

Financial Strategies for the Sandwich Generation



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Are you caught in the middle between children and aging parents? At a time when your career is reaching a peak and you are looking ahead to your own retirement, you may find yourself having to help your children with college expenses while also looking after the needs of your aging parents. Squeezed in the middle, you've joined the ranks of the "sandwich generation."

If you feel trapped in the middle, you've got company: Nearly 10 million baby boomers are raising kids or supporting an adult child while giving a financial hand to an aging parent, the Pew Research Center reports.

Caring for your parents

The squeeze of caring for children and parents takes its toll in many ways — emotionally, physically and financially. Here are some tips on dealing with the finances and legalities as a member of the Sandwich Generation:

- Talk with your parents. Find out, in detail, what your parents have in terms of savings, assets, income, insurance and legal protection. Review their bank and financial arrangements. Look into their medical coverage. Find out about their Social Security and pension benefits.
- Gather or locate important documents from them, such as Social Security number, Medicare and Medicaid numbers, insurance information (especially long-term care insurance), doctors and their phone numbers, medications, property deeds, trusts, driver's license number, birth certificate and any other relevant information. Check for updated wills, trusts, and beneficiary designations on retirement plans and insurance policies.
- It's essential that your mother or father have a current durable power of attorney — for both financial care and health care — and a living will. The durable power of attorney allows your parents to give you (or another trusted person—it doesn't have to be a lawyer) the right to make financial, legal and health decisions on their behalf. A living will lets your parents say how they want to be treated if they become terminally ill or unconscious. You will want to review these documents annually as your parents' situation changes.
- Review your own financial situation. Assess all of your assets, liquid and otherwise. A U.S. Department of Labor study found that the typical working person will lose more than \$659,000 as a result of caregiving. Figure out how much money you will need to pay for your children's college and your retirement. You may want to create a

financial plan, with a reputable financial planner, if possible. See Your Financial Health Checkup on our website for a list of items to review. You must save for yourself, starting today.

- Explore ways of converting assets into cash. If your parents want to downsize one way is to consider selling their home up to \$500,000 in capital gains may be excluded from taxes for married couples filing jointly, \$250,000 for singles;¹ sell and move in with other family members; sell to family members and pay rent to live there; or take out a home equity loan;² If your parents have limited assets on their own, explore joining with your siblings to buy them an immediate fixed annuity to provide the extra income per month they may need. Your parents can then choose to designate you and your siblings as their beneficiaries. On their death, the remaining value of the annuity, if any, could pass back to you and your siblings, if beneficiaries are set up accordingly.³

Caring for your children

Your children may be feeling the effects of your situation more than you think, especially if they are teenagers. At a time when they are most in need of your patience and attention, you may be preoccupied with your parents and how to look after them.

Here are some things to keep in mind as you try to balance your family's needs:

- Explain fully what changes may come about as you begin caring for your parent. Usually, children only need their questions and concerns to be addressed before making the adjustment.
- Avoid dipping into your retirement savings to pay for college. Your children can repay loans with their future salaries; your pension will be the only income you have.
- If you have boomerang children at home, make sure all your expectations have been shared with them, too. Don't be afraid to discuss a target date for their departure. See What to Do When Your Paychecks Stops on our website for more helpful financial tips for adult children.

Put yourself first

If you're part of the Sandwich Generation, you've got a lot on your plate. Your natural inclination might be to serve yourself

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last, but that can jeopardize not only your financial health but also your physical and mental well-being. (A recent survey by the New York Academy of Medicine shows that nearly half of women concerned about an aging relative's health said they are affected by feelings of depression.) If it's important for you to be there for your family when they need you, then don't forget to take care of yourself first. Get enough rest and relaxation every evening, and stay involved with your friends and interests. Finally, keep lines of communication open with your spouse, parents, children and siblings.

¹ Limitations may apply. Please consult a tax advisor for more information.

² Various factors and conditions must be considered when selling a home. This is for informational purposes only and should not be construed as advice. Please consult a real estate professional for more information.

³ Annuities are complex and restrictions may be involved. Please consult an independent financial advisor.

Resources

Eldercare locator. This site, sponsored by the U.S. Administration on Aging, links you to the agency on aging closest to your parents' home; that office, in turn, directs you to a wealth of local senior services. eldercare.gov

Check available benefits: National Council on Aging. Go here to find out which federal, state and local benefits your parents qualify for. You'll be surprised at the number of programs out there — including those providing assistance with health-care and utility costs, as well as property tax relief — many available to middle-class families. benefitscheckup.org

Then check again: Government benefits, You can also screen here for government benefits eligibility and get contact information for the programs you're interested in. It's best to fill out the questionnaires on both sites to ensure that you're not missing anything. govbenefits.gov

Medicare done better: Medicare. This government site is easier to navigate and more useful than the official site of the

Centers for Medicare and Medicaid Services (cms.hhs.gov). Particularly helpful: an interactive tool for comparing Medicare Prescription Drug Plans, and tips for lowering costs in the coverage gap known as the doughnut hole. medicare.gov

Find your navigator: National Association of Professional Geriatric Care Managers. Go here for referrals to elder-care pros who can help assess your parents' medical needs and finances and then identify local programs and services to meet those needs. caremanager.org

Get daytime help: National Adult Day Services Association. Search on this site for adult day care in your area. nadsa.org

Hire a good lawyer: National Academy of Elder Law Attorneys. Look up the attorneys near your parents who specialize in elderly issues, including estate planning, powers of attorney, health proxies and Medicaid eligibility. Federal and state government rules change constantly, meaning the books and Web sites you read on these topics may be outdated. naela.com

Hire a daily money manager: American Association of Daily Money Managers. Especially helpful if you live far from your parents, a daily money manager will pay bills, make deposits, process insurance claims and handle other financial tasks that Mom and Dad may no longer be up to doing. Use this site to locate a pro in your parents' area. aadmm.com

Hire help at home: National Association for Home Care & Hospice. When your parents are frail but determined to stay in their own home, home health care can be the answer. This site explains the different types of care available and provides an agency locator to help you find services near your parents. nahc.org

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