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Ready to Care for Parents — and Kids?

Andrea Coombes, January 28, 2007

The good news is baby boomers aren't as selfish as the "Me Generation" label attributed to them might suggest. The bad news is their generosity might force them to work well into their retirement years, according to a new survey of working Americans.

About one in five workers 45 and older provide financial support to a parent, according to the survey of about 5,400 adults conducted by Brightwork Partners for Putnam Investments. And a fair portion of boomers are supporting their adult children: Almost one-third of working Americans 45 and older with a grown child over age 25 pay rent or provide housing for that child, the survey found. Meanwhile, 45% of middle-age workers with grown children provide financial support of about \$2,500 a year on average.

"Baby boomers are not selfish" said Beth Segers, managing director of market planning at Putnam Investments in Boston.

"Boomers will take care of their elderly parents and ... they'll take their kid back too," she said. "They're telling us they'll take care of their families first. The implication is that they

will make up the difference by working later themselves to pay for retirement."

For instance, 42% of those supporting their parents said they'll work for pay in retirement as a result, while 26% said they'll delay their retirement. Already, the portion of retirees who returned to the job market rose to 35% in this survey, from 29% in a similar survey a year earlier.

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Returning to work is "a very healthy attitude to stay vibrant and focused and active," Segers said. But relying on that option to shore up lost retirement savings assumes boomers will be healthy enough to continue working, and will find jobs. That's not always the case, she warned.

Don't rely on the inheritance

Inheritances won't be there to rescue many of those who find themselves sacrificing retirement savings to support family.

"They're not going to inherit a lot from their families. The parents need the money for themselves because they're living longer," Segers said, noting that 17% of those surveyed said they'd received an inheritance and 24% expect to in the future.

The median inheritance was \$37,700. About 1% those surveyed received an inheritance greater than \$1 million, and 5% inherited between \$250,000 and \$1 million.

"Inheritance is a false hope" for most people, Segers said. "If the average person is going to have a much more modest inheritance ... it doesn't change any aspect of their retirement."

What to do?

For those who find themselves with a parent or adult child in need of help, the first step is to assess the situation, said Michael Eisenberg, a personal financial specialist and founder of Eisenberg Financial Advisors in Los Angeles.

Revise your budget, accounting for the new expenses, and include your loved one in that conversation, he suggested.

Next, before sacrificing your retirement savings, look for extra cash. Consider all possible options.

"Think outside the box. Don't just be pigeonholed. 'This is what everybody has told me I should do,'" Eisenberg said. Those options might include seeking help from other relatives, including your other adult children, or borrowing against a whole-life insurance policy. Perhaps your parents can take out a reverse mortgage on their home.

With adult kids, assess whether this is a one-time situation or a constant, Eisenberg said. "If the children are working but can't make ends meet, maybe the mom and dad should sit down with the kids and say ... you're spending too much. Move out of this \$3,000 apartment you're in to something that costs \$1,500 a month."

That situation might signal it's time your adult child met with a financial planner. **"They should communicate with their kids and work with their kids for a common goal," said Michael Bischoff, a certified financial planner**

with Webb Financial Group in Bloomington, Minn. Often, that common goal is to "meet with us to talk about these issues."

Realistically assess what you can offer. "Understand what your facts and circumstances are," Eisenberg said. "You don't want to see your adult children suffering, but what can you actually do?" he said. "You're 70 years old and you spent your whole life working. Do you want to [continue working]? Are you physically able to do that?" he said.

That assessment might lead you to say no. "I have counseled clients to not make any gifts to their adult kids, because they don't have the financial ability to do that," Eisenberg said. "I'm a parent -- I understand what a parent wants to say. But what happens if the parents get sick and need to cover their health expense? You have to look at each situation and determine if the parent can do these things for the child ... If you're living on the brink and your retirement is not so rosy, what are you going to do?"

Planning with parents

Talk with your parents about their financial affairs as early as possible, so if and when they need help you have a good handle on the situation. In the Putnam survey, many boomers said the time spent caring for others was a bigger issue than the money. **Bischoff said one client was shocked at how much time she spent sorting through her parents' affairs as they moved into an assisted-living facility.**

"She's overwhelmed. Her parents have a lot of accounts all over the place. The parents haven't prepared properly for this, which is fairly common," he said.

R e s e a r c h t h e prospect of buying long-term-care insurance for your parents, to offset their future nursing-home costs, Bischoff said.

Suggest your parents meet with an elder-law attorney now to organize their financial affairs, he said. **"Most people go to the attorney too late," Bischoff said. "Too late is usually once the health-care scenario has started."**