

RETIREMENT PLANNING

Sandwich Generation: How Do You Decide Whose Needs Come First?
Your parents need your help right now, and so do your adult kids. But what about saving for your own retirement? If you're stressed and stretched, it's time to prioritize. Here's where to start.



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Squashed, spread too thin, nothing left. This is not how you want your lunch described, but for those who are part of the “sandwich generation,” these descriptions are all too accurate.

The sandwich generation is defined as those who are caught in the middle of both parents and children who rely on them for financial, physical and emotional support. During the COVID-19 pandemic, record numbers of adult children are moving back home while elderly parents may need more care, leaving those in the middle to make difficult choices between saving for their own retirement, funding education or living expenses for children, and paying for the health care needs of aging parents.

Who is in this sandwich generation? The burdens and responsibilities of middle-aged Americans is increasing. Nearly half (47%) of adults in their 40s and 50s have a parent aged 65 or older, and are either raising a young child or financially supporting a grown child age 18 or older, according to a nationwide Pew Research study. Adults who are supporting multiple family members report that this assistance has a significant impact on their own financial well-being. Among those who are providing financial support to an aging parent and supporting a child of any age, 28% say they live comfortably, 30% say they have enough to meet their basic expenses with a little left over for extras, 30% say they are just able to meet their basic expenses, and 11% say they don't have enough to even meet their basic expenses. And if adults are not caring for their parents now, nearly 7 in 10 of the people surveyed said they expected to do so in the future.

If you are in the sandwich generation, and are providing financial, emotional or physical care to an aging parent, it is likely that you have thought about how you will want to be cared for in the future. I commonly hear from my clients that they want to make sure that they are not a burden to their children. But if your finances are being strained by the caregiving needs of your own parents and gifting to your adult children for their living expenses now, how are you supposed to be able ensure your own future financial independence at the same time? How do you decide whose needs come first?

Your top priority should be your own retirement

There are options for elder care and for financing educational needs for children ... but there are not many safety nets for your own retirement. In this case, you are not being selfish by putting your own needs first – in fact, you are making it possible for you to help your family members by being financially stable yourself.

Tips for making sure you that you are on solid financial footing for your own retirement savings:

1. Work with your financial adviser to develop a game plan to hit your retirement savings goal. If you are in the sandwich generation, you may decide that you are willing to trim some of your lifestyle expectations to help your loved ones, but you need to be honest about what your needs are and plan accordingly.
2. Fully fund your retirement plan options. Make sure you are realizing the benefits of tax-advantaged employer 401(k) plans (especially if your employer has a matching benefit) or IRA accounts. Consider using a Roth IRA if you qualify under the income limits or fund an investment account as your retirement nest egg.
3. Consider whether purchasing long-term care insurance is right for your situation. Your financial adviser will be able to help you evaluate whether you want to invest in a policy now to help pay for your future care needs.

NYSUT NOTE: Did you know The NYSUT Member Benefits Corporation-endorsed Financial Counseling Program offers access to a team of Certified Financial Planners® and Registered Investment Advisors to provide you with fee-based financial counseling services? You can get unbiased advice that is customized specifically for you and your financial situation. Visit [the website](#) for more information or to enroll.

Next, look at options to help your parents

Once you have covered your own retirement planning, next review the options for elder care needs:

1. Review all the assets available for your parents' support. Consider if you can sell or use the equity in your parents' home to pay for care needs. If your parents are able to remain in their home, a reverse mortgage can be an option to utilize the equity in a home to provide cash flow for expenses.
2. If there are not adequate assets, consult with a financial adviser to determine whether your parent is eligible for state benefits, like Medicaid, or additional benefits that might be available for retired union, government, railroad or military employees.

3. Consider flexible caregiving with other family members. One of my clients trades off having her mother and aunt, who are not able to live alone any longer, live with her four months at a time, and then her cousin covers the next four months to give a break to each caregiver throughout the year.

NYSUT NOTE: If you're looking for long-term care for a loved one, take advantage of the NYSUT Member Benefits Trust-endorsed New York Long-Term Care Brokers program. This program provides access to a team of specialists that will provide, explain and compare different long-term care insurance providers and products to help you choose the best coverage at the best premium. Visit [the website](#) today.

When that's squared away, you can concentrate on the kids

Next, review ways to provide assistance to your children:

1. If you have minor children who you want to help pay for college, consider whether a 529 savings plan is a good option. Some states provide tax advantages for saving in 529 plans, and other family members can gift funds for the benefit of your children as well.
2. College loans are also available. Current interest rates are very low, making college loans attractive for financing education expenses. Make sure your adult child understands their repayment responsibilities, including the options for loan forgiveness based on occupational choices like public service. It is understandable that you may want to have your child graduate from college debt-free, but keep in mind that retirement loans are not available, so financing a college education is often a good choice in favor of funding your retirement adequately.
3. If you have an adult child who is saving money for a large expense, such as a wedding or a home purchase, consider whether having them move back home is a reasonable option to give them a boost to their savings account by eliminating rent payments.

There is a reason that the safety briefing on an airplane provides instructions specifying that, in case of an emergency, you should put on your own oxygen mask first before helping others around you. For the sandwich generation, you need to evaluate your own financial needs before you can assist other family members. Your financial adviser can give you good advice for options available to pay for elder care and assistance to your children while still achieving your own retirement goals, leaving you the emotional and physical energy to continue to care for your loved ones without being crushed in the middle of the sandwich of competing needs.

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