Financial Planning and the "Senior Sandwich" Generation

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When the phrase sandwich generation was first introduced nearly 25 years ago by gerontologist Elaine Brody,[1] it referred to **women in their 40s** who were pressured or "sandwiched" between the competing time demands of their *aging parents* and their *young children*. These "women in the middle,"[2] as they were also called, had competing roles in addition to their caregiving responsibilities—including those of employee, spouse, and/or volunteer vying for their time. Nowadays, with aging parents living longer, second families, and extended "young-adulthood," this sandwiched experience is being felt by women (and increasingly men[3]) who are in their late 50s, 60s, and even 70s.

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Torn by current family commitments and the future unknowns of planning for their own retirement, these members of the "senior sandwich generation" are a clear example of the multiple interactions among family decisions, financial decisions, and financial gerontology. Financial professionals need to stay abreast of the dynamics that are reshaping traditional family structures and roles and to be prepared to design strategies for retirement and long-term financial security in the context of these changing family obligations.

In the context of financial gerontology, therefore, we will first review the historical transition from the traditional sandwich generation to the contemporary and baby boom-driven senior sandwich generation. We will profile some of the key marital and family demographics and how these trends are inextricably intertwined with the well-documented facts of increasing old-age life expectancy. In turn, we'll consider how the emergence of the senior sandwich generation will profoundly affect the financing of longevity in the 21st century.

The Historical Situation of the Sandwich Generation

Initially, sandwich generation research concentrated on women's caregiving responsibilities, their complex role configurations, and the emotional stress created by their multigenerational commitments. Almost by definition, because of the demographics prevailing at the time (the 1950s and 1960s) the sandwich generation idea implied caring for young children while simultaneously providing care, both formal and informal, to aging parents. In today's world, however, in response to both increasing longevity and other prevalent social and cultural trends (such as delayed marriage, delayed child-bearing, extended young-adulthood, remarriage), the "children" being cared for are increasingly likely to include young adults—alongside the elder parents who are in their 80s and 90s. In this contemporary scenario, members of the sandwiched middle generation are now in their 60s and even 70s; hence, the focus of this analysis—the senior sandwich generation.

Informal caregiving to frail aging parents is a critical family role. Recent research suggests that 75% to 80% of all care to the elderly is by family members.[4] Informal caregiving includes tasks that range from homemaking (cooking and shopping) to household chores (cleaning, laundry, or maintenance) to transportation (for errands and medical trips) to providing the physical care of the aging parents (bathing, toileting, dressing, and feeding). It is estimated that each year 52 million Americans are caregivers representing an estimated cost in 1998 of $128 billion.[5] This *cost savings to society* (including both public and private budgets) is translated into *costs borne by family members* either directly or indirectly through forgone wages, savings, and investments.

Additionally, for the majority of parents, financial obligations to their children seldom cease with the child's 18th birthday. In the wake of the baby boom, American society has become increasingly child centered. Social pres-

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sure to support the child financially through college and into young adulthood has increased. One recent study found that the vast majority of parents (88%) expect to help their unmarried children with college expenses.[6] Young adults are now more likely to remain at home or to return home to live after college, than in recent decades.[7]

As financial professionals know well, many financial decisions are family decisions. Consequently, family aging is as critical as are the better known topics of individual aging and population aging.[8] We are not suggesting that the traditional sandwich generation has disappeared. There are still millions of 45-year-olds who simultaneously care for young children and for parents in their 60s and 70s. Family aging is changing, however, and with it the financial profile (and profile of responsibilities) of the sandwiched generation is also changing. From the perspective of financial gerontology, when the generation in the middle is defined as men and women who are 60 to 70 years old, the tasks of the financial professional become more challenging and the information required to serve middle-aged clients is more complex.

The Evolving Portrait of the Senior Sandwich

As we consider financial planning across the wealth span, improvements in life expectancy do more than just add years to the length of a person's life. In addition to longer life, this additional longevity changes the number of years that a person spends in various family roles—daughter, son, (daughter-in-law, son-in-law), parent, spouse, grandparent. In turn, the impact of these improvements in life expectancy is magnified by changes in other demographic, social, and cultural factors such as marriage, divorce, and remarriage, and the consequent patterns of child-bearing and child-raising.

Current U.S. Census projections indicate that men born in 2003 will live to age 74 and women to age 80, nearly double the life expectancy of those born in 1900.[9] But it is the gains in life expectancy after age 65, 75, and even 85 that are critical for financial planning. To understand the impact of the changing family age structure on the emergence of the senior sandwich generation, we need only recognize that greater old-age longevity also means more surviving older parents. As illustrated in Table 1, individuals who survived to age 65 in 1900 could expect to live another 11.9 years with those who reached age 85 living an additional 4.0 years. Gains in life expectancy continued steadily throughout the 20th century. By 2002 life expectancy at age 65 had increased to 18.2 years (6.3 additional years of old age). Those who blew out their 75 birthday candles in 2002 could expect to celebrate 12 more birthdays. And those robust folks who celebrated their 85th birthday in 2002 should plan for another 6 years of life. Indeed, as reported in this Journal last year, recent gains in longevity are largely gains in healthy longevity and not just gains in years of frailty and dependence.[10] It is very likely that a 65-year-old man in 2002 will live 50% longer than did his

TABLE 1

Older Age Life Expectancy at Ages 65, 75 and 85[a]

	1900	1950	1980	1990	2002
Life Expectancy at Age 65[b]					
Total	11.9	13.8	16.5	17.3	18.2
Men	11.5	12.7	14.2	15.1	16.6
Women	12.2	15.0	18.4	19.0	19.5
Life Expectancy at Age 75[b]					
Total	—-	—-	10.4	10.9	11.5
Men	—-	—-	8.8	9.4	10.3
Women	—-	—-	11.5	12.0	12.4
Life Expectancy at Age 85[c]					
Total	4.0	4.7	6.0	6.2	6.3[d]
Men	3.8	4.4	5.1	5.3	5.5[d]
Women	4.1	4.9	6.4	6.7	6.6[d]

[a]Life expectancy provided for all races.
[b]Source: Table 27. Life expectancy at birth, at 65 years of age, and at 75 years of age, according to race and sex: United States, selected years 1900-2002.
[c]Source: Detailed tables: health status; indicator 12: life expectancy. *Older Americans 2000: Key Indicators of Well-Being,* AgingStats.gov, www.agingstats.gov/default.htm (January 2001).
[d]Data are for 1997; 2002 data not available.

great grandfather in 1900 and 30 % longer than his grandfather in 1950!

While most of us recognize that each successive generation is living longer, what is less obvious is how these additional years translate into the proportion of time we spend as a parent or as an adult child of long-lived elderly parents. Financial professionals who use family aging data and scenarios of changing family relationships will be able to help their clients better understand how the gains in longevity can dramatically affect their financial planning.

Family Aging

Living longer has implications for family aging and the financial decisions made to accommodate family obligations and goals. It also has implications for the amount of time one will spend in the family as a parent, as an adult child, and as a spouse. One study of the demographic history of American families, for example, examined the proportion of time women spent in various family roles and found that from 1800 to 1980[11] the amount of adult lifetime spent with at least one parent over age 65 increased from 15% to 29%. This doubled the period that adult children are "at risk" for caring for an aging parent. Looking ahead, the increasing longevity of boomers and of their parents suggests that for aging boomers, one-third of their adult life (if not more) will be spent as an adult child with at least one parent aged 65 or older.

The impact of these trends in family aging on middle-agers as "mature" caregivers is seen even more dramatically in a study published 1996.[12] An analysis of the decennial U.S. census, 1900 through 1990, identified the number of "middle-age children" who have surviving parents. In 1900, only 39% of 50-year-olds had one living parent, increasing to 80% by 1990. Further, 27% had two surviving parents in 1990, compared to only 4% in 1900 and 8% as recently as 1940. An even more dramatic pattern was found for "60-year-old children." Only 7% had at least one surviving parent in 1900, 13% in 1940, and almost half (44%) by 1990. And as noted, trends in life expectancy in general and old-age in particular indicate that among boomers now entering middle age, an even greater number of 60-year-old kids will have one or both parents still alive. This does not even begin to consider the additional care that "parents-in-law" might add to the equation.

More Than Life Expectancy: Marriage, Fertility, Divorce, Remarriage

Factors affecting the changing nature of the sandwich generation and the aging family, however, come not only from increased life expectancy but from such other family aging factors as later-life marriage, child-bearing, divorce, and remarriage—factors that are especially characteristic of the boomers.

The boomers did not follow their parents' pattern of early marriage. Rather than marrying at age 22.8 for men and age 20.3 for women (as had been situation in the 1950s), on average boomers began delaying marriage. The 1980 census found that early boomers (born 1946-1956) had married nearly two years later than did their parents (men, 24.7; women, 22.0 years old). This pattern of delayed marriage was even more delayed among the "trailing edge" boomers (born 1956-1964) who on average got married four years later than their parents (men, 26.1 and women, 23.4 years old).[13]

Delayed marriage, even if only by two or four years, can have substantial ripple effects in the aging family. For example, later marriage also means later divorce and later remarriage. Further, later (re)marriage means even more later-life babies, adolescents, teenagers, and college freshmen.

Further, in nearly half of all remarriages, the couples choose to have children within 24 months of their wedding.[14] When it is the bride's first marriage and a remarriage for the groom, the chances increase that children will be born to that marriage. Second families to older parents have become more common with the acceptance of remarriage. It is not unusual for men with younger wives to become new fathers in their late 40s, 50s or into their 60s. Men who have later-life children are likely to find themselves working and paying for college education at age 67. As one colleague commented recently, he will be arranging for the direct deposit of his Social Security check—to his daughter's college.

Marriage isn't the only event boomers have delayed. They have delayed (and delayed) having their first child. At an age when many couples traditionally are helping their children complete college applications, boomers who delayed their family formation are

now experiencing "baby panic" and racing against the "biological fertility clock."[15] Many boomer women who postponed childbirth have discovered that fertility clinics are offering successful medical options even to women in their 50s. Alternatively, the adoption option is becoming more attractive to older marriages and remarriages who want children. Those in their 50s choosing adoption typically are couples in second marriages, single women ready to have a child, and those who postponed children for career opportunities. Even those 50-somethings who adopt a "slightly older child" may find their child's college tuition costs daunting when they are 70.

Women have delayed childbearing due to such factors as graduate school and careers. Over the 30-year period since 1970, women's median age at first birth increased from age 22 to nearly 25. Further, half of boomer women delayed childbearing to even later ages. For example, where nearly 75% of the earliest boomer women (born 1946-1951) had their first child before they were age 24, as contraception became more accessible and as educational and employment opportunities increased, only 50% of later boomer women (born 1958-1964) had their first child by age 24. Many boomer women became first-time mothers at older ages and at ages formerly considered too late.

Women are not alone in later-life parenting; older men are having children later in life also. Men in their early 40s who were born 1956-1960 are three times more likely to become fathers than men born in the 1930s and 1940s.[16]

Interestingly, the reasons for the later childbearing that comes with remarriage may be different for men as compared to women. Older men who marry for their second or third time are more likely to become fathers if their new wife has no children of her own. By contrast, women who remarry often cite the desire to demonstrate a commitment to the marriage by having a child.[17] Regardless of the varying motivations, men and women supporting first and second families not only have more financial responsibilities, but will spend more years, i.e., a greater proportion of their adult life, as parents to teenagers and young-adult children.

As a critical financial corollary to these marital and family structure trends, young adults have become increasingly dependent on their parents. In the past decade, returning home to live with Dad and Mom has become more accepted and common—after all, few parents will turn out their child. Comparisons from the 1990 and 2000 Census confirm that more young-adult children (age 18-24) live with parents—increasing from 25% in 1990 to 56% of young adult sons and 47% of young adult daughters in 2000.[18] With the increasing numbers of young-adult children returning home (the "baby boomerangs"), the stigma of living at home as a last resort has changed. Living in the parental home is seen as a socially responsible and an acceptable means to pay off student loans and to save toward a future home or wedding.

While the young-adult children may see living with the folks as a cost savings strategy, parents are likely to be asking: "When will the kids leave?" After all, most young-adult children live rent free or make minimal financial contributions to the household.[19] While these emotional decisions by parents to help their children "make it in the world" are seldom discussed with financial planners, they should be—as they are likely to influence major financial allocations, both short and long term. Middle-aged couples envisioning an empty nest with lower financial obligations and increased discretionary income from their retirement savings are being forced to recalibrate their financial plans as their adult children return to the parents' home and "refeather the nest."

In sum, the trends of delayed marriage and fertility and remarriage with later-life fertility, together with the new expectations of extended financial commitments to young-adult children, are changing the foundations of the family obligations.

Critical Concerns about the Senior Sandwich

Members of the traditional sandwich generation, and more recently, members of the financial gerontologically relevant senior sandwich generation, are caught in a demographic trap of caring for multiple generations—their parents plus their children. For the senior sandwich generation, however, this multiple-generation caring is made more demanding because they also are preparing for their own rapidly

approaching old age. The majority of the costs in raising children are widely understood and anticipated, and financial planning and adjustments are based on these understandings. By contrast, families with late-life children may find that they must defer retirement and continue working or work part-time during retirement, all of which casts both short- and longer-term financial planning into a more complex set of tasks for the financial adviser.

What is more difficult to anticipate, and therefore plan for, are the unknown costs of obligations to aging and elderly parents.[20] The majority of caregiving research and discussion continues to focus on the physical care to the aging parent and neglects the out-of-sight and out-of-pocket financial care, e.g., forgone wages and unpaid labor provided by adult children. These are, of course, in addition to emotional costs to which a monetary value cannot be assigned. Indeed, the added financial pressures of the senior sandwich situation suggest that the financial professional's involvement in the interplay of emotional and fiscal costs is likely to expand.

A recent survey by the National Council on the Aging found that 50% of adult children would consider using money earmarked for their children's college education to pay for their parents' long-term care. Almost 70% would forgo a career advancement to provide parental long-term care. People who said they have already provided long-term care to their parents reported using money set aside for retirement, taking a second job, or using money from their children's college fund.[21] In the context of financial gerontology, financing longevity becomes even more critical when both the middle-aged child and the elderly parent are planning for long-term care alongside other health issues.

Overall, while both the traditional and the senior sandwich generations face some of the same challenges, the dynamics of financial gerontology suggest that we especially need to be sensitive to the needs of the senior sandwich generation; as middle-agers with adult children (and increasingly with grandchildren as well) and as boomers (there is a humongous number of them), they have greater complexity and less time to prepare for their own retirement and older years. ■

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Planners should be aware of some of the differences and challenges between the traditional sandwich generation and the so-called senior sandwich generation. As middle-agers with adult children and as boomers, they have greater complexity and less time to prepare for their own retirement and older years.