Local Residents Offer Perspective, Advice from the Great Depression

By Jennifer Wake

Farm Security Administration: farmers whose topsoil blew away joined the sod caravans of "Okies" on Route 66 to California. (Circa 1935)
Photograph from the Franklin D. Roosevelt Library, courtesy of the National Archives and Records Administration.

Rossmoor resident Frank Wilking, 96

Lafayette United Methodist Church members Bruce and Martha Gerringer

Moraga resident Ed Jones, 89

Photos Jennifer Wake

With stories of tent cities being erected in towns across the country (some as close as Sacramento), hundreds lining up to apply for a single job, and Feed the Children trucking food for 3,600 families to northern Indiana last week, our current recession seems dire. Local residents who lived through the Great Depression, however, underscore that it could be a lot worse.

In addition to economic woes, by May 1934, one of the most severe droughts in U.S. history covered more than 75 percent of the country and severely affected 27 states. In 1935, experts in Pueblo, Colo., estimated that 850 million tons of topsoil had blown off the Southern Plains.

Lafayette United Methodist Church member Bruce Gerringer, 82, lived in the small town of Buckeye Hill in southeast Colorado during the Depression and remembers the huge winds that kicked up these dust storms.

"We just barely made it," Gerringer said. "During the wind storms, it was so bad that my mother used to scoop the dirt with a shovel to sweep the house. All the windows were stuffed, all the doors were stuffed. If we went outside, we needed ropes to walk from one building to the next. The storms were so high, you could see them coming for miles."

During 1939, Gerringer said his family farm lost 110 cows and horses to suffocation.

Long-time Moraga resident John McCormick was also born in Colorado, but says Denver was spared the devastation of the Dust Bowl, but not of the economy. He was ten years old when the stock market crashed in 1929. Although his family had bought a house in 1925 and his father still had a job during the Depression, by 1933 his family could no longer make the payments and they lost their house. At the same time, their car broke down and they lost that, too.

"My parents finally separated due to their financial problems," said McCormick. At age 15, he worked 40 hours a week. "I slept at high school," he said. "You had to sleep somewhere."

Ed Jones – who is recuperating at a care home in Moraga – was nine years old in 1929. He remembers stuffing pieces of cardboard in his shoes to get by. His family lived in a three bedroom house in Oakland, and family members would come to stay while they looked for work, or took training courses.

"All the boys (including uncles) would sleep in one room, all the girls in another, and my parents would get the third. That was the rule," he said. When Jones was 13, his father became ill and wasn't able to work. Jones worked two jobs – one behind a soda counter, the other making deliveries on foot for a local pharmacy – while his 17-year-old older brother went to work at PG&E to help support his parents and three other siblings.

Lafayette United Methodist Church organist Ken Mansfield's family also struggled. Mansfield was about four years old when his family lived in a cabin on a hillside above the Salinas Valley. "There was no water, no electricity and we cooked on a wood-stove," he said. "We felt very lucky if we were able to shoot a quail or deer to eat. It affected my life. I always finish what's on my plate."

Gerringer, McCormick, and Jones all served in the military. According to the book, "Families, History and Social Change," more than 70 percent of boys in nearby Berkeley eventually served in the armed forces following the Depression. By 1943 there were more than 40,000 victory gardens on vacant plots in the East Bay.

Moraga Retreat Care resident Margaret Steiner, 93, said, "You learned a lot of ways to extend your food budget with omelets, hash and casseroles. If you had anything like an apple tree, you canned all your fruit. You didn't buy frozen food or strange canned food."

In the 1930s, while attending college, Steiner's big treat was to stop and get a sticky bun and a cup of coffee, costing 15 cents – not incredibly cheap, considering it cost the same for a day at the movies. "We had to ration our outings, and try to find other things to do that didn't cost money."

For those going through hard times today, Steiner says, "Don't spend it 'til you have it, unless it's an emergency." As for the stimulus package, she says to give the President a chance. "He has so many things in the works. Let's encourage him."

McCormick thinks people shouldn't worry about the stock market, either. "Forget about it. In time, the stocks will come back up," he said. "The scary thing is that my Depression lasted from 1929 to 1941. Keep your fingers crossed; this could be a long time."

Rossmoor resident Frank Wilking, 96, says that although the Great Depression was a devastating time for our country and its citizens, "we got through it."

"This is a deep recession, not a depression," Wilking noted. "But it's awful damn close to it."

LYNN'S TOP FIVE

--- New Tax Laws from a Planner's Perspective

By Lynn Ballou, CFP, EA

You've read and will be reading much in the coming weeks about how the newest Federal tax bill signed February 13th of this year by President Obama will change your lives. Entitled the American Recovery and Reinvestment Act of 2009, it is the first in what promises to be a very busy year in Washington of tax impactful laws.

So, I'm going to skip the obvious and more popular provisions that you've heard all about, and focus on a few of the lesser knowns, but those that might be of particular interest to Lamorindans. I was fortunate to be able to tap into my long-time friend and colleague, Linda LaHonta, CPA, who has her practice in Lafayette. If you have any specific tax questions, she's available at 925/385-0714.

1) $1500 Energy Credit: I don't know about you, but my home could certainly use a newer more energy efficient air and heating system. I've procrastinated a LONG time now! Thankfully I'm married to an electrical engineer who is able to fix just about anything. But even my ever patient husband might be ready to kiss our old system good-bye this year because of the new Energy Credit. You can receive a credit of 30% up to $1500 on your federal taxes for property such as this that you put into service AFTER 2/17/09. As Linda LaHonta pointed out to me the "energy credit also applies to certain types of insulation, energy efficient exterior doors, windows and skylights." A FAVORITE part of this new law? No income limitation! So highly compensated folks can benefit too! And, if you used up your lifetime energy credit in prior years, such as 2007, no worries, you are now still eligible for this credit.

2) Unemployment Income – a tax break finally! With unemployment rising in these very difficult times, not only has the government raised the amount of unemployment you can receive weekly, but they have temporarily suspended the taxation on unemployment benefits up to $2400, which will go a LONG way towards having these dollars be truly beneficial to your family. Also it's good to know that the state does not tax ANY unemployment benefits at all. Now if we could JUST get the feds to stop taxing our Social Security income, THAT would be progress!!!

3) 529 Plans and Computer Costs: One of the main frustrations clients of ours have had over the years are the strict use limits for 529 plan withdrawals. Finally we are seeing a bit of relief: the government says we can use the funds in 529 plans for tax free withdrawals to pay for computers and internet fees. Yeah! Now if we can just get those accounts to go back up in value…..

4) AMT - the Latest Patch: Wouldn't it be great to see someone drive a stake in the heart of the Alternative Minimum Tax (AMT)? This tax is aptly named the stealth tax. It's like the alligator in the lake that the cute little kid who just got in to swim doesn't realize is in the water….you can already hear the music ---du, du, du….. So, I would dearly love to be the one to tell you that the wicked witch is dead, but as I'm sure you've guessed, were that the case, the whole COLUMN would be dedicated to that! Nonetheless, they did toss us a bone. Here's what Linda had to say about the AMT patch: "The current AMT patch increases the AMT exemption amount by $1,000 for married filing jointly and $500 for all others. AMT exemption amount means a certain amount of your income that is not subject to the AMT. My feeling is that if you are in AMT currently, this exemption increase is nominal and the majority of people subject to AMT will continue to be in this situation. This patch is only good for 2009 so the whole process starts over again for 2010 if nothing else is done." Sigh. I guess we'll take what we can get!

5) For the College Bound: Expansion of the Hope Credit: Many in this community are not able to use the college tuition income tax credits due to high income, or let's just say "high income" as defined by Congress! Anyway, a few more of you may now qualify: they expanded the credit to $2500 and extended it for four years. I doubt it will make or break your college budget planning, though --- so, another big "sigh!" However, in the later years of college, if your child is working enough to no longer be your dependent, perhaps they can use this credit by filing their own return and not being claimed as your dependent? Be careful, though --- if you are providing their medical coverage as a dependent on your medical plan, that could undo an important benefit that probably is better than the tax credit.

And, even though this column is entitled LYNN'S TOP FIVE, here's another good one to know about: As part of the American Recovery and Reinvestment Act, the federal government will subsidize 65 percent of the COBRA costs for employees who are involuntarily terminated from employment between September 1st, 2008, and December 31st, 2009. The former employee would be responsible for the remaining 35 percent of premium. Check with the human resources department of your former employer if you feel you may be eligible.

So what's coming down the plank from Washington next? Well that will be a lot of good fodder for future columns. One or two initiatives that seem to have a bit of bi-partisan worry and concern are the proposals to limit home mortgage interest and charitable contribution deductions for higher bracket taxpayers. Additionally the idea of increasing the tax on capital gains is emerging as an early favorite. That said, if you didn't do any tax loss harvesting last year, you might want to nudge this up a bit on your "to do" list!

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