

# MANAGING YOUR FINANCES AS A MEMBER OF THE “SANDWICH GENERATION”

## Overview

If you're finding yourself toggling between caring for the needs of an aging parent and a child, you're not alone. The Pew Research Center recently reported that more than half of U.S. adults are part of the “sandwich generation,” a group with at least one living parent aged 65 or older and actively raising minor children or financially supporting adult children.<sup>1</sup>

Individuals in their late 40s and early 50s make up the bulk of the sandwich generation, although people in their 30s and late 50s/early 60s may also be included. Their time, attention and finances are often divided between parents' and children's needs, leaving it difficult to save and plan for their own retirement.

## Older Parents

By 2030, the baby boomer generation — the cohort of individuals born between 1946 and 1964 — will all be over age 65.<sup>2</sup> As they grow older, they may become more reliant on their adult children to provide care, especially if they experience a decline in physical or cognitive health.

That care may come with a financial commitment. A 2021 AARP study found that family caregivers spent an average of \$7,242 annually on out-of-pocket caregiving costs — and that doesn't include lost income related to reduced working hours or stepping out of the workforce to provide care.<sup>3</sup>

## Younger Children

On the other side of the equation, the sandwich generation may also be caring for minor children, young adults (either in college or starting a career), or even children who have come back home to live, sometimes with their own minor children in tow. The pandemic created a spike in these so-called “boomerang kids,” and 67% of young adults who moved home in early 2020 were still there two years later.<sup>4</sup>

Even if their grown children aren't living at home, an increasing number of Americans are helping their young adults pay their

Members of the “sandwich generation” are simultaneously providing support for both a parent and a child. This group has unique financial needs to consider, especially when planning for retirement.



bills. A recent survey showed 45% of American parents provide an average of \$1,400 in monthly support for at least one grown child, paying for staples such as groceries, rent and utilities.<sup>5</sup>

Parents who are financially supporting both children and parents may find themselves juggling an eclectic set of expenses, from braces and ballet lessons to health care costs for both children and parents (plus themselves).

## Financial Juggling Act

With these financial responsibilities, members of the sandwich generation are saving less for their own retirements. In fact, the typical Generation X household — whose oldest members are rapidly approaching retirement age — has only \$40,000 saved for retirement.<sup>6</sup>

How can individuals who are “stuck in the middle” get back on track with their financial planning? Here are our top tips:

- **Start the conversation about money with parents as early as possible.** It’s a good idea to become familiar with senior parent finances earlier rather than later, although they may resist having the discussion or talking about the potential need for help. Hold a family meeting (including other siblings) with them while they are still vibrant and healthy. Ask them to tell you about their finances and discuss things like where they want to live, caregiving preferences and who they work with to manage their money.
- **Ask your parents to include you (and/or other siblings) on their bank accounts.** This will ensure that you’ll be able to pay their bills for them if the need arises. Also, ask them to appoint a durable power of attorney (POA) and meet with an estate planning attorney to smooth out the process of transferring accounts later.
- **Find out if your parents have purchased long-term care insurance or any other type of policy to offset the cost of elderly care.** Their existing assets — including annuities and life insurance — may offer withdrawal options to help cover long-term care costs. If your parents don’t have many assets, look into available resources through Medicaid.
- **Ask to be included in meetings with your parent and their financial advisor.** This can help you get a feel for how much they have invested and where they are held, particularly if they have substantial assets. You’ll also be able to develop your own relationship with their advisor and get an impartial opinion when financial decisions need to be made.



- **Explore options to pay for college.** If you plan to help children with higher-education costs, savings vehicles such as a 529 can let you grow your money while potentially offering tax benefits. While you don't want to sacrifice your own retirement, any amount you save could lessen your children's potential student-loan burden later.
- **Make sure you have enough life insurance.** With three generations relying on your income, adequate life insurance coverage is a must-have. Even full-time, unpaid caregivers should have life insurance since paid care will be required if something happens to the current caregiver.
- **Speak with your own financial advisor.** They can help you find potential ways to save on taxes, such as dependent care credits for parents or qualified college-saving plans. They can also help ensure you're saving enough for yourself in retirement and covering your own future care expenses.

## Final Thoughts

Caregiving demands can take a high toll on members of the sandwich generation — physically, emotionally and financially. And for many caregivers, it's easy to fall into "I have to do it all myself" thinking. But this isn't true — especially when it comes to making financial decisions. Work with a financial advisor to develop a financial plan for your own retirement savings and financial confidence early on. Even if you can't put away a lot of money due to multiple priorities, saving and investing over a long period of time can help provide a financial footing in your later years.



<sup>1</sup> Juliana Menasce Horowitz. Pew Research Center. April 8, 2022. "More than half of Americans in their 40s are 'sandwiched' between an aging parent and their own children." <https://www.pewresearch.org/short-reads/2022/04/08/more-than-half-of-americans-in-their-40s-are-sandwiched-between-an-aging-parent-and-their-own-children/>. Accessed July 14, 2023.

<sup>2</sup> Andrew Meola. Insider Intelligence. Jan. 1, 2023. "The aging US population is creating many problems – especially regarding elderly health care issues." <https://www.insiderintelligence.com/insights/aging-population-healthcare/>. Accessed July 14, 2023.

<sup>3</sup> Nancy Kerr. AARP. June 29, 2021. "Family Caregivers Spend More Than \$7,200 a Year on Out-of-Pocket Costs." <https://www.aarp.org/caregiving/financial-legal/info-2021/high-out-of-pocket-costs.html>. Accessed July 14, 2023.

<sup>4</sup> Jessica Dickler. CNBC. Sept. 6, 2022. "67% of pandemic 'boomerang kids' are still living with mom and dad." <https://www.cnbc.com/2022/09/06/many-pandemic-boomerang-kids-still-live-with-mom-and-dad.html>. Accessed July 14, 2023.

<sup>5</sup> Amy Legate-Wolfe. Yahoo! Finance. June 21, 2023. "Nearly 50% of US parents with adult children still pay their kids' bills – to the tune of \$1,442 per month on average. 3 ways to build good habits so they can finally leave the nest." <https://finance.yahoo.com/news/nearly-50-us-families-adult-110000404.html>. Accessed July 14, 2023.

<sup>6</sup> Nick Robertson. KRQE News. July 17, 2023. "Many Gen-Xers facing retirement 'nightmare' due to lack of savings: report." <https://www.krqe.com/news/national/many-gen-xers-facing-retirement-nightmare-due-to-lack-of-savings-report/>. Accessed July 17, 2023.

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