

Navigating Sandwich Generation Finances

An increasing number of adults in their 40s and 50s find themselves caring for aging parents while raising school-age children. Similarly, as people are living longer and young adults struggle to gain financial independence, many in their 60s find themselves providing financial help or housing to both young adult children and aging relatives as they prepare for life in retirement. As a result, nearly a quarter of U.S. adults are now part of the so-called sandwich generation. If you're among them, you know it can be challenging to keep your long-term goals on track.

Weighing the financial cost

Americans in their 40s are the most likely to be sandwiched between their children and an aging parent. According to a Pew Research Center study, 54% have a living parent age 65 or older and are either raising a child younger than 18 or have an adult child they helped financially in the past year. By comparison, 36% of those in their 50s, and 7% of those 60 and older, are in this situation.¹

Managing the financial needs of multiple generations is no easy task, especially if much of the financial burden falls on you. For example, in one study, half of the families surveyed said they experienced at least one financial impact due to caregiving. Among them:²

- 28% percent of family caregivers stopped saving for their own needs
- 22% exhausted their personal short-term savings
- 12% dipped into long-term savings, such as retirement or education accounts to pay expenses
- 23% took on debt
- 15% borrowed money from friends or family

In addition, 10% of families say they had to start working or work longer hours, and 11% said they had to take on a second job to bridge the financial gap. Just under 10% of those in their 50s and 60s say they delayed retirement or decided to never retire.

Among parents providing financial help to their adult children, 58% say they have sacrificed their own financial security to do so. The average monthly amount of financial support provided to adult children is just under \$1,400 across spending categories for healthcare and auto insurance, groceries, rent, cellphones, tuition, and travel. Over 60% of parents say are willing to live more frugally, and nearly half are willing to pull money from savings or retirement accounts to help support adult children.³

Managing sandwich generation finances

While it's natural to want to help family members in need, it's important to not lose sight of your own needs and goals. The following tips can help you find the right balance.

1. Shore up your financial safety net

Before committing to provide financial support to a family member, it's important to review your own financial situation. Do you have emergency savings to pay for an unexpected expense? Will providing



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financial support cause you to delay your plans to retire or reduce the amount you're currently able to contribute to your retirement accounts? Begin by creating a household budget to see which expenses are shared and which are related to specific household members. Are there opportunities to share some of these expenses, reign in excess spending, or repurpose funds to fund emergency or long-term savings?

Keep in mind, you can't borrow to pay for your expenses in retirement. Prioritizing savings in your employer retirement plan, like a 401(k) or 403(b), provides an opportunity reduce your current taxable income and build savings faster by taking advantage of tax-deferred compounding and "free money" if your employer offers matching contributions.

2. Don't avoid difficult conversations

If you're assuming caregiving duties for older adults, you should have a clear understanding of where they stand financially and the type of assistance they need, whether that's help managing monthly bill payments or financial assistance for paying those bills. It's critical that you understand their full financial picture, including all of their income sources (Social Security, pension), retirement accounts, other investments, real estate, and insurance policies. Depending on their income level, they may qualify for assistance in paying for Medicare premiums and drug costs. If they're veterans, they be eligible for certain Veteran's Administration benefits.

It's also important to ensure that all appropriate estate planning documents, including wills, advanced healthcare directives, and durable powers of attorney are executed and up to date. This can help avoid costly legal fees later.

3. Set expectations for adult children

While grown children often move back home to save money, they shouldn't expect to live expense-free. Work out a realistic cost-sharing arrangement that details what expenses they are responsible for, such as food, rent, healthcare premiums, mobile phone bills, etc. If they're really strapped for cash, have them contribute in other ways, such as helping with household chores, errands, or sharing certain caregiving duties.

To learn more about strategies to help balance your family's needs and goals, call the office to schedule time to talk.

¹"More than half of Americans in their 40s are 'sandwiched' between an aging parent and their own children."

Pewresearch.org, 04 AUG 2022, <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/>.

²"Caregiving in the U.S." Caregiving.org, May 2020, <https://www.caregiving.org/wp-content/uploads/2020/05/Full-Report-Caregiving-in-the-United-States-2020.pdf>

³Klongpayabal, Beth, "47 Percent of Parents Still Cover Costs for Their Adult Children." Savings.com, 06 MAR 2024, <https://www.savings.com/insights/financial-support-for-adult-children-study>

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