REPORT

Relieve the Squeeze: The Sandwich Generation

Stephanie Galligan
Research Manager, Filene Research Institute

Acknowledgments

Filene thanks our generous supporters for making this important research possible.

Table of Contents

Executive Summary

Overview

The sandwich generation consists of millions of working Americans who manage the financial demands of children, while also supporting their parents. They are financially “squeezed” between two generations. This research provides insights to help credit unions understand this population, and offers suggestions for the types of financial products and services to best support the sandwich generation.

When starting a family, one imagines healthy children who grow up and become successful citizens with their own jobs, their own homes, and eventually, their own families. No one imagines that their adult children, unable to support themselves, will move back home. And certainly no one imagines that their own retired parents will be unable to pay their bills and will need to rely on financial help from their adult children.

Millions of middle-aged Americans are working for their children’s futures, and staying on top of day-to-day expenses when a new source of financial pressure appears: helping out mom and dad. In the United States, nearly half of adults aged 40–59 years have a parent aged 65 years or older and are either caring for a younger child or financially supporting a grown child (Pew Research Center 2013). The burden of supporting two generations at once can be financially draining; squeezed from above and below, this demographic is known as the sandwich generation.

By recognizing the unique needs of this group, credit unions have an opportunity to help their members navigate the difficulties of supporting both parents and children. At the same time, positioning to serve the sandwich generation can empower credit unions to attract new members who are seeking better solutions for their families.

What Is the Research About?

Studies have examined the basic outline of the sandwich generation, but few narratives exist that can introduce financial professionals to the day-to-day challenges of this group. This research seeks to put a face on the phenomenon of the sandwich generation. It explores how this generation’s members spend, save, and invest, what difficulties they encounter, what drives their financial stress, and how financial institutions can help.

Through qualitative interviews and a nationwide online study, several trends emerged about the members of this demographic:

- They feel a deep sense of obligation to their aging parents and adult children. Advice to “put yourself first” is not helpful—they will not let their parents or children suffer.
- Once they start supporting a parent financially, they commit to do so long-term, likely for the rest of that parent’s life.

MEET THE AUTHOR

Stephanie Galligan
Research Manager,
Filene Research Institute

- They are under a high level of financial stress, driven by two key factors: difficulty discussing money with their family and already-tight household finances.

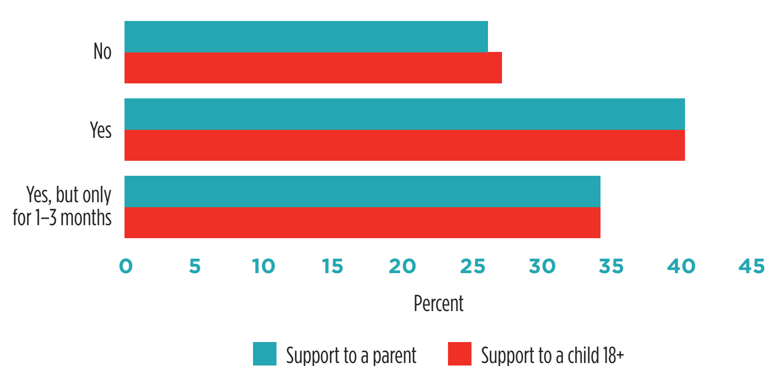
What Are the Credit Union Implications?

Credit unions have an opportunity to alleviate some of the stress burdening their sandwich generation members. They can do this by introducing targeted products and services, including flexible savings, account linkages, workshops to facilitate financial conversations, holistic financial planning, and products that address the rising costs of health care. To succeed, credit unions should:

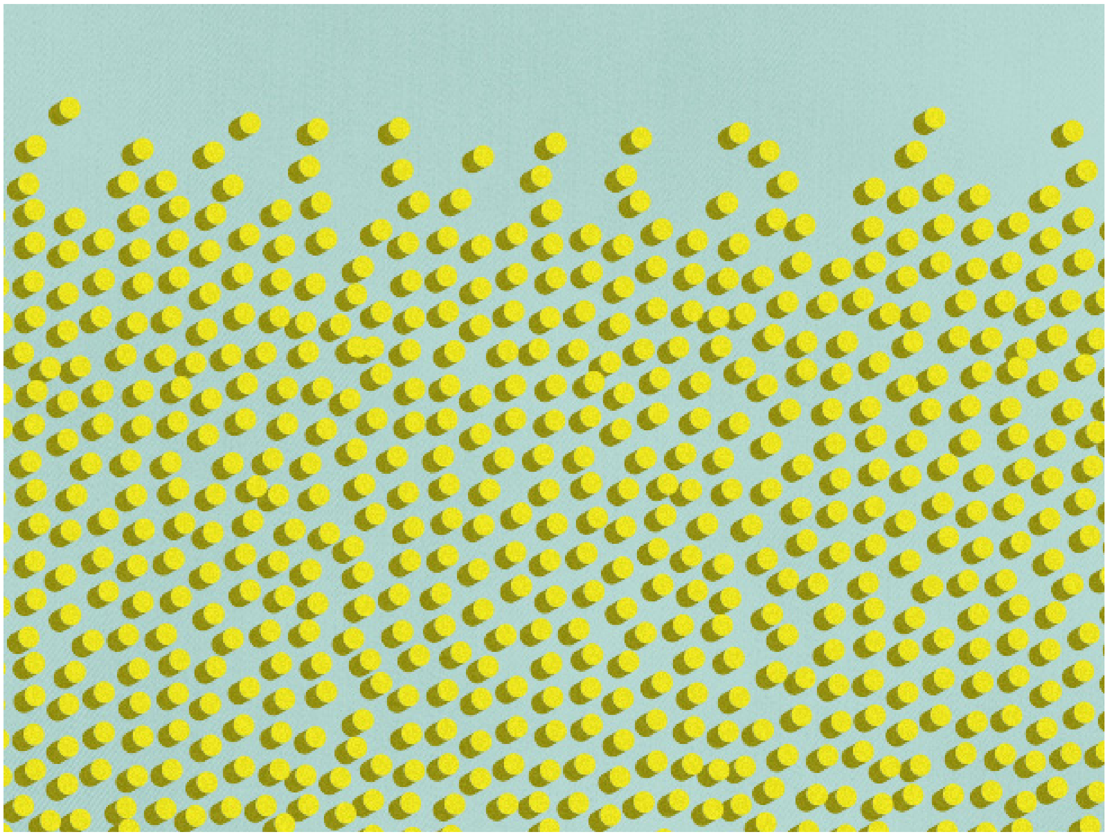
- Understand that the sandwich generation exists and what its needs are.
- Assess whether this segment exists within the consumer base they serve, or if there are consumers with similar needs.
- Decide whether this is a market segment that they can deliver on, and if so, how they can do so.
- Find ways to differentiate themselves from others that serve this segment.

The sandwich generation has unique financial needs. This research illuminates the macro and micro dynamics of the pressure from above (aging parents) and below (children). Filene believes credit unions have an opportunity to creatively relieve the squeeze on the sandwich generation.

WOULD YOU GO INTO PERSONAL DEBT TO PROVIDE SUPPORT TO A PARENT OR CHILD?



Relieve the Squeeze: The Sandwich Generation



CHAPTER 1

Who Is the Sandwich Generation?

Nearly half of middle-aged Americans with children also have aging parents. And about one in seven middle-aged adults is providing financial support to both a child and parent simultaneously (Pew Research Center 2013). This is the sandwich generation, squeezed between the competing financial and emotional needs of the generations above and below them.

Filene's Survey

Among 985 survey respondents, each participant had the following characteristics:

- Was between the ages of 30 and 59
- Was caring for a child under the age of 18
- Financially supported a parent during the past year

The majority of adults (71%) who find themselves in the sandwich generation are between the ages of 40 and 59. A further 19% are younger than 40, while 10% are over 60. They are more likely to be married than unmarried—36% of married adults fall into the sandwich generation versus 13% of unmarried adults. Adults at higher income levels are more likely than adults at lower income levels to be members of the sandwich generation, which includes 43% of those earning more than $100,000 per year, 25% with annual incomes between $30,000 and $100,000, and just 17% of those who earn less than $30,000 per year (Pew Research Center 2013).

Among racial groups, Hispanics are more likely than whites or blacks to be members of the sandwich generation (31%, as compared with 24% of whites and 21% of blacks). When financial support is taken into account, the racial disparities become more pronounced—the Pew Research Center (2013) found that 65% of Hispanic adults reported financially supporting an aging parent in the previous year, versus 40% of blacks and 24% of whites. Additionally, 54% of Hispanics reported providing financial support to a grown child in the past year, compared with 36% of blacks and 27% of whites. Hispanic adults are also more than twice as likely as blacks and whites to be supporting both children and parents simultaneously—21% reported providing funds to both, while only 8% of black adults and 5% of white adults provided financial support to both a child and a parent in the last year (Pew Research Center 2013).

For the purposes of this research, which focuses on the financial impact of falling into the sandwich generation, subjects were included in the study only if they were raising minor children or were providing significant financial support for a child over 18, and had provided some level of financial support to a parent in the past 12 months.

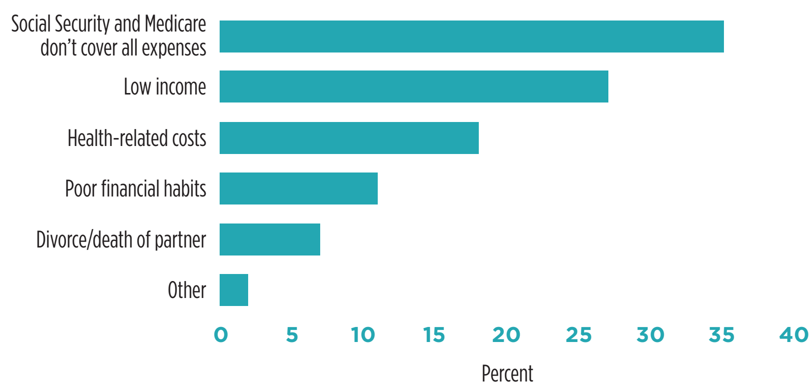
Filene conducted eight in-depth interviews with individuals who met these criteria, as well as conducted an online survey with 985 respondents.

What Challenges Do They Face?

The monthly amount spent by sandwich generation members to support parents or adult children might be small, but along with housing costs, bills, emergencies, and efforts to save for a rainy day, it adds up.

FIGURE 1

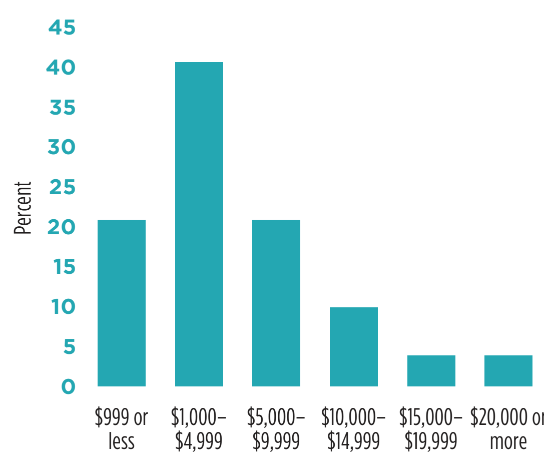
REASONS WHY PARENTS NEED SUPPORT



Study respondents said that the top three drivers of their parents' financial need were insufficient government support (35%), low income (27%), and health-related costs (18%). In order to provide support, they primarily reached for the most accessible forms of finance: cash (78%), debit (54%), and credit cards (49%). Although most respondents (82%) had provided less than $10,000 to their parents over the previous 12 months (see Figure 2), they did not expect this assistance to be temporary. The majority said they anticipated supporting their parents for the long term (40%) or for the rest of their parents' lives (27%).

FIGURE 2

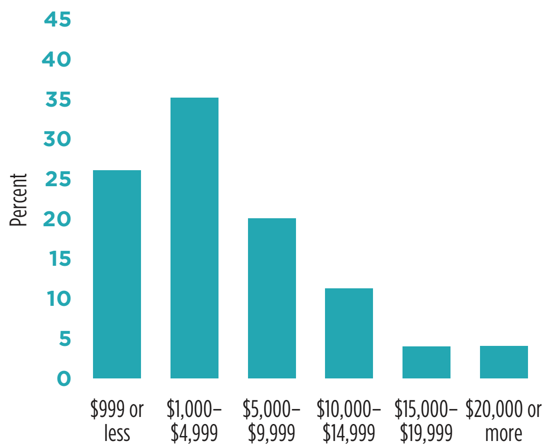
FINANCIAL SUPPORT FOR PARENTS OVER THE PREVIOUS 12 MONTHS



When it comes to adult children, respondents reported that the majority of their support (74%) went to children who were not students. They reported assisting their children with groceries (75%), utilities (55%), cable (37%), Internet (31%), health-care or prescription costs (42%) or insurance (31%), rent or mortgage payments (33%), and clothing (55%). The amount of money respondents estimated providing to their grown children over a 12-month period was remarkably similar to the amount given to their parents—81% reported contributing less than $10,000 (see Figure 3). A few respondents reported cosigning loans with their children (9%), taking out a loan to support them (11%), or drawing from retirement savings (10%)—but most drew on cash and credit cards, depleting their monthly income and making it more difficult to save for the future.

FIGURE 3

FINANCIAL SUPPORT FOR CHILDREN 18+ OVER THE PREVIOUS 12 MONTHS (N = 609)



CHAPTER 3

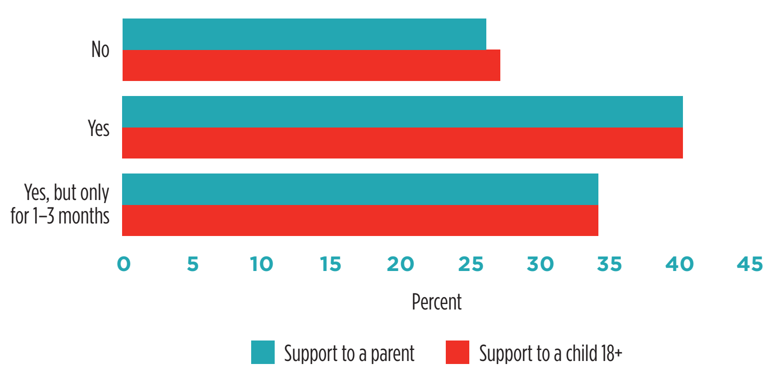
Emerging Trends

High Level of Responsibility

Study respondents reported feeling a high level of responsibility to their parents and grown children. The majority said they would go into personal debt to support their parents or adult children, either indefinitely (40%) or for a period of three months or less (34%). The Pew Research Center (2013) found that 75% of those surveyed said that adult children felt responsible to provide for an elderly parent in need, and 52% of respondents felt that the same obligation existed between parents and their young adult children.

FIGURE 4

WOULD YOU GO INTO PERSONAL DEBT TO PROVIDE SUPPORT TO A PARENT OR CHILD?



Seventy-five percent of those surveyed said that adult children felt responsible to provide for an elderly parent in need, and 52% of respondents felt that the same obligation existed between parents and their young adult children.

Tamie's Story

Tamie is 49 years old and has a blended family that includes six children between the ages of 13 and 26. She and her fiancé have an annual household income between $250,000 and $300,000.

On top of providing modest support to three adult children who are in college, Tamie is also supporting her ex-husband's parents. She sends them $500 each month as a condition of her divorce settlement, but also pays when they can't afford basics like utilities, food, and gas. Last year these "extras" totaled $10,000. Sometimes Tamie feels trapped into helping her ex-in-laws. However, she won't stop, because she can't imagine letting her children see their grandparents go without food or electricity. They may no longer be her family, but they are still her children's family.

Obligations may go beyond parent-child relationships. Since many members of the sandwich generation are married, they may be called on to provide for in-laws or other members of an extended family network.

Support Is Long Term

Once they start helping their parents financially, many find that the support never stops. They may learn that their parents are no longer able to manage their finances well—or that they were never actually good at it in the first place. A fixed income might leave little room for a struggling elderly parent to become financially independent again.

Joe's Story

Joe works in IT support, and his wife runs a day care out of their home. They have two young children, and their annual household income is between $75,000 and $100,000. He feels they're doing well financially but wonders if they could be doing better.

Last year, Joe's mother went through her fourth divorce and quickly spent her settlement. Now in her late 50s, she's living month to month and cycles through jobs. Joe knows that she's struggling but believes it is because she makes poor financial choices. He has tried to teach her how to budget, but she isn't interested. Over the past year, he has given her at least $2,000 and anticipates providing more in the year to come. He's set a mental limit of $500 per month but doesn't tell her that figure because he thinks she'll come to expect it and ask for more. Joe's sister is also helping Joe support their mother financially. Joe hopes someday his mother will be self-sufficient again.

Providing support with no end in sight can be draining both financially and emotionally. And it doesn't help that many in the sandwich generation are being stretched to their financial limits.

At the Financial Tipping Point

Over 70% of respondents said that money was tight; only 28% reported that they were living comfortably. The majority were either just meeting their basic needs (26%) or meeting them with just a bit left over (37%), while 8% said they couldn't even fully cover basic expenses. Half of respondents said that providing financial assistance to their parents and grown children made it difficult to pay their own household expenses.

Andy's Story

Andy is 41 years old and lives with her 7-year-old son, who has autism. Having just separated from a long-term partner, Andy has found the transition to a single-income household difficult. Her annual income is $27,000, one-third of what it was before she and her partner separated.

"I'm pretty neck deep right now and barely getting by," Andy said. With no savings, $50,000 in student loans, and several thousand dollars of credit card debt, she's only making the minimum payments.

In addition to already being stretched thin with her personal finances, Andy also supports her mother. She refuses to give her mother cash but will pay a bill directly for her when needed. Last year, she spent around $1,000 on her mother, using her credit card for 70% of that amount. She feels obligated to ensure that her mother has a home, food, and electricity, even though it has been difficult for Andy and her son to manage their own expenses.

High Financial Stress

Providing financial support to parents and children simultaneously is stressful. When asked about the impact of supporting their parents, 32% of respondents said they were either extremely or severely stressed. A further 45% said they were moderately stressed, and only 23% rated their stress as mild. When it came to supporting adult children, stress levels were similar.

Julee's Story

Julee is a 45-year-old single mother supporting her three daughters and two grandsons. She makes $73,000 annually and works hard to save for the future. She is hoping to retire in 20 years.

Julee said she's "getting by," but she feels frustrated about finances "ten months out of the year." In the course of daily visits to her mother, whose pension and social security payments don't cover expenses, Julee helps pay for rent, prescriptions, electricity, and groceries (about $6,000–$7,000 per year). They never talk about this support, since her mother is too proud to ask for help. Julee is careful to avoid making her mother feel bad.

Several factors were found to drive financial stress among respondents who were providing for their parents, but the biggest factor was the difficulty of having a conversation with parents about their finances. The struggle to communicate proved to be a stronger source of stress than all other factors considered, including the difficulty of paying one's own household expenses, contributing more than $5,000 to parents yearly, or cosigning a loan with parents.

Poor Communication with Family Members

The taboo about discussing money across generations is causing unnecessary financial strain. Nearly half of respondents said it was very difficult or somewhat difficult to talk to their parents about money. And 48% said it was at least somewhat difficult to discuss their parents' financial situation with other family members.

Colleen's Story

Colleen, age 54, has four adult children. Divorced for 10 years, she said that court battles with her ex-husband have drained her funds. She is unemployed, with an annual income below $20,000.

Living week to week, Colleen is struggling to make ends meet. With no long-term savings, she has thousands in credit card debt and medical bills. Some weeks, she chooses to help her mother or children and goes without groceries herself.

Colleen hides her financial stress from her children. She feels guilty that she was able to support her oldest two through college but can't pay for her younger two, so she occasionally gives them money for books and clothes. She also buys groceries for her mother at least once a week. She hasn't told her mother or her sister that she is struggling, because she doesn't want them to worry or give her advice. Because of her insistence on secrecy, Colleen has no one to support her emotionally or financially.

Successful conversations among siblings or other care providers about who will provide for parents—and at what level—can be key to reducing financial stress. Unfortunately, cultural and value differences in how money is spent can make these discussions even more complicated.

Jennifer's Story

Jennifer is married with four children. She helps manage her husband's company. Their annual household income is $55,000.

For years, Jennifer and her husband have been supporting his parents in Mexico. She estimates that they send them about $15,000 annually. Recently, her father-in-law passed away and now her mother-in-law is coming to live with them. Because her mother-in-law doesn't know how to manage finances, Jennifer will have to take care of her, including helping with her shopping, making doctor's appointments, and paying medical bills.

Supporting her in-laws is stressful, and Jennifer wishes she could talk to her husband's siblings about where the money is going and how much everyone is expected to pay. Jennifer is frustrated because she thinks that "parents should be there for their children in times of need, not the other way around." At times, she says, her in-laws have blamed her for having different values than they do.

Among those supporting adult children, the strongest drivers of stress were the following: withdrawing from retirement savings, difficulty paying one's own household expenses, and not being able to save for the needs of minor children. Beyond the immediate strain on the household, supporting adult children can threaten the sandwich generation's ability to retire, either by forcing postponement or by eliminating any retirement savings entirely.

The key factors that correlated with lower financial stress were being in a comfortable financial situation and meeting basic expenses with a little left over. Essentially, the households with the least financial stress are the ones that are not at their financial tipping point. For those feeling pinched, good communication among family members is even more critical.

What Can Credit Unions Offer the Sandwich Generation?

Credit unions have an important role to play in alleviating the financial stress faced by members of the sandwich generation. They can introduce targeted products and services to lessen the financial squeeze, such as flexible savings, specialized access to parents' and adult children's banking accounts, facilitated communication between generations, multigenerational financial planning, and products that address the rising costs of health care.

Flexible Savings

When asked whether there were any products or services that could help relieve the stress of supporting their parents, respondents overwhelmingly (41%) wanted easier ways to save money. Savings products were also the top choice of those providing for adult children.

Nearly all interview subjects expressed a desire to save more, or to simply start saving. Some felt conflicted about putting money in retirement or college savings accounts, where it could grow faster and be sheltered from taxes but would not be available in an emergency. Credit unions have an opportunity to create a product that would allow members to "envelope" savings, setting it aside for the future (e.g., retirement or children's education), but with the flexibility to withdraw funds when needed.

Access to Parents' or Children's Accounts

Nearly a quarter of respondents (22%) said they wanted ways to share or view their parents' accounts, while 10% of those supporting adult children said they wanted some level of access to their children's accounts. Having the ability to transfer funds between accounts, monitor aging parents' finances, and see a clearer picture of a parent's or child's financial need would help members of the sandwich generation better manage their finances and possibly avoid financial shortfalls. Additionally, households squeezed to their limits need to know that the money they are spending on parents and children is being put to good use—access to accounts would offer greater transparency as to how money is being spent.

This access should come with a variety of options—some families may simply need to transfer money between accounts, while others may want the ability to require joint financial decisions. Products should be designed so that members of the sandwich generation can work with their parents and adult children to decide what level of control each person has over the others' accounts.

Intergenerational Money Talk

Since the greatest driver of financial stress among respondents was difficulty talking to parents about money, there is an enormous opportunity for credit unions to facilitate intergenerational conversation. Credit unions could offer workshops to members and their parents to practice strategies for discussing tricky topics like budgeting, debt, and handling unexpected expenses and financial emergencies. Ideally, training would extend to the younger generation as well, to lessen the stigma of talking about money within families. Workshops could serve a dual purpose—lowering the financial and emotional stress of sandwiched families as well as helping young adults (and perhaps elderly parents) become financially independent.

Financial Planning for the Whole Family

Nearly one-fifth of respondents felt that financial counseling for themselves and their parents would ease their financial stress. Financial planning can be helpful for members of the sandwich generation—but is even more beneficial if it involves their parents or adult children. A financial counselor could help families navigate situations that could have a financial impact on the family. An example might be providing families with opportunities to explore money-saving life changes, such as sharing living arrangements, selling a home, saving, or paying off debt with income generated from a home sale. Counseling that takes into account the whole picture of a multigenerational family's finances could help lessen the squeeze placed on the generation in the middle.

Addressing Rising Health-Care Costs

One of the biggest drivers of financial need among aging parents is the rising cost of health care. Many respondents said they assist parents with prescriptions, medical bills, and out-of-pocket costs not covered by Medicare.

Credit unions have an opportunity to offer insurance, health savings accounts, and investment products related to health-care costs, perhaps by partnering with existing providers. Members may not know about options like long-term care insurance that can supplement Medicare. And those with aging parents who are currently healthy may not be planning for future health-care expenses or may not know about products that can help them save and invest for those eventualities.

Credit Union Implications

In order to assist members of the sandwich generation, credit unions need to take the following steps to assess their ability to do so:

- *Understand that this demographic exists and what its needs are*. Credit unions must be able to empathize with the stress and financial strain of caring for dependent children and parents at the same time. It is not enough to know the statistics—each member of the sandwich generation has a story to tell. Before creating products or services targeted to members of this demographic, credit unions should take the time to understand what they want and need, and how they view themselves. For example, one trend that emerged through interviews was that many individuals saw themselves as "givers" and would continue to provide financial support to parents or children even when it meant going without the basics themselves. Credit unions, which are focused on their members' best interests, must understand that their members are focusing elsewhere and acting accordingly.
- *Assess whether this segment exists within the consumer base you currently serve, or if your members include consumers with similar needs*. Consider surveying your members to learn whether they are providing financial support to parents, in-laws, and/or adult children. You may even find some who don't technically belong in the sandwich generation but are feeling financially squeezed from assisting family members outside their own household. Are your members experiencing financial stress that your credit union can alleviate? If so, define who this demographic is within your membership, and seek to identify its unique needs and concerns.
- *Determine whether this is a market segment for which your credit union can deliver.* Is your credit union currently in a good position to create, market, and roll out a new product or service to sandwich generation members? If not, can you direct members of the sandwich generation toward other resources or sources of assistance? Whether or not you have the capacity right now to target products to members of the sandwich generation, you can leverage your understanding of their challenges to provide them more effective customer care.
- *Find ways to differentiate yourself from others serving this segment*. Credit unions can attract and retain new members—and their family members—by offering a comprehensive, well-designed suite of products and services for the sandwich generation. How can your product offerings, marketing, and customer interactions signal that your organization is determined to lighten the burden on members of the sandwich generation?

Conclusions

Members of the sandwich generation are financially stressed due to the financial burden placed on them. Pensions, health care, and retirement benefits planned by previous generations are sometimes insufficient for today's high standards of living. Additionally, recent economic conditions have made it difficult for young adults to obtain employment that pays a living wage, resulting in adult children seeking financial support from their parents. In between these two financially struggling groups is the sandwich generation, whose members struggle to make ends meet while supporting their parents and children.

Credit unions have an opportunity to help this generation. Credit unions can make an effort to reach out to their community members struggling with this type of financial burden, start a conversation, and develop specific programs that may help reduce the financial hardship for families. The first step that credit unions should take is to seriously examine the demographic in their community and learn as much as they can so that their strategy for reaching out is a strong one.

Reference

Pew Research Center. 2013. *The Sandwich Generation: Rising Financial Burdens for Middle-Aged Americans*. Social & Demographic Trends, Pew Research Center. www.pewsocialtrends.org/files/2013/01/Sandwich_Generation_Report_FINAL_1-29.pdf.

List of Figures

About the Author

Stephanie Galligan

Research Manager, Filene Research Institute

As research manager at Filene, Stephanie collaborates with research fellows, credit unions, and other industry thought leaders to help identify important market issues and frame compelling research ideas around them. She helps keep the research and communications rolling with her own specially designed project management belt.

Prior to Filene, Stephanie was a design researcher and project manager at Design Concepts, a product and innovation company. She has helped start-ups and Fortune 500 companies help their users uncover, understand, and evaluate insights that impact the business bottom line.

When not at Filene, Stephanie enjoys following her, and her daughters', curiosities, forest breathing and camping.

About Filene

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the president/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: "Progress is the constant replacing of the best there is with something still better." Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) not-for-profit organization. Nearly 2,000 members make our research, innovation, and impact programs possible. Learn more at filene.org.

"Progress is the constant replacing of the best there is with something still better."

—Edward A. Filene

Filene

612 W. Main Street
Suite 105
Madison, WI 53703

p 608.661.3740
f 608.661.3933

Publication #420 (11/16)