

The Retirement Insider

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Protect the Sandwich Generation from Eating Up their Assets



Your client John Smith calls your office. His mother was recently placed in a nursing home and his older child is starting college this month. He's compelled to liquidate some of his assets to honor family obligations. Suddenly, John is sideswiping years of retirement planning and you are losing a percentage of your asset management base – and possibly a client altogether. Welcome to the sandwich generation.

Nearly 16 million baby boomers are sandwiched between raising kids or supporting an adult child while giving a financial hand to an aging parent, according to the Pew Research Center. Consider the average annual cost for a private college and nursing home is \$30,000 and \$70,000 respectively, and it's apparent that these intergenerational financial strains can be tremendous. Financial advisors who take steps to prepare clients for these lifestages or deal with them when they arise will surely ease the squeeze. Their clients will have more peace of mind, greater financial stability and more loyalty toward their advisors who can, in turn, continue to grow and protect their assets.

Assess the Risk

"All areas of personal finance by definition are helped with planning and being part of the sandwich generation is no different," says Michael Rubin, CFP, CPA, and author of *Beyond Paycheck to Paycheck*. "Financial advisors need to try to take the time as part of their ongoing relationships with their clients to help assess their risk in facing the simultaneous squeeze from the next generation and the one that raised them."

Encourage Conversations and Reach a Consensus

Before you even start planning, you need to encourage client couples to have conversations so they understand each other's sense of duty toward caring for parents and in-laws and develop a shared vision regarding responsibilities and financial assistance, says Rubin. Inquiring about the health of your clients' parents is not typically part of the dialogue between an advisor and client.

It's also critical for parents to come to a consensus about how much they hope to provide for their kids' college. Some view education as a basic financial responsibility and want to protect their children from starting their adult lives saddled with debt; others don't think it's their responsibility because their parents didn't.

These conversations will give the advisor some quantification to work with in financial planning, says Rubin.

Stress Early Planning

People feeling short-changed often pull money out of their assets like 401Ks – a very risky and unwise maneuver, says Rubin. They do so at their own peril and sabotage their own financial stability during retirement. Financial blunders can be thwarted with early planning. A recent study conducted by The Hartford, for example, shows that individuals working with a financial advisor are more prepared for college expenses than those who don't seek professional services. Advisors are well aware of the financial cliché: You can borrow cheaply to pay for college, but not to fund retirement. Nonetheless, many clients still break the rule.

Be Informed and Resourceful

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Clients Worried About the Markets?

Dr. Quincy Krosby, The Hartford's Chief Investment Strategist, examines trends in the economy and how they affect markets both in the United States and around the globe. [Visit the Hartford Investor Financial Professional Website](#) to learn more about Dr. Krosby, as well as read and hear her market commentary and economic outlook.

Question of the Month

When helping your clients plan for their children's educational expenses, what do you normally recommend? [Answer ▶](#)

For more retirement information and resources, visit the [Hartford Investor Financial Professional Website](#).

Advisors should be familiar with financial aid resources— such as low-interest loans, grants and scholarships— for education, says Gail Marks Jarvis, personal finance columnist for the *Chicago Tribune* and author of *Saving for Retirement (Without Living Like A Pauper or Winning the Lottery)*. College planning is important. However, at least 70 percent of Americans still need some form of assistance, says Jarvis. Understanding financial aid rules can also prevent advisors and clients from making critical mistakes. For example, placing stocks, bonds or other assets in a minor's name can jeopardize a family's opportunity to get assistance.

Advisors also need to understand elder-care issues. Indeed, it's difficult becoming a parent to your parents both emotionally and financially, says Carol Abaya, a consultant and syndicated columnist devoted to elder-care issues. Nonetheless, "the sandwich generation has a key responsibility in helping their parents." Financial pros who aren't well-versed in Medicaid eligibility, long-term care insurance and various financial funding options like reverse mortgages as a last resort are short-changing clients, she says.

"Too many women quit their jobs to take care of elderly parents, which means they cheat themselves out of their pension, Social Security and retirement investment opportunities, then have less money to fund their children's education and pay for elderly care," says Abaya. Adult day care, assisted living and hiring live-in help can alleviate the pressures especially for working parents.

Get a Bird's-Eye View

Financial advisors need a 360-degree view of their clients' assets, even if they are dispersed, says Jarvis. Clients and their spouses (or ex-spouses) may well have separate 529 plans, IRAs, 401Ks and other investments. By understanding their fund landscape and educating them about the volatilities of markets, you may prevent them from making shortsighted mistakes and liquidating assets they need in the long term to take care of children, parents and their own financial future.

The Sandwich Generation: A Closer Look

As they advance toward the threshold of old age, 75 million baby boomers are in an extended phase of their family lifecycle, with many raising minor children or providing financial and other forms of support to adult children or to aging parents. Pew Research statistics demonstrate the financial implications of intergenerational family responsibilities.



50% of all baby boomers are raising one or more young children and/or providing primary financial support to one or more adult children.



71% have at least one living parent, compared to 60% in 1989 thanks to advances in life expectancy.



29% are currently providing some financial assistance to a parent, but that number is expected to increase substantially as both boomers and their parents age.



66% believe it's a basic parental responsibility to pay for their child's education.

Resources:

There are numerous resources available to ease the pressure of elder-care and college planning.

Elder-Care Books

[*Caring for Your Parents: The Complete AARP Guide*](#). Topics run the gamut from locating quality health care to avoiding consumer scams to planning the disposition of an estate. A resource guide in each chapter lists help lines, websites and consumer action groups.

[*Kiplinger's Financial Solutions for the Sandwich Generation: Ensuring You Have Enough for You, Your Children, and Your Parents*](#). Combine longevity with the soaring costs of health care, housing, education, retirement, insurance and

long-term care, and the result is that many people struggle to get by on salaries or income once thought princely. This book was written to help the reader prepare for, understand, and financially and emotionally cope with many of the issues that come with being a parent as well as the child of aging parents simultaneously.

Elder-Care Sources

[360 Degrees of Financial Literacy](#): The American Institute of Certified Public Accountants sponsors this site, which offers tips and worksheets specifically designed for boomers who are simultaneously caring for children and aging parents.

[American Association of Daily Money Managers](#): Daily money managers pay bills, make deposits, process insurance claims and handle other financial tasks that your parents may no longer be able to take care of. A great service especially if you live far away from your parents or in-laws.

[Elder-care Locator](#): The U.S. Administration on Aging sponsors this site, which offers links to the agency on aging closest to your parents' home. Each office includes an abundance of local senior services.

[Government Benefits](#): Learn about government benefits eligibility and get contact info.

[Medicare Information](#): There's an abundance of links to help you learn more about Medicare, long-term care, prescription plans and more.

[National Adult Day Services Association](#): Get tips on finding quality providers and locate day care in your area.

[National Association of Professional Geriatric Care Managers](#): Start here if you need referrals to elder-care pros who can assess your parents' medical needs and finances and then identify local programs and services.

[National Council on Aging](#): Learn which federal, state and local benefits your parents qualify for and get information regarding a surprising number of federal, state, local and private programs available that can help with everything from health-care and utility costs to prescription assistance and property tax relief.

College Funding Books

[Paying for College without Going Broke, 2008 Edition](#)

This book shows you how to calculate aid eligibility before applying to college and plan ahead to improve chances of receiving aid. The book also includes advice on how to negotiate with financial aid offices, handle special circumstances (for single parents or independent students) and receive educational tax breaks.

College Funding Sources

[CollegeBoard.com](#): Information focuses on college costs, scholarships, financial aid applications, education loans and college financing.

[FinAid!](#): News on financial aid rules and scholarships, plus calculators help you project college costs and determine if your child is likely to qualify for assistance.

[Saving for College](#): Detailed information and rankings of numerous state-sponsored 529 college savings plans.

[U.S. Department of Education](#): Information about federal student aide, student loans and scholarships, college preparation checklists and more.

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Sales Ideas from The Hartford

Grow Your Business

Think about your clients who are at risk for a "sandwich" crisis — having to pay for aging parents' care and college-age kids' tuition at the same time. Even if their kids are still young, encourage them to start thinking about college savings now, rather than waiting until that crisis occurs. [Visit](#) to find college cost calculators, other tools and a variety of college saving products.

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