

## The Filial Fraction: A New Tool for Family Financial Planning

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### Financial Decisions Are Family Decisions

Over the past 16 years in this column we have emphasized the importance of “family aging” as one of the four “kinds” of aging critical to the practice of financial gerontology. “Population aging” looks at the macro number or percentage of people of different ages over time from the perspective of the nation or a particular state. “Individual aging” reflects the more everyday use of the word *aging*, referring to human development or maturation. “Generational aging” emphasizes the critical idea that, in working with family members who are (for example) age 40 and age 70, we must recognize that their attitudes toward money and finance reflect their generational experiences as well as their maturational development.<sup>1</sup>

Family aging adds to the concepts and methods of financial gerontology by emphasizing that all of these other kinds of aging—or, actually, lenses through which we view and understand the multidimensional dimensions of the human aging process—are intersecting to change the age structure of the American family in ways that have profound implications for financial planning. While the general proposition “financial decisions are

family decisions” has always been true to some extent, it takes on special importance in the context of (a) financial gerontology, and (b) the aging of the demographically and financially gigantic baby boom.

As noted previously in this journal, Uhlenberg’s historical demographic research documents that in 1900, 39% of 50-year-old children had a parent alive, rising to 80% by 1990. And for 60-year-old “kids,” only 7% had a living parent, rising to almost half (44%) by 1990.<sup>2</sup> In light of recent findings on increasing older-age longevity,<sup>3</sup> the current number of 50- and 60-year-old children with surviving parents is noticeably larger than the 1990 figures.

### The “Senior Sandwich Generation”

In the March 2006 issue of this column, demographer-gerontologist Janice I. Wassel, director of the gerontology program at the University of North Carolina at Greensboro, described the new concept of the “senior sandwich generation.”<sup>4</sup> The phrase *sandwich generation* has traditionally referred to a care-providing mother in her mid-40s (usually a woman, but not necessarily so<sup>5</sup>) who is caring simultaneously for her young children and her older parent(s). She is, thus, the middle generation “sandwiched” in between two sets of care-giving responsibilities.<sup>6</sup>

But it is not just 45-year-olds who have older parents. The 1900-1990 historical demographic data mentioned above show that an increasing number of 60-somethings have surviving older parents. This would not be the cause

for financial concern, except for the well-publicized fact that starting in 2006 millions and millions of boomers (born 1946 to 1964) are moving into and through their 60s. In other words, there are lots of us “60-year-old kids” who will have a variety of responsibilities for our aging parents. And from a gerontological perspective it is important to note that the mother of a 60-year-old is not 70.<sup>7</sup>

Nowadays, however, these aging boomers with elderly parents are much more likely to have children at home or in college. While increased longevity is responsible for the fact that 60-somethings are much more likely to have surviving parents, there are other demographic and cultural factors that explain why middle-aged boomers are also more likely to have younger children.

For example, boomers got married later in life than did their parents. The earlier-born half of the boomer generation married on average two years later than their parents, and the later half of the boomers married on average four years later. More so than their parents, boomer women are in the work force and delayed their fertility and child-bearing. In the 1970s a woman’s average (median) age at the time of her first child was 22, and by 2000 it had increased to age 25. And since these are median ages, it means that millions of boomers started their families even later.

This boomer trend toward later-life children is extended by another family characteristic that grew larger among boomers: divorce and remarriage. As Dr. Wassel noted in her article, when the remarriage is between a

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divorced man and a first-marriage bride, the chances increase that there will be children born into that new family. Thus, for many reasons it is not unusual for men to become fathers in their 50s and 60s—a pattern that becomes magnified within the demographically large baby boom.

As a consequence of all these social, cultural, and demographic dynamics, American society now has a substantial number of 60-somethings who have both elderly parents and children (young, teenaged, or college-aged). From the financial gerontology point of view, this is an especially challenging situation both for the middle-agers and their financial advisers. That is, while these middle-agers are on the cusp of older age themselves—with all the forward-looking older-age financial and life planning in which they are or should be involved—they continue to have financial responsibilities for their children and their parents. Hence, we refer to them as the new senior sandwich generation.

**The Filial Fraction**

Most clients and their advisers acknowledge the increasing complexity of the 21st century wealth span. A larger number of “expenditure” years in later life (primarily due to increasing longevity) follows a fewer number of accumulation years (primarily due to staying in school longer and retiring earlier than previous generations).<sup>8</sup> Thus, what is accumulated in a shorter number of years now must last for a longer number years, and all of these “equations” are made more complex by the financial and other responsibilities suggested by the

senior sandwich generation.

Along with the specific, monetary, and other quantitative tasks of financial practice, an important role of the financial adviser is to focus the client’s attention, or imagination, on the greater complexities and responsibilities that lie ahead. Building on the dynamics of family aging, we are developing a new tool through which financial professionals can work with clients to visualize more vividly their potential future responsibilities.

The “Filial Fraction” is defined as the percentage of a person’s adult life that an older parent is also alive. This introduction of the Filial Fraction focuses only on the older-parent component of the senior sandwich; further development will include the implications of the children of the senior-sandwiched 60-somethings.

It is very important to note that we are not arguing that elderly parents are necessarily a burden, or even a necessary responsibility. That is, how a client and adviser use the Filial Fraction in particular cases depends on the details of health, finance, and other family specifics. The concept of the Filial Fraction is neutral: it is a tool to quantify, and perhaps to dramatize, the increasing *potential* for greater financial and other responsibility falling on the shoulders of an increasing number of middle-agers.

**Computations, Definitions, Assumptions**

For purposes of computation, we assume that a person becomes an adult at age 20.

We could define a person as old at age 65, but nowadays most 65-year-

olds are not likely to be in need of much attention from their middle-age children. Age 75 may be a better measure of the beginning of older age these days. For purposes of illustration, we will use both ages.

In computing the Filial Fraction, the numerator is the number of years the parent has been an “older person” and the denominator is the number of years the child has been an adult.

**Case Studies**

Consider a 60-year-old son, Steve, and his 90-year-old mother Gladys. Using our definitions, Steve has been an adult for 40 years, and Gladys has been an older person for 25 years using the age-65 definition, or 15 years using the age-75 definition.

Table 1 shows the results of the Filial Fraction computation for 2006. Using age-65, Steve has had an older parent around for 63% of his adult life (25/40 years). Steve may or may not have had reason to be concerned about planning for his 90-year-old mother since she was 65, depending on her health, financial resources, etc. Alternatively, if we use the more conservative

TABLE 1	
<b>Case Study 1: 2006</b> (Numerator = number of years parent is older age 65, or 75; denominator = number of years child has been an adult (over age 20))	
Gladys, age = 90	
Years > 65 = 25	
Years > 75 = 15	
Steve, age = 60	
Years as adult = 40	
Filial Fraction (65) = 25/40 = 63%	
Filial Fraction (75) = 15/40 = 38%	

age-75 definition, Steve has had an older parent for 38% of his adult life (15/40 years).

Keep in mind that we intend this Filial Fraction to be a neutral number—that is, we do not assume that an older person, simply by dint of being old, requires personal or financial care from her or his adult child. Indeed, financial care often goes in the opposite direction. To the contrary, we offer the Filial Fraction as a planning tool so that clients, especially middle-aging boomers, can see in a quantitative way the potential responsibilities they may have as a consequence of aging—their own as well as their parents' aging.

Let's put the whole situation into a time machine, and fast forward 10 years. Table 2 shows what the Filial Fraction will look like in 2016, assuming Gladys lives to 100 and Steve is 70. Steve has now been an adult for 50 years. He has had an older parent for 70% (35/50 years) of his adult life using the age-65 definition; he has had an older parent for 50% of his adult life using the age-75 definition (25/50 years).

**TABLE 2**

**Case Study 2: 2016**  
**(Numerator = number of years parent is older age 65, or 75; denominator = number of years child has been an adult (over age 20))**

Gladys, age = 100  
 Years > 65 = 35  
 Years > 75 = 25

Steve, age = 70  
 Years as adult = 50

Filial Fraction (65) = 35/40 = 70%  
 Filial Fraction (75) = 25/50 = 50%

**of the Filial Fraction**

The Filial Fraction derives from two interconnected ideas found in financial gerontology. The first is the family aging “lens” through which we view the many financial implications of aging. Family aging is important in many ways, especially as the age structure of the American family is changing due to substantially increased longevity. The second idea, the concept of the senior sandwich generation, connects changes in family aging to the potential responsibilities that middle-agers, on the cusp of older age themselves, may have for their elderly parents.

In this context, we note the following limitations but also extensions of the Filial Fraction concept.

The most basic limitation was noted earlier: older parents are not necessarily dependent or a burden on their middle-aged children. Having an older parent “around” for 60% of one’s adult lifetime is or can be a substantial asset to the family in many social, personal, and financial ways. This said, for the financial planner and the middle-aging client whose approach is to “hope for the best but plan for the worst,” the Filial Fraction will help to visualize the extent of possible or likely responsibilities.

Methodologically, even when seen as a measure of potential burden or responsibility, the Filial Fraction is limited. It does not take into consideration, for example, the possibility that the middle-aged child has two elderly parents. Nor does it take into account the possibility that the elderly parents may have more than just one son or daughter. And, further, given this mea-

sure’s derivation from new research on the senior sandwich generation, as presently constituted the Filial Fraction makes no mention of children and adolescents who are also the responsibilities of the sandwiched middle-agers.

And so, finally, we move from limitations to extension of the concept and the measure. The examples in Tables 1 and 2 are single-case hypotheticals, written for illustration. We are currently engaged in substantial analysis of large national sample surveys of multigenerational families in order to document empirically how many middle-aged Americans have surviving older parents, and what the range of Filial Fraction values are as boomers move into their middle and late 60s. This research also allows us to see how such other important attributes as having two older parents and having adolescent and young-adult children in the family affect the Filial Fraction. And of paramount importance, we also want to discover if (and how) an individual’s Filial Fraction correlates with financial literacy, attitudes, worries, and planning.

**A Postscript and a Request**

As a possible financial planning tool and as a focus of social-financial gerontology research, work with the Filial Fraction is just beginning. One colleague opined that it is an intriguing measure, “a variable in search of a hypothesis.” And so I request and invite you to share with me your comments, reactions, suggestions and, especially, any experiences with clients you have had in which the idea behind the Filial Fraction is illustrated, financially or otherwise. ■

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- (1) Neal E. Cutler, "Financial Dimensions of Aging—And Middle-Aging" *Generations* 21 (Summer 1997); Neal E. Cutler, "Managing Transitions in an Aging Society: The Multiple Modern Meanings of Middle Age," *Journal of Financial Service Professionals* 57 (January 2004).
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- (4) Janice I Wassel, "Financial Planning and the 'Senior Sandwich' Generation," *Journal of Financial Service Professionals* 60 (March 2006).
- (5) Lenard W. Kaye and Jeffrey S. Applegate, *Men as Caregivers to the Elderly* (Lanham, MD: Lexington Books, 1990).
- (6) Elaine M. Brody, "'Women in the Middle' and Family Help to Older People," *The Gerontologist* 21 (October 1981).
- (7) For a financial planning perspective on "middle-aged kids" see Chapter 9 in Lee Eisenberg, *The Number: A Completely Different Way to Think About the Rest of Your Life* (New York: Free Press, 2006).
- (8) Neal E. Cutler, *Advising Mature Clients: The New Science of Wealth Span Planning* (New York: Wiley J.K.LasserPro Books, 2002).

### Summary

The Filial Fraction is a new concept identifying a way to quantify the potential responsibilities that an adult child may have for their aging parents.