</sup> household with head age 55 to 64 in 2010



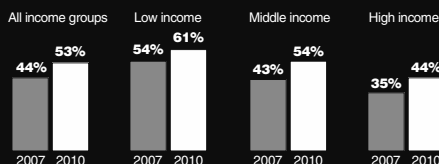
#### Pension coverage rates of all workers, by type of plan



#### Falling Behind

According to the Center for Retirement Research's National Retirement Risk Index, more than 50 percent of U.S. households are at risk of being unable to maintain their preretirement standard of living in retirement.

#### The percentage of all households (head at age 65) that will fall more than 10 percent short of their target retirement income.<sup>2</sup>



#### Percentage of U.S. senior households with no assets in retirement accounts (2010)

**59%**

Percentage of workers who have tried to calculate how much they will need to save for retirement (2013)

**46%**

1 – Amounts are for the mean of the middle 10 percent based on net worth.

2 – Retirement income is defined broadly to include all income and assets plus housing. In the case of housing, the projections are used to calculate two distinct sources of income: the rental value that homeowners receive from living in their home rent free and the amount of equity they could borrow from their housing wealth through a reverse mortgage.

Sources: Center for Retirement Research, Bloomberg Rankings

The reality is often quite another story. More seniors who spent much of their careers as corporate managers and professionals are competing for low-wage jobs. For these growing ranks of seniors with scant savings, it's the end of retirement.

## Downward Mobility

About 7.2 million Americans who were 65 and older were employed last year, a 67 percent increase from a decade ago, according to government data. Yet 59 percent of households headed by people 65 and older currently have no retirement account assets, according to Federal Reserve data analyzed by the National Institute on Retirement Security.

“People who built successful careers, put their kids through college, and saved what they could are still facing downward mobility,” said Teresa Ghilarducci, an economist at The New School, who has studied the finances of seniors.

**Today, the 77-year-old former vice president of marketing for Oral-B juggles two part-time jobs: one as a \$10-an-hour food demonstrator at Sam's Club, the other flipping burgers and serving drinks at a golf club grill for slightly more than minimum wage.**



Photograph by Phelan M. Ebenhack/Bloomberg.

It's about to get worse. Right behind the current legions of elderly workers is the looming Baby Boomer generation, who began turning 65 in 2011 and are reaching that age at a rate of about 8,000 a day. They're the first generation expected to fund their own retirements, even as they live longer lives.

They, too, are coming up short. Company-paid pensions are mostly a thing of the past, replaced in the last three decades by 401(k) accounts primarily funded and managed by employees. The median 401(k) balance for households headed by people aged 55 to 64 who had retirement accounts at work was \$120,000 in 2011, according to the Center for Retirement Research at Boston College.

## **Not Enough**

Those savings will provide \$4,800 a year, assuming seniors withdraw 4 percent annually, the amount recommended by retirement experts to ensure retirees don't run out of money in their lifetimes.

Little wonder that half of Baby Boomers aged 50 to 64 don't think they'll ever have enough to retire, according to a 2011 survey by AARP.

**At the height of his corporate career, Tom Palome was pulling in a salary in the low six figures and flying first class on business trips to Europe.**



Photograph by Phelan M. Ebenhack/Bloomberg.

“The current retirement savings system isn’t working, and that’s becoming a crisis as Americans who make it to 65 in good health are now living at least two more decades,” said Larry Fink, chief executive officer of BlackRock Inc., the world’s largest asset manager.

“Longevity should be a blessing, but if you haven’t planned for it, you’re going to work much longer than you ever dreamed of doing,” he said. “Or you better be good to your children because you’re probably going to be living with them.”

## **Being Independent**

That’s the last thing Tom Palome wants to do—even though his children have offered to take him in. After decades of keeping his body trim—at 5 feet, 10 inches tall, he weighs a fit 170—and his hair colored a dark brown, he’s often mistaken for a 60-year-old and has no intention of giving up his independence.

On the job at Sam’s Club, Palome is easy to spot amid shoppers pushing carts down the aisles. It’s not just the bright-green apron he’s wearing with the words “Tastes and Tips” printed across the front or the matching green baseball cap that set him apart in the Brandon, Florida, store near Tampa. It’s also his charisma and determination.

He waves to a mother with a toddler in tow and insists she sample the blueberry-flavored crackers he has stacked neatly on a tray at his aluminum workstation.

“They’re multigrain, and healthier for kids than cookies,” said Palome, who researches the products he pitches on the Internet.

## **Product Demos**

He’s supposed to sell two boxes of the crackers during his seven-hour shift. He sells 24 by clean-up time, then grabs a garbage bag and gathers containers and leftover food from demonstration carts around the store.

The next day, a humid Sunday in August, Palome is at his second part-time job, an eight-hour shift as a short-order cook and bartender at Rogers Park Golf Course in Tampa. Working solo, he’s in perpetual motion, rushing between the takeout counter at the golf course’s cafe and indoor counter to collect orders and operate the cash register, while grilling hot dogs and hamburgers and grabbing soft drinks from the refrigerator.

It's a busy day at the 18-hole municipal course, and he serves 70 customers before closing time. Then he scrubs down the grill and sweeps and mops the floors.

Palome earns about \$80 for his day's work, \$7.98 per hour in wages, plus tips. "I earn in a week what I used to earn in an hour," he said, adding that he understands seniors can't easily keep or get jobs that pay middle-income wages.

## **Social Security**

Palome, who said his jobs keep him active and learning new things, could survive without working. He receives \$1,200 from Social Security and a \$600-a-month pension from his last corporate job. Still, his \$1,400 in monthly wages allows him to bolster his savings and provides for some extras. He goes to the theater, pays for plane tickets to visit his children and grandsons, and takes occasional vacations.

"I know seniors like me who hardly ever leave their homes because they don't have money to do anything," Palome said. "They could work, but won't take a lesser job."

To stretch his income, Palome runs his dishwasher once a week and turns off his water heater every morning after he showers. He buys airline tickets six months in advance, booking rental cars for as little as \$13.80 a day.

## **Getting Stuck**

Palome grew up in Poughkeepsie, New York. His parents were both immigrants, and his father worked as a laborer. After a stint in the Navy, Palome had a chance to work at a local International Business Machine Corp. (IBM) plant. The work was steady, with solid pay and benefits. Instead, he enrolled at Fordham University to study business, relying on veteran benefits to pay tuition. His father was so angry Palome turned down the plant job that he didn't speak to him for months.

"I knew that anyone who got into that plant never got out," he said. "You just got stuck because of the steady pay."

Palome landed a job at Shulton Co., the maker of Old Spice aftershave lotion and cologne, then moved to Yardley of London as a brand manager. His big break came in 1975 when he was recruited to The Cooper Cos. as vice president of marketing for the Oral-B dental-care business.

The job gave him a high five-figure income and an executive's life at age 39. He flew first class to Cooper offices in the United States and in England, Sweden, and Germany. He helped win an endorsement for the Oral-B toothbrush from the U.S. Olympic Committee. He had a closet filled with business suits, and on weekends he played golf with other executives.

## **Tragedy Strikes**

That life turned upside down when his wife, Edna, was killed in a car accident in 1983. Palome's daughter, then a college student, offered to come home to take care of her brothers, who were 14 and 16 years old. Palome insisted she stay in school. He took charge of the parenting and the housework.

"I was numb, in shock, and trying to hold everything together," he said. "And my sons didn't want anyone in the house besides me, not even a housekeeper."

When Cooper relocated from New Jersey to California, Palome didn't want to uproot his family. So in 1980, when he was 44, he started a consulting company, with Cooper as his main client. He also did consulting for Sandoz Pharmaceuticals, Johnson & Johnson, and others.

In flush years, Palome had several clients and earned about \$120,000. Though he saved for his kids' college and helped his elderly parents, retirement wasn't on his radar.

"I never thought I'd live this long," he said.

## **No Savings**

Because he was self-employed, Palome didn't have a 401(k) account, and he has never had a tax-deferred IRA (individual retirement account). It's the same for most Americans. Only about half of private-sector workers were covered by an employer-sponsored retirement plan of any kind in 2011. And fewer than 40 percent of those participated, according to the Employee Benefits Research Institute.

Many now approaching retirement began saving too late, stopped saving when they lost jobs, or borrowed against their 401(k) accounts to finance their children's college tuition. They also often chose investments that failed to yield the best results, or they bailed out of the stock market after the financial crisis battered their savings, missing the rebound.

"How is the average middle-class person going to amass \$1,000,000 by the time they're 65, which is what they'll need to get \$40,000 a year in income from their retirement savings?" Ghilarducci said.



## **Keep Going**

Palome had lean years when he couldn't easily save. He decided to take a job running a Friendly's restaurant in Parsippany, New Jersey, from 1990 to 1993. He figured he'd acquire new skills, which have since proved useful. "Tom always did what he had to do to keep going," said his younger brother Peter, who's 66 and lives in the same senior community.

Palome later ran a restaurant at a New Jersey golf club while he continued his consulting. At 64, when an 800-square-foot manufactured home he'd seen in Plant City, a Tampa suburb, became available for \$21,500, he purchased it with a credit card to amass frequent flier miles. He then sold his New Jersey home for \$180,000, kept what he needed to quickly pay off his credit card debt, and divided the rest among his children so they'd have down payments for their own homes.

"The house was theirs as much as mine, and that's their inheritance from me," he said.

## **Don't Panic**

At first everything went according to his plan. Palome enjoyed the year-round warm weather and he avoided dipping into savings by doing part-time bartending and catering. Then the financial crisis hit. Palome's part-time work evaporated. His savings, which he'd invested mostly in stocks, shrank from about \$90,000 to less than \$40,000.

"I was shocked by how fast I lost so much," he said.

Palome didn't panic. He rewrote his resume, taking out references to his corporate career so he wouldn't appear overqualified for restaurant and hotel jobs. He searched online job sites and local papers for leads. Between 2008 and 2011 he figures he applied for about 100 jobs.

He came close to getting two of those until his prospective employers learned his age. He was never told explicitly that he was too old for a job. Yet hiring managers who asked when he could start working never called again after he submitted required copies of his driver's license with his birthdate.

## **Foreclosure City**

"I was in a foreclosure city in a foreclosure state," he said. "So many people were out of work. Who wants to hire a 75-year-old?"

Two years ago, Palome saw an advertisement in a local paper for an AARP Foundation job training program. He met with Maxine Haynes, the program's Tampa project director, who helped him get an interview at Advantage Sales & Marketing LLC, which runs food demonstrations for Sam's Club and other stores.

"He had so much energy and enthusiasm when he walked through the door here, I knew I had to try to help him," Haynes said.

Palome aced the interview with a spontaneous pitch on how to sell a simple magic marker. Still, he worried his age would be a deal breaker. "You ought to know I'm 75," he offered.

"Age is only a number," Wanice Matthews, Palome's current boss at Advantage Sales & Marketing, later said. "If I had 10 more Toms on my team, I'd have the best team in the business."

Every other morning, Palome does 70 sit-ups and 70 squats and almost as many leg-lifts and arm-strengthening exercises. He alternates his at-home exercises with two or three 10-mile bike rides each week.

## Heating Pad

At Sam's Club, his single 30-minute break during his seven-and-a-half hour shift is not enough time to prevent backaches and leg cramps after standing all day.

"Make sure you rest when you get home and don't do any housecleaning," Palome recently advised a new employee, a widow who hasn't worked in years.

When Palome gets home, he stretches out on his couch, tucking a heating pad behind his back before preparing a light supper. He goes to bed by 10 p.m.

If Palome has one regret, it's that he didn't get better retirement investing advice somewhere along the line. "I thought I could do it on my own," he said.

Still, he's proud of his accomplishments. He built a career in marketing, raised a family following a tragic loss, and helped his kids get a start in life. "I'm not going to sit on my laurels and say I was an executive making six figures and traveling the world," he said. "I tell people I demonstrate food and I do short-order cooking. I don't mind saying it. What's important is that I can work today."