

Balancing Children and Aging Parents

THE SANDWICH GENERATION REFERS TO THOSE WHO STRUGGLE TO SUPPORT BOTH PARENTS AND CHILDREN AT THE SAME TIME. HERE'S HOW TO FIND A BALANCE.

Do you feel smothered by your financial obligations to your kids and parents? Are you wondering how you'll ever save enough for retirement while juggling long-term care and college tuition expenses? If you're currently providing money or support to both your parents and your children, you may be part of the sandwich generation. Being sandwiched between two generations who need your help can be stressful on your budget, but an even bigger concern is your retirement savings, which may have been squeezed out of your sandwich like an errant pickle.

The term "sandwich generation" was originally coined in 1981 to refer to the unique challenges faced by the baby boomer generation.

Because of demographic and economic shifts, the sandwich phenomenon may be here to stay for future generations as well. The combination of longer life spans, costlier health care and college tuition, lower employment for recent grads, having children later in life and a decrease in employer-sponsored retirement savings has created the perfect storm for those caught in the middle. According to a study by the Pew Research Center, one out of every eight Americans between the ages of 40 and 60 is caring for both children and

your time and hindering your earning potential.

Parents

Caring for parents (or other elderly relatives) can be a tricky situation. You want to help without offending or belittling them, and you want to make sure the aid you provide fits with your overall financial plan. If you haven't yet begun caring for your parents, the first thing to do is gather information about their plans. Do they have long-term care insurance (and if not, can they afford to purchase it)?

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parents. The damage to your retirement accounts can be disastrous, setting the scene for your kids to repeat the cycle in the next generation. But the effects can also be more immediate, straining your budget, monopolizing

Where do they keep their assets? Investigate their estate plan and make sure they have given you power of attorney in case you need to make health or financial decisions for them.

If your parents are in need of more help right away, take



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stock of their financial situation and determine a long-term care plan. This may mean inviting them to live with you, moving them to a nursing home or hiring in-home care. Remember that it may be more financially prudent to hire help than to do it yourself, because your time is valuable. If you have siblings or other family members, enlist their help so the burden doesn't fall entirely on you.

Once you've placed your parents in a dependable living situation and familiarized yourself with their finances, you'll likely need to take the reins—paying bills, keeping up with taxes and insurance payments, balancing the checkbook and other financial tasks may fall to you. You might want to open a joint account for paying their bills and become their representative payee for Social Security and other benefits. Make this transition carefully so your parents don't feel intruded upon or too dependent on you. If your parents' savings won't cover their bills and your budget is stretched, ask your advisor about any federal or state aid your parents may qualify for.

Children

Your kids may drain you of resources twice, both with college payments and “boomeranging” home after they graduate. One of your goals as a parent should be to teach good money management skills to your children, and you can use

these two situations as a learning opportunity.

There are many ways to pay for college or lower your costs, so you can shift your priorities to retirement savings or caring for your parents, if need be. For instance, you or your child can take out student loans to be paid back upon completion of school. There are also government grants and scholarships (both public and private) available to college students, which can defray a portion of the costs. If loans and scholarships aren't enough, you may have to send your child to a more affordable school or have him or her live at home instead of in a dorm.

If time is on your side, begin saving for your child's education in a 529 account or other tax-advantaged savings vehicle. If time is not on your side, your children may have to shoulder part or all of the cost on their own, through a combination of loans and part-time work. Putting your children in charge of payment can turn them into responsible students and, eventually, financially savvy adults.

The key to surviving a boomerang kid is to set rules in place from the beginning. Do whatever works for your family—charge rent, ask your child to pitch in with chores or set a deadline for moving out again. It can be helpful to get the rules in writing and sit down with your child to go over them before he or she moves back home. Setting ground rules can give your child the motivation to get a

part-time job or spend more energy seeking full-time employment. Charging rent or other expenses is also a great way to teach your child to value money and appreciate your hospitality.

One source of help for sandwiched women is the IRS, which provides a tax break for any dependent—not just children. As long as your child, parent or other family member meets the age, income, residency and support tests, you should be able to claim the dependent exemption. You must have provided at least half the support for them in the past year in order to claim him or her as a dependent. You may also be eligible for tax credits for your parents' caregiver expenses or for child care expenses if you have young children.

Perhaps the most important thing to keep in mind when balancing children and aging parents is not to neglect your retirement savings. There aren't tax breaks, government aid or loans you can take out for retirement. The time to save for retirement is now, so your money will have time to grow. If you fail to save adequately for your own retirement, your children may find themselves sandwiched one day too, struggling to care for you as they raise a family of their own. ■

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