

Family & Retirement: The Elephant in the Room

A Merrill Lynch Retirement Study,
conducted in partnership with Age Wave



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Introduction



For most, family makes life—and life in retirement—richer and more enjoyable. But family connections can also complicate retirement. Retirement planning has traditionally centered largely on the needs of an individual or a couple. This landmark Study reveals the impact that today's family complexities and financial interdependencies have on retirement, and shows how pre-retirees and retirees can better plan, engage and communicate with family members to balance both family priorities and their own long-term retirement security.

The lives of retirees and pre-retirees today are complicated by three converging trends:

- **Parenthood Doesn't Retire.** In today's uncertain economy, adult children and other younger relatives—struggling with career stalls and financial difficulties—are increasingly turning to older family members for a helping hand.
- **Extended Lives, Extended Needs.** At the same time, rising longevity is introducing new complications. The parents of today's pre-retirees and retirees are living longer than any prior generation and very often require greater emotional, physical and financial support.
- **Stretched and Stressed.** Many pre-retirees and retirees have insufficient savings, putting them on shaky ground as they attempt to balance the competing priorities and tradeoffs of preparing for and financially managing their own retirement while also helping family members.

Family & Retirement: The Elephant in the Room reveals pitfalls and safer passages as pre-retirees and retirees navigate today's modern family dynamics, including:

- Finding oneself in the role of the "Family Bank"
- The impact providing family support can have on retirement
- Why ground rules and boundaries are important when providing support for family members
- The financial challenges of blended families and divorce
- What it means to be a burden on one's family
- What steps people are taking—or not taking—to avoid becoming a burden on family
- The impact family challenges and crises can have on retirement preparedness
- How discussing, planning and coordinating with family members around important financial topics can increase everyone's peace of mind

The following report summarizes the key findings of our Study.



Methodology



The survey included a total of 5,415 respondents age 25+, including 2,104 respondents among the Boomer (age 47-67) and Silent (age 68-88) generations, 250 Millennials (age 25-36), and 252 respondents among Generation X (age 37-48). In addition, select findings are based on an oversample of 2,809 affluent respondents age 50+ with at least \$250,000 in investable assets (including liquid cash and investments, but excluding real estate). Among the affluent respondents, 2,506 had assets from \$250,000 to \$5 million and 303 had assets of \$5 million or more. The survey, which was completed in August 2013, was conducted in partnership with Age Wave and executed online by Harris Interactive. Focus groups were also conducted among both pre-retirees and retirees.



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Merrill Lynch Global Wealth Management is a leading provider of comprehensive wealth management and investment services for individuals and businesses globally. With over 14,000 Financial Advisors and \$1.8 trillion in client balances as of September 30, 2013*, it is among the largest businesses of its kind in the world. Within Merrill Lynch Global Wealth Management, the Private Banking and Investment Group provides tailored solutions to ultra affluent clients, offering both the intimacy of a boutique and the resources of a premier global financial services company. These clients are served by more than 150 Private Wealth Advisor teams, along with experts in areas such as investment management, concentrated stock management and intergenerational wealth transfer strategies. Merrill Lynch Global Wealth Management is part of Bank of America Corporation.



Age Wave

Age Wave is the nation's foremost thought leader on population aging and its profound business, social, financial, healthcare, workforce, and cultural implications. Under the leadership of Founder/CEO Dr. Ken Dychtwald, Age Wave has developed a unique understanding of new generations of maturing consumers and workers and their expectations, attitudes, hopes and fears regarding retirement. Since its inception in 1986, the firm has provided breakthrough research, compelling presentations, award-winning communications, education and training systems, and results-driven marketing and consulting initiatives to over half the Fortune 500. For more information, please visit www.agewave.com. Age Wave is not affiliated with Bank of America Corporation.

*Source: Bank of America. Merrill Lynch Global Wealth Management (MLGWM) represents multiple business areas within Bank of America's wealth and investment management division including Merrill Lynch Wealth Management (North America and International), Merrill Lynch Trust Company, and Private Banking & Investments Group. As of September 30, 2013, MLGWM entities had approximately \$1.8 trillion in client balances. Client Balances consists of the following assets of clients held in their MLGWM accounts: assets under management (AUM) of MLGWM entities, client brokerage assets, assets in custody of MLGWM entities, loan balances and deposits of MLGWM clients held at Bank of America, N.A. and affiliated banks.

Are You the Family Bank?

Can You Afford to Be?



Six in ten people age 50+ today are providing financial support to family members in need. This support is often leniently and generously given. Half of pre-retirees age 50+ say they would make major sacrifices to help family members.

A New Era of Family Interdependencies

Six in ten people (62%) age 50+ today are providing financial support to family members. This support may be to meet a one-time need, or it could be ongoing assistance over the course of many years, and is often offered without expecting anything in return. But those providing support to family members are often not accounting for it in their retirement planning, nor are they talking with family members about it, which can pose a hidden risk to retirement.

Financial help extends in multiple directions, including adult children, grandchildren, parents and in-laws and siblings (FIG 1). The amount of support provided by people age 50+ to family can be thousands of dollars a year, and averages \$14,900 among people with less than \$5 million in investable assets (FIG 2).

Are You the “Family Bank?”

Three out of five people (56%) age 50+ believe a member of their family is the “Family Bank,” meaning someone who their extended family is most likely to turn to for financial help.

“I thought I would be supplementing my grandchildren’s college funds. It turns out I was the college fund.”

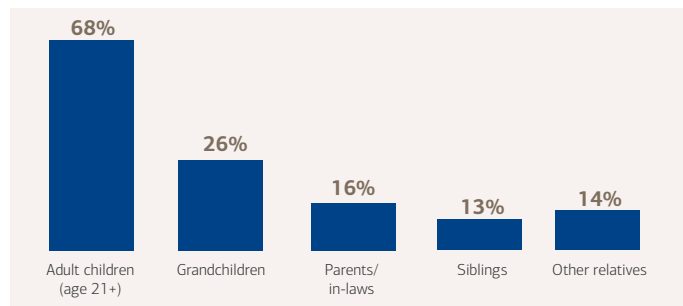
– Focus Group Participant

The role of the Family Bank is often assigned to those who saved and invested responsibly. In fact, the more financially responsible you are, the more likely other family members will consider you to be the Family Bank (FIG 3).

“I paid down my mortgage and didn’t run up my credit cards, unlike my sisters. Now everyone in my family is turning to me for money.”

– Focus Group Participant

Figure 1: Percent who provided financial support to family members in the last five years



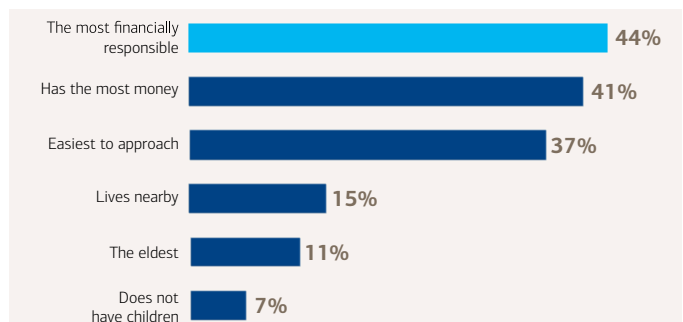
Base: age 50+, with adult children/grandchildren/parents/in-laws/siblings/other relatives; bases vary

Figure 2: Financial support provided to family members in the last five years, by investable assets



Base: age 50+, providing financial help to family

Figure 3: Reasons why a family member is turned to for financial support



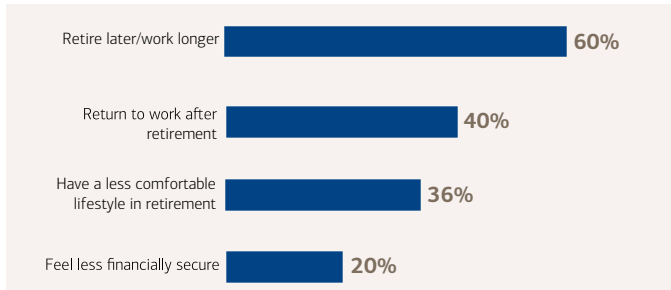
Base: age 25+

Generational Generosity

Half of pre-retirees age 50+ say they would make major sacrifices that could impact their retirement to help family members. Among these pre-retirees, three in five say they would retire later, four in ten would return to work after retirement, and more than one-third say they would accept a less comfortable retirement lifestyle to help family financially (FIG 4).

Figure 4: Types of “retirement sacrifices” pre-retirees would make to financially support family members

Among age 50+ pre-retirees willing to alter their retirement

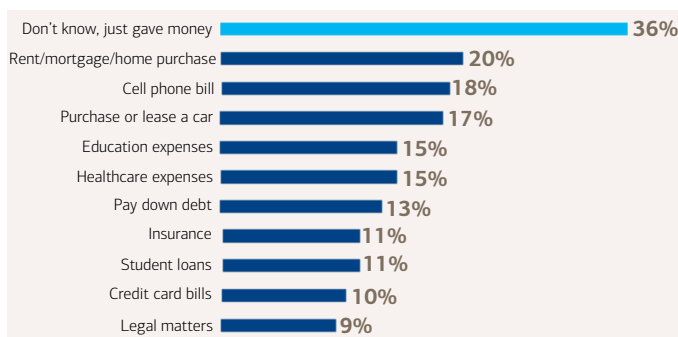


Base: age 50+ pre-retirees willing to alter retirement plans to support family. 50% of these pre-retirees would make “retirement sacrifices” to financially help family members

Family Bank: Open 24/7, Lenient Terms

In addition to being willing to make major sacrifices to their own retirement and financial security in order to support family members, many pre-retirees and retirees also cite that they give support without even knowing how the money is being used (FIG 5).

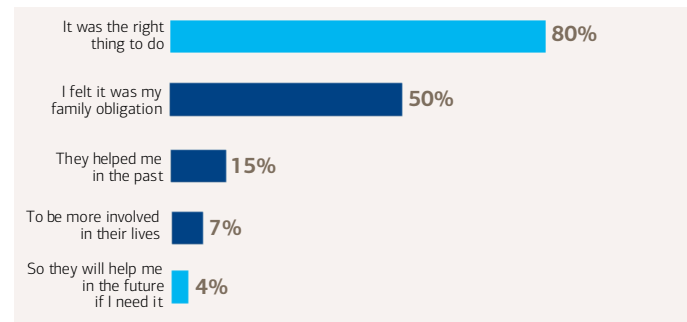
Figure 5: Reasons people age 50+ give adult children money



Base: age 50+, with adult children

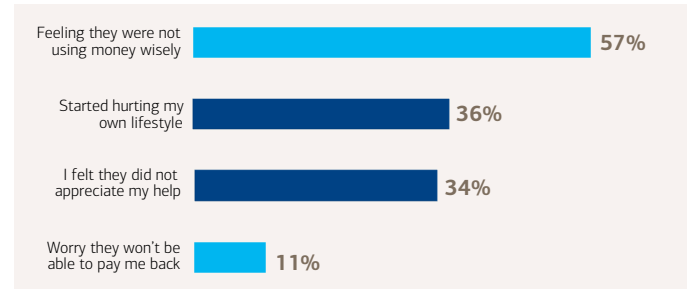
Those helping family members rarely do so because they expect future help or financial payback. Older adults are 20x more likely to say they are helping family because “it is the right thing to do” than because “family members will help me in the future” (FIG 6). They are 5x more likely to stop family support because the recipient is not using the money wisely than because of worries about being paid back (FIG 7).

Figure 6: Reasons for providing financial help to family members



Base: age 50+, has given money to family in last five years

Figure 7: Reasons for stopping financial help to family members



Base: age 50+

“I’m not looking to get back the money I loaned my daughter. I’m just happy I could help her when she needed it.”

– Focus Group Participant

Those giving money to family members are 3x more likely to feel “appreciated” than “taken advantage of” (FIG 8).

This generational generosity also extends to a shift in mindset regarding inheritance and giving to family. Three in five (60%) people age 50+ say it is better to pass on their assets now rather than waiting until end of life. Age 50+ women are even more likely than men to say it is better to pass on inheritance during retirement (65% vs. 53%).

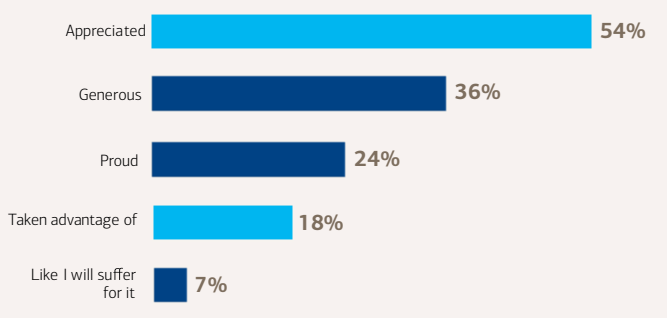
“Why should I wait until I die to leave my inheritance? My children can use my help now, and I want to be there to enjoy helping them.”

– Focus Group Participant

Family Support: Unforeseen, Unprepared

Unfortunately, very few people have prepared financially for potential family events and challenges. The vast majority of people age 50+ have never budgeted and prepared for providing financial support to other family members (88%), caring for an aging parent or relative (91%), or helping to pay for their grandchildren’s education (91%)—even though they are highly likely to provide such support. This lack of preparation extends to end-of-life issues as well. Among people age 50+, half (51%) have a will, four in ten have a healthcare directive (42%) and just one-third of people age 50+ have both a will and a healthcare directive.

Figure 8: How people age 50+ feel about helping family members financially



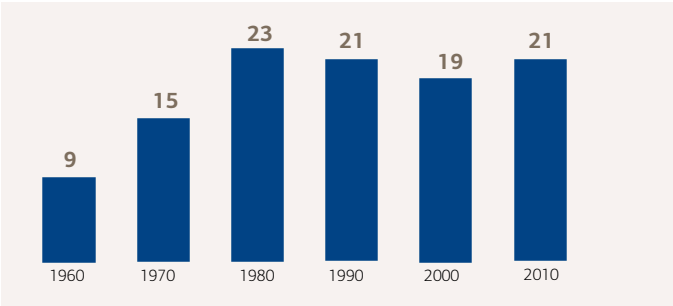
Base: age 50+, has given money to family members in last five years



Blended Families Alter the Face of Retirement

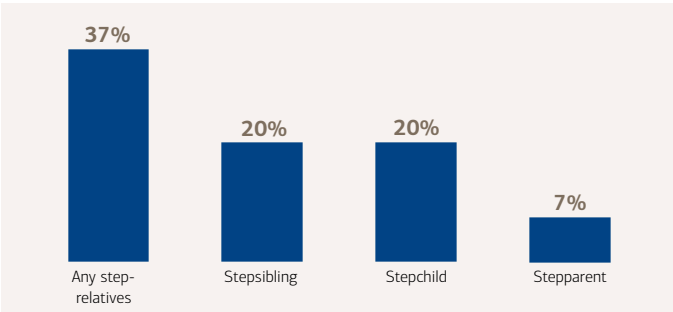
Rising divorce rates, which peaked in the 1980s, have created more complex families among today’s pre-retirees and retirees (FIG 9). Roughly three-quarters of people who divorce remarry,¹ often introducing stepchildren, stepparents and stepsiblings into the family and financial mix. Nearly two in five people age 50+ are now part of a blended family (FIG 10).

Figure 9: Number of divorces per year among 1,000 married women age 15+



Source: U.S. Census Bureau; CDC

Figure 10: Percent of people age 50+ who have...

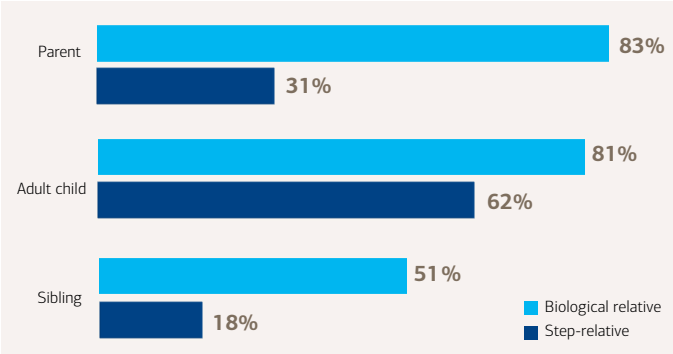


Source: Pew Social and Demographic Trend Survey, October 2010; Age Wave calculations

Special Strains of Stepfamilies

Members of stepfamilies have unique challenges when meeting family financial needs. Adults age 50+ generally feel some financial responsibility for stepfamily members (most particularly stepchildren), but usually less responsibility than they feel for biological relatives (FIG 11).

Figure 11: Percent age 50+ who feel financially responsible for...



Base: age 50+, with parent/stepparent, etc.; top two box; bases vary

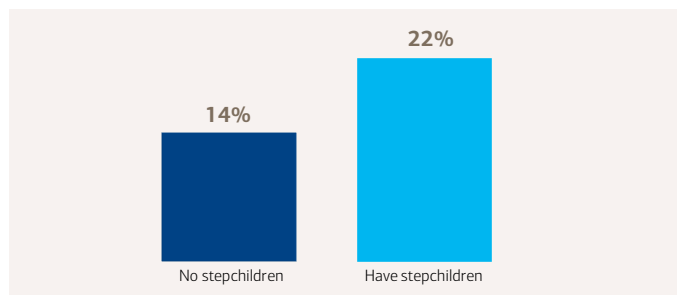
“I am very happy we are able to help our stepson. He is having a difficult time. But to be honest, I want to help my own daughter more, and it is a hard thing to talk about with my husband.”

– Focus Group Participant



Nearly one-third (31%) of people age 50+ who have stepchildren say it complicates financial planning. Three in ten (32%) also say that they and their spouses have different financial priorities for their own children than they have for their stepchildren. Those with stepchildren are less likely to divide their assets equally than those without stepchildren (FIG 12).

Figure 12: Percent who will not divide assets equally among children



Base: age 50+, with more than one child

Fathers are more likely than mothers to say that their financial plans treat their stepchildren exactly the same (90% vs. 61%) and that they feel financially responsible for their stepchildren (72% vs. 51%).

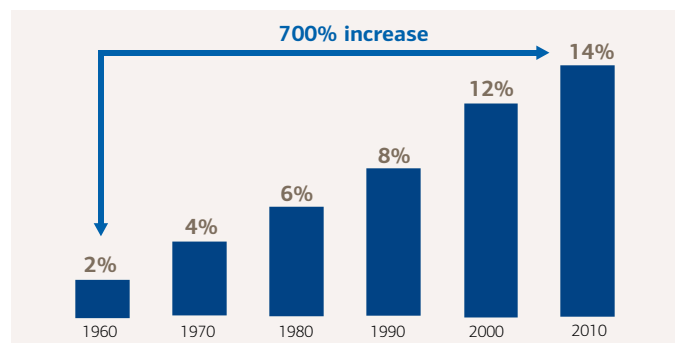
Gray Divorce

Divorce is becoming increasingly common among older adults, which can have a significant impact on retirement savings and plans. Overall, the percent of people who divorced per year in the U.S. among all ages was essentially unchanged between 1990 and 2010. However, during this time period, the divorce rate among those age 50+ doubled.²

One in seven people age 50+ who were once married are now divorced and single, a sevenfold increase from 1960 (FIG 13). Divorce in maturity often creates substantial financial hardships, especially for women. After a divorce, household income drops by more than 40% for women and by about 25% for men.³



Figure 13: Percent age 50+ who are divorced and single

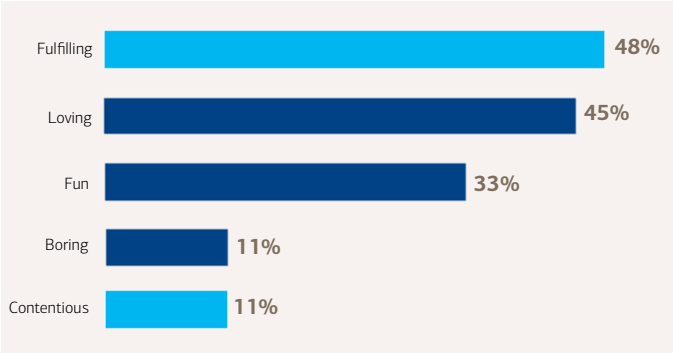


Source: U.S. Census Bureau, 2013; Age Wave calculations

Marriage Gets Better in Retirement

Divorce may be becoming more common in later life, but overwhelmingly retirees are more likely to say their marital satisfaction has improved, not diminished, since retiring. Close to half say their marriage is more fulfilling and loving in retirement, while only one in ten say it is more boring or contentious (FIG 14).

Figure 14: Percent of retirees who say their marriage has become more...



Base: age 50+, retirees, married



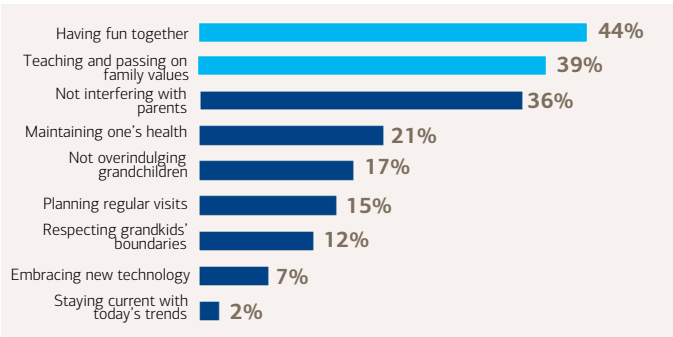
"In retirement there is more quality time. My husband and I do everything together."
– Focus Group Participant

Connecting with Grandchildren

More than half (54%) of people age 50+ are grandparents, having an average of nearly five grandchildren each. In many ways, technology is helping to revolutionize how grandparents connect with their grandchildren. Nearly three in five grandparents (57%) say technology today makes it much easier to stay connected with family members. While technology helps keep families connected, grandparents say having fun together and teaching and passing on family values—much more so than staying hip with trends—are the best ways to be a good grandparent (FIG 15).



Figure 15: What does it mean to be a good grandparent?



Base: grandparents age 50+

"I want to be a very active grandmother. I want to go on family trips with my son, go to my grandchildren's baseball games, take them to ballet dance. I want to be a vital part of their lives."
– Focus Group Participant

Retirement's Unexpected Worry

Being a Burden

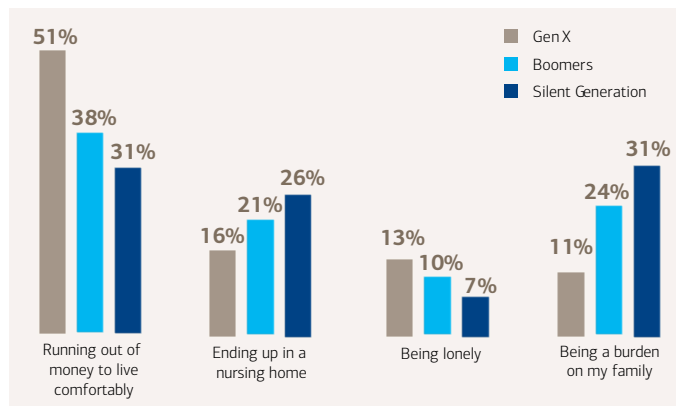


As people age, “being a burden on family” and “running out of money” become the top concerns. Older adults are most likely to define “being a burden” as having family members providing hands-on care. While the #1 choice for long-term care, if needed, is in their own home, two-thirds of people age 50+ admit that they have taken no steps to maintain their independence.

Retirement's Two Greatest Worries

There are two top worries in retirement, which change in priority as people age. Younger generations say their greatest worry about living a long life is running out of money to live comfortably. But in later life, another worry weighs just as heavily: Older adults say “being a burden on family” is of equal concern (FIG 16). Women age 50+ are even more likely than men to say “being a burden on family” is their greatest worry (32% vs. 18%).

Figure 16: Greatest worry about living a long life



Base: Generation X (age 37-48), Boomers (age 49-67), Silent Generation (age 68-88)

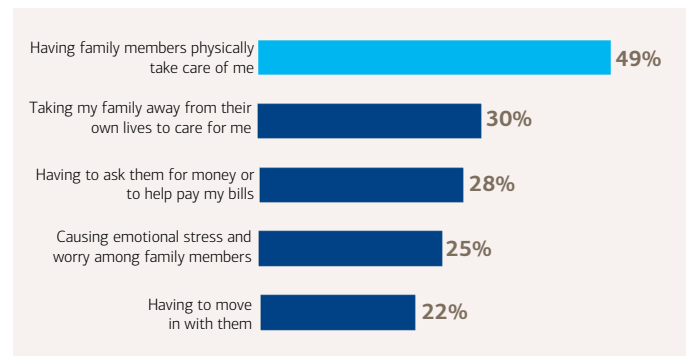
“I have always been independent. I am the one who is there to help my family. The last thing I want is to have to turn to them for help.”

– Focus Group Participant

What It Means to Be a Burden on Family

Older adults are most likely to define “being a burden” as having family members “physically take care of” them (FIG 17). The need for eldercare can have repercussions across generations. While family members may need to pay for or coordinate care, asking family members to provide hands-on care is the top anxiety.

Figure 17: Top definitions of being a burden on family



Base: age 50+

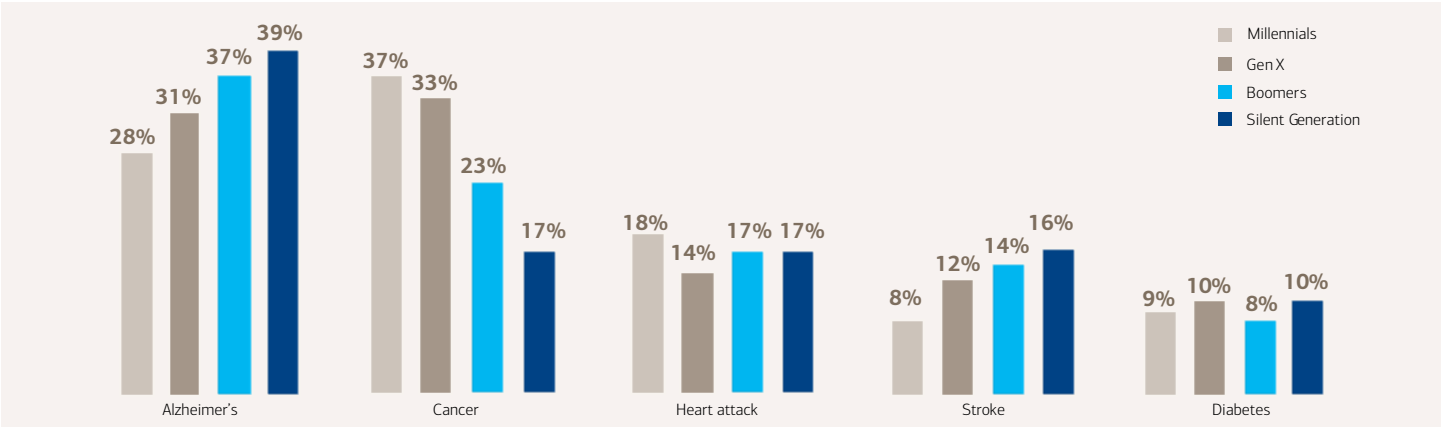
Parents Moving in with You? Fathers More Likely to Feel They Will Be a Burden

Among those age 50+, men are likely to have greater anxiety about how their adult children would feel about them moving in later in life. Fathers are more likely than mothers to believe their children will feel burdened by such responsibility (48% vs. 36%). And more mothers than fathers believe their children would say they are fulfilling their obligation (43% vs. 31%).

Alzheimer’s: The Cost of Longevity

Worries about Alzheimer’s disease escalate as people age. While younger people consider cancer to be the greatest health-related worry of later life, older adults unequivocally say it’s Alzheimer’s—which can require years of caregiving and cause tremendous distress and rapid depletion of financial resources among close family members (FIG 18).

Figure 18: Greatest health worries in later life

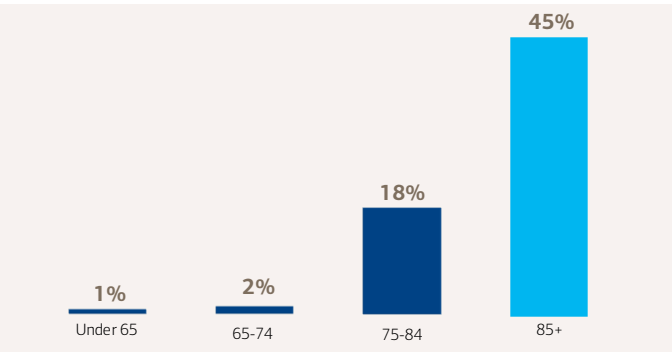


Base: Millennials (age 25-36), Generation X (age 37-48), Boomers (age 49-67), Silent Generation (age 68-88)

Alzheimer’s is far too common in later life. Nearly half of people age 85+ have Alzheimer’s or related dementias (FIG 19).⁴

Currently, there are over 5 million people with Alzheimer’s.⁵ But as we continue to live longer, and as the age 85+ population increases, more and more people will suffer from this disease unless a cure or treatment is found.

Figure 19: Prevalence of Alzheimer’s disease by age

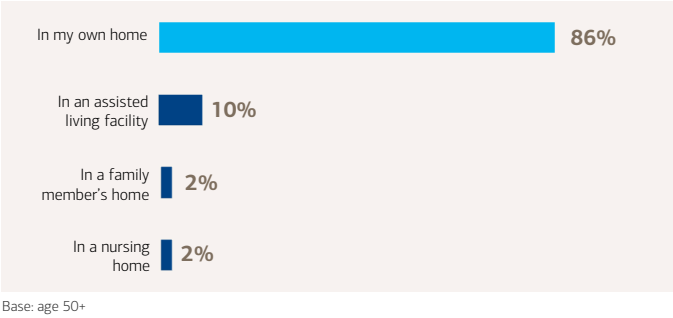


Source: U.S. Department of Health and Human Services, Administration on Aging; Hebert et al. 2003

Home: The #1 Choice for Long-Term Care

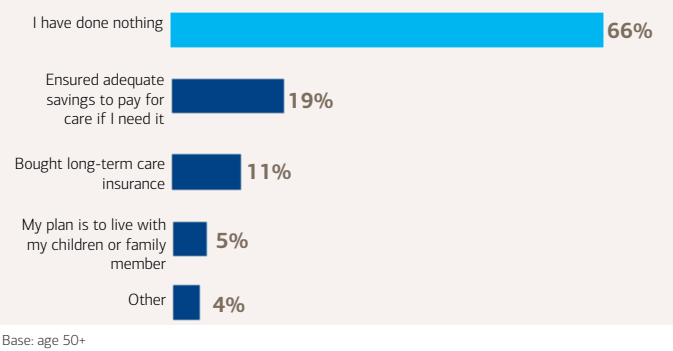
The vast majority of older adults say they would prefer to receive care in their own home, if needed. Just 2% say their first choice would be to receive care in a family member’s home—a choice as unpopular as moving to a nursing home (FIG 20).

Figure 20: Top choice to receive long-term care, if needed



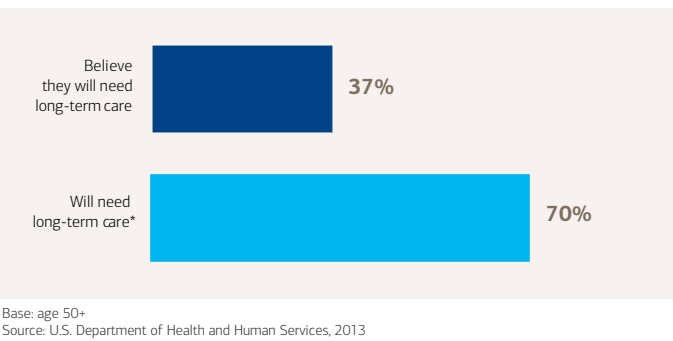
Although nearly all older adults say they would prefer not to have to move in with family, two-thirds of people age 50+ admit that they have taken no steps to avoid having to live with a family member if unable to live on their own (FIG 21).

Figure 21: Steps taken so that it won’t be necessary to move in with family, if unable to live on own



In part, inaction may be driven by lack of awareness—or worse, denial. While 37% of people age 50+ believe they may need long-term care in their lifetime, the reality is that 70% will eventually need long-term care (FIG 22).

Figure 22: Percent who believe they will need long-term care versus percent who will need long-term care



Silence Is Not Golden

Proactive Communication Key to Preventing Catastrophes

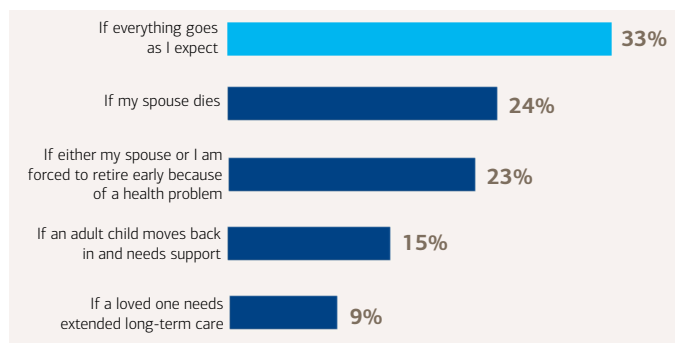


Most people are reactive, not proactive, when discussing and coordinating important financial decisions with family members. Few have had any discussions regarding important financial topics with their spouse, adult children or parents. Active discussions and coordination with family members can be the difference between smooth sailing and significant hardship when confronting family challenges throughout retirement.

The Family Factor

Family challenges and crises can derail years of responsible retirement preparation. While already a mere one-third of people age 50+ say that they feel well prepared for retirement if everything goes as they expect, less than a quarter would feel prepared if they or their spouse needed to retire early for health reasons or if a spouse died. Only about one in ten would feel well prepared if they had to provide extended care or support to a family member (FIG 23).

Figure 23: Percent saying they are prepared for retirement



Base: age 50+; top two box out of ten; bases vary

"I have a Christmas account. I have a vacation account. I've never had an account thinking I'm going to have to take care of my parents. Maybe I should."

– Focus Group Participant

Unfortunately, family-related events can create financial hardship in retirement. For example:

- Half (51%) of women over age 70 have been widowed.⁶
- One-third (34%) of people who retire early do so for health reasons.⁷
- One in five people (19%) age 50+ have "boomerang" adult children who have moved back in with them, according to this study.
- There are 66 million people in the U.S. providing extended care to loved ones.⁸

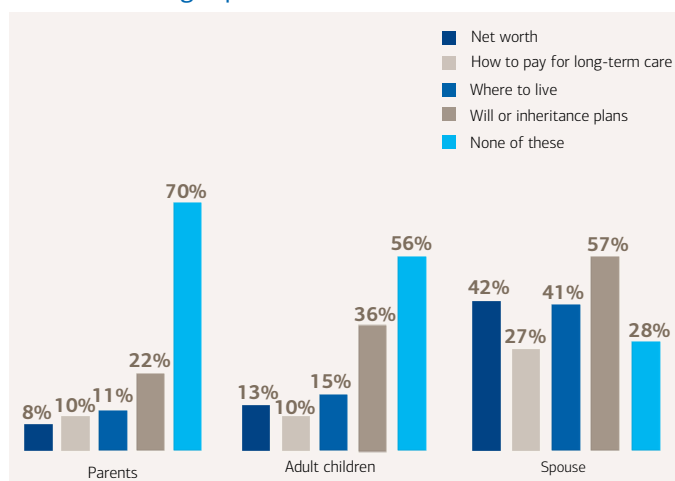


Troubling Lack of Discussion

There is a dangerous absence of planning, discussion, coordination and establishment of safe boundaries as people navigate these new family interdependencies. This lack of proactive engagement and discussion can negatively impact every aspect of a person's retirement.

Very few people talk with close family members about important financial topics, such as level of financial security, plans for living arrangements in retirement, inheritance or long-term care. Seventy percent of those age 25+ have not had an in-depth discussion with their parents about these retirement issues. More than half of those age 50+ have not had such discussions with their adult children, and nearly one-third age 50+ have not even had such discussions with their spouse (FIG 24). Just one in four (24%) have discussed how their parents will be financially provided for or cared for as they get older.

Figure 24: Percent who have ever had in-depth discussions on the following topics with...



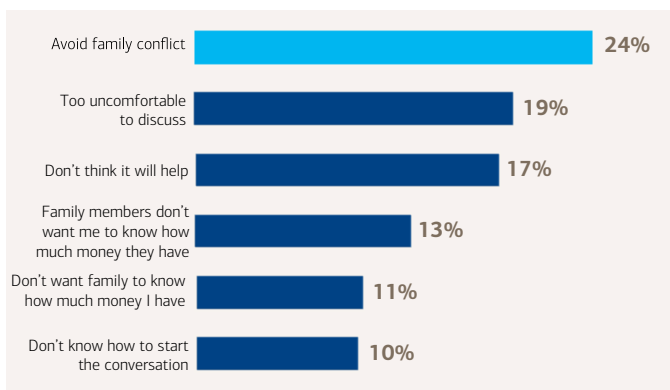
Base: vary by column groups: age 25+, age 50+ with adult children, age 50+ and married

"I just never wanted to talk about it with my sister. It was the elephant in the room. We both knew Mom's health was failing, but it was like we pretended it wasn't happening. Then when she got sick, we wished we had talked about it sooner. It was a nightmare."

– Focus Group Participant

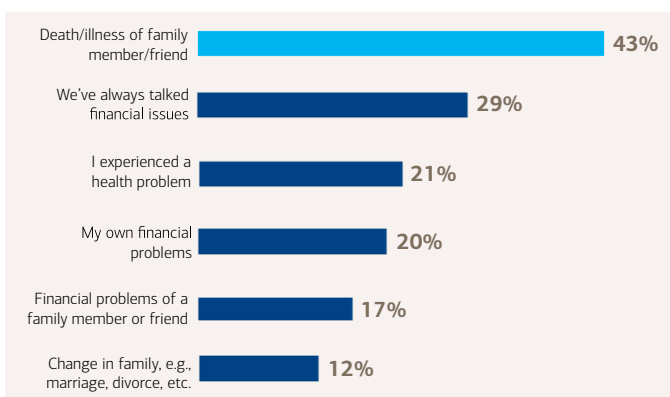
Worry about causing family conflicts is the top reason for not discussing important financial issues with family members (FIG 25). In fact, these discussions often don't start until confronting a crisis, such as a death or an illness (FIG 26). Unfortunately, lack of proactive discussion today can cause even more difficulty and conflict when a family crisis arises. It can also lead to people becoming a burden on their family—the very thing they most want to avoid.

Figure 25: Top barriers to having proactive discussions on important financial issues



Base: age 50+

Figure 26: Top triggers for family financial discussions



Base: age 50+

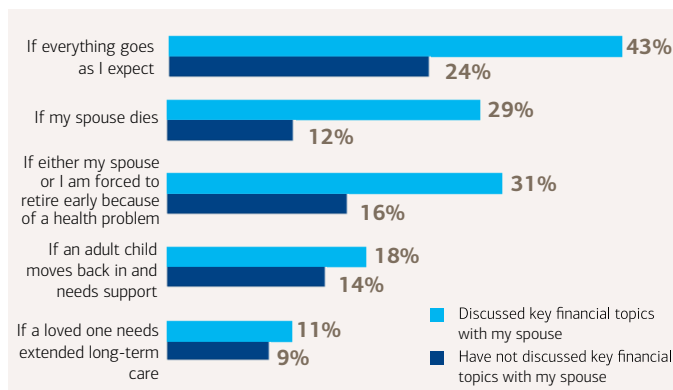
The Payoff of Proactive Planning and Discussion

There is a need—and payoff—for thoughtfulness and discussion about retirement as pre-retirees and retirees plan for how they're going to support their family as they move to—and through—retirement. Those who have had financial discussions with their spouses or adult children are almost twice as likely to say they would be well prepared if they were to face family challenges (FIGS 27 and 28).

People age 50+ report that having a retirement specialist or advisor engage with multiple generations within a family has various benefits, including: helping family members communicate better on important financial issues and—most of all—increasing financial peace of mind for the entire family (FIG 29).

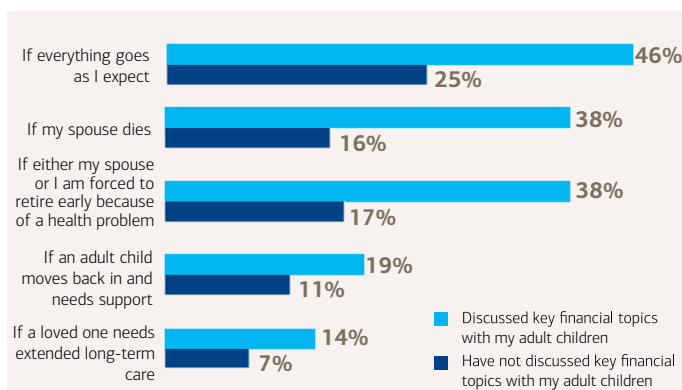


Figure 27: Percent saying they are prepared for retirement
Among those who discuss/don't discuss financial topics with spouse



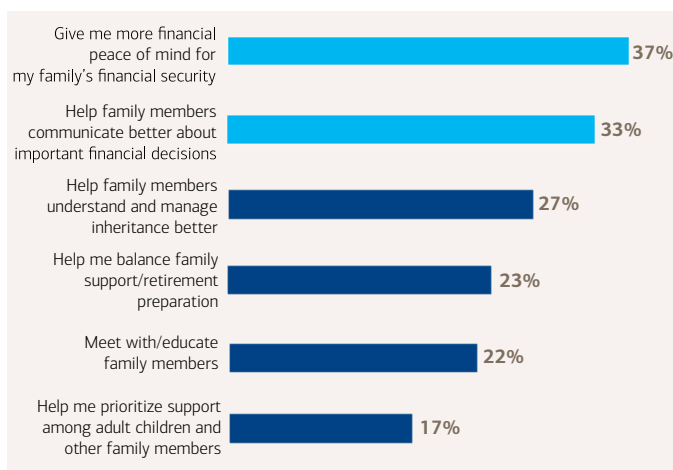
Base: age 50+, married; top two box

Figure 28: Percent saying they are prepared for retirement
Among those who discuss/don't discuss financial topics with adult children



Base: age 50+, with adult children; top two box

Figure 29: Benefits of an advisor engaging with multiple family generations



Base: age 50+

Conclusion



Our families are a source of happiness, fulfillment and pride, but also sometimes financial stress when planning for and living in one's retirement years. In these challenging economic times, older adults are increasingly playing a role in supporting their family members—both emotionally and financially. They often do so generously and under very lenient conditions. Too often, family challenges are neglected—or unanticipated—during retirement planning. This study reveals some important insights and recommendations to prepare for family hopes and needs in connection with retirement, including:

1. Anticipate and budget for support you may provide to multiple family members—adult children, parents, siblings, and grandchildren—during your retirement.
2. The more financially responsible and secure you are, the more likely you are to be considered the “Family Bank.”
3. Balance your family needs with your own retirement financial security. Giving too much without accounting for your future needs may jeopardize your retirement—and ultimately require you to rely on support from your family.
4. Recognize and plan for the unique challenges that blended family and divorce can have on retirement preparedness and family financial decisions.
5. Prepare early to avoid being a burden on family, especially regarding health and care needs. Too often, the default is relying on family members to coordinate or even provide care.
6. Discuss, plan, and coordinate with family members to effectively prepare for family challenges, reduce their emotional and financial costs and create greater financial peace of mind for both yourself and your loved ones.



Endnotes



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