

How can I balance my financial needs with those of my loved ones?

For many people, planning for retirement requires a careful balancing act between providing for their own retirement security and meeting the needs of their family members.

A retirement plan is **no longer** about just you and your spouse.



The Age Wave Family Cube.

The term “sandwich generation” was coined in the 1980s to describe baby boomers who found themselves spread between the caregiving needs of both their children and their aging parents. Today, due in part to the fallout from the Great Recession, the “sandwich generation” has morphed into a three-dimensional Rubik’s cube involving various combinations of responsibilities and support extending in all directions.

- Four in ten pre-retirees and retirees expect to provide support to adult children. Among those older adults who have children, 52% expect to provide support (about a quarter of pre-retirees and retirees don’t have children).¹
- Of the total age 45+ population, about a quarter expect to provide support to grandchildren. Restricting the analysis to only those who have children, the number climbs to 35%.¹
- Another 16% expect to provide support to parents, and 10% expect to support siblings.¹

The four “Mainstays” of family support.

There are four main ways in which we provide financial support to our families:

- **Financial.** 43% expect to provide direct financial support, such as writing a check or providing a loan, to a family member.¹
- **Housing.** 38% expect to provide or help a family member pay for a place to live.¹
- **Education.** 30% expect to help pay education expenses for a family member.¹
- **Healthcare.** 25% expect to pay for or help manage a family member’s healthcare or long-term care needs.¹

Dealing with competing demands.

Financial challenges may tempt you to decrease your retirement contributions or stop them completely in order to cover other expenses, but doing so may be a costly mistake—and force you to be dependent on your family in the future.

- One-third (34%) of boomers said that providing financial assistance to adult children has damaged their retirement savings.²

If you believe that your loved ones may need assistance in the future, consider these strategies:

- Work with parents, siblings, and other family members to coordinate a plan to pay for the potential care and medical costs that your parents and parents-in-law may incur.
- Discuss options for paying for the long-term care of family members, including home care and assisted living, and determine whether a family caregiver may be available to help.
- If a sibling or other family member needs financial assistance, use your discretion. In some cases, a loan may be a better option than a gift, but be realistic about the probability of being repaid.



Despite the distractions of the current economic environment, stay focused on your own financial future.

- If any of your family members do not have medical coverage, talk to them about their options for securing health insurance, either public or private.
- Consider establishing a 529 plan for your grandchildren's education expenses or another savings mechanism for their general financial support.

References:

1. "Americans' Perspectives on New Retirement Realities and the Longevity Bonus." Merrill Lynch/Age Wave (2013). Available at http://wealthmanagement.ml.com/publish/content/application/pdf/GWMOL/2013_Merrill_Lynch_Retirement_Study.pdf. Accessed June 9, 2013.
2. "Money Across the Generations IISM Study." Ameriprise Financial (2012). Available at https://www.ameriprise.com/content/files/AMP_MAG_Research_Confidence_Conversations.pdf. Accessed March 7, 2013.

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