

MONEY SENSE

Tips for today's sandwich generation

More people are finding themselves caring for aging parents while raising or supporting children. Here are five tips from Bank of America on how to deal with the financial pressures.

HEADS UP, BABY BOOMERS AND GEN X, Y AND Z: One day, you may be part of *another* generation — the sandwich generation — if you're not already feeling the squeeze. Nearly a quarter of U.S. adults — and 54% of those in their 40s — find themselves caring for aging parents while raising or supporting their own children, according to Pew Research Center¹. And with longevity increasing and people delaying having children, it is very likely those numbers will grow.

People who care for parents and kids at the same time can feel incredible financial stress. Maybe you have built up a nest egg, but then Mom or Dad becomes ill, and you also have a son or daughter heading to college or trying to get on their feet. While the desire to help a family member comes from the best of places, it is easy to underestimate the potential cost to your own future.

To manage the competing demands, try separating everyone's needs into three buckets — yours, your parents' and your kids'. That way, you can better understand what you can (and cannot) do based on the resources you have. Then talk with your advisor about ways you can structure your financial help.

Prioritize your future first

"You are not doing family members any favors if you ignore your own financial well-being in order to help them," says Cynthia Hutchins, director of financial gerontology for Bank of America. You may be tempted to stop saving for retirement. But try to contribute at least enough to your 401(k) plan to earn any matching contributions from your employer and ramp your contributions back up as soon as you are able, including taking advantage of the "catch-up" provisions for people 50 or older.

A study by Bank of America found that women who leave the workforce to provide care give up an average of \$324,000 in salary and benefits², notes Nevenka Vrdoljak, managing director, retirement strategies, in the Chief Investment Office for Merrill and Bank of America Private Bank. If your spouse is working, ask them to create a spousal IRA, building tax-advantaged savings on your behalf.

Finally, though your parents' health may be top of mind, don't forget yours. Contributing to a health savings account (HSA) now could help with your own healthcare expenses later on. And consider long-term care insurance, Hutchins advises. "People greatly underestimate their chances of needing such care at some point in their lives." Planning ahead can help manage the costs later on.

Next, focus on your parents' needs

Become familiar with your parents' financial situation and discuss ways they might bolster it before the need becomes critical. Explore local resources to help ease the strain of running errands, suggests Hutchins. Helping parents use a ride-sharing app or public transportation could save you time and allow them to maintain their independence. Grocery and meal delivery apps and medication management services are useful time-savers for caregivers. Check your local agency on aging for more tips and useful resources.

Also, "get siblings involved in sharing the costs and responsibilities," says Hutchins. To fill gaps, the family could bring in a geriatric care manager — a professional who can help with in-home needs, coordinate medical services and even recommend assisted living or continuing care communities, if that becomes necessary.

Teach your kids financial independence

Just as with your parents, you want to help your kids without jeopardizing your future — remember, they have time on their side. "Teach your children the basics of budgeting, saving and investing — especially the power of compounding — early on," suggests Vrdoljak. And start funding a 529 education savings plan early.

Having a clear strategy for your own finances can help you set boundaries. If you are helping grown children with expenses — maybe they have asked you to contribute to a mortgage down payment or bills coming due — be sure those conversations include their own spending habits, Vrdoljak suggests.

And use those discussions to encourage your children to build up an emergency fund and start saving for retirement. If you are pitching in with ongoing expenses, come up with a timetable for how long you will help.

Love does not mean an endlessly open pocketbook. "Be open with your kids about what you can and cannot afford," she suggests. "Then loop them into a 'family budget' — a plan that everybody agrees on and is comfortable with."

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¹ The Pew Charitable Trusts, "More Than Half Of Americans In Their 40s Are 'Sandwiched' Between An Aging Parent And Their Own Children," September 20, 2022.

² Chief Investment Office, Bank of America, "Financial Security for the Caregiver," Winter 2022.

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