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When Family Generosity Goes Too Far

Helping relatives financially is a good thing—as long as everyone recognizes the boundaries

Glenn Ruffenach | December 9, 2013

When it comes to helping others, baby boomers might be more generous than their image suggests.

And that generosity could land them in trouble.

That's one of the primary themes in a new study from Merrill Lynch and Age Wave, an Emeryville, Calif., think tank and consultancy. The report—"Family & Retirement: The Elephant in the Room"—looks at why individuals and couples today should look beyond their own needs in planning for later life. Ideally, such planning also will account for relationships with older and younger generations and "financial interdependencies."

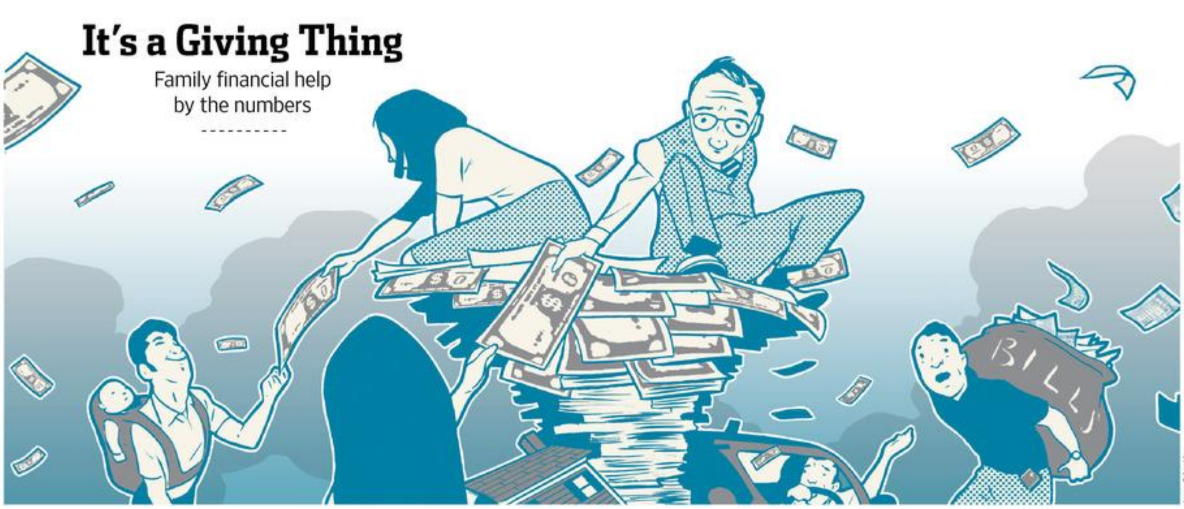
For instance, among survey respondents age 50-plus, three in five (62%) are providing financial support to family members. That makes baby boomers, long known as the "me" generation, "look more like the 'us' generation," says Andy Sieg, head of wealth and retirement solutions for Bank of America Merrill Lynch. But would-be retirees who open their wallets too wide or too often can put their own future at risk.

"The heartwarming news: There's a lot of kindness," says Ken Dychtwald, chief executive officer of Age Wave. "But can everyone afford to do that?"

Click on the graphic for a closer look at family ties and planning for retirement.

It's a Giving Thing

Family financial help by the numbers



Helping Hands

The percentage of surveyed respondents age 50-plus who have provided financial support to these family members in the past five years

Adult children (21 or older)	68%
Grandchildren	26%
Parents/in-laws	16%
Siblings	13%
Other relatives	14%

The Family Bank

Among surveyed respondents age 50-plus, the average financial support provided to family members in the past five years, by investable assets

ASSETS	Less than $250,000	$250,000 to $499,999
FINANCIAL SUPPORT	$9,200	$19,100
ASSETS	$500,000 to $5 million	Overall
FINANCIAL SUPPORT	$34,100	$14,900

Retirement Sacrifices

Fifty percent of surveyed respondents age 50-plus said they would alter their retirement plans to help family members with their finances. Among that 50%, the following percentages said they would be willing to:

Retire later/work longer	60%
Return to work after retirement	40%
Have a less comfortable life-style in retirement	36%
Feel less financially secure	20%

Doing the Right Thing

Among surveyed respondents age 50-plus who have given money to family in the past five years, the following percentages said their reason for doing so was:

It was the right thing to do	80%
I felt it was my family obligation	50%
They helped me in the past	15%
To be more involved in their lives	7%
So they will help me in the future if I need it	4%

Bills and More Bills

When asked why they gave money to their adult children, the following percentages of survey respondents age 50-plus said:

Don't know; just gave money	36%
Rent/mortgage/home purchase	20%
Cellphone bill	18%
Purchase or lease a car	17%
Education expenses	15%
Health-care expenses	15%
Pay down debt	13%
Insurance	11%
Student loans	11%
Credit-card bills	10%
Legal matters	9%

The Sounds of Silence

While older adults may be quick to help family members financially, many are reluctant to talk about money or set boundaries on their contributions. Among survey respondents age 50-plus, the following percentages said the biggest reasons for not discussing financial issues are:

Avoid family conflict	24%
Too uncomfortable to discuss	19%
Don't think it will help	17%
Family members don't want me to know how much money they have	13%
Don't want family to know how much money I have	11%
Don't know how to start the conversation	10%

Source: Merrill Lynch and Age Wave based on Harris Interactive online survey in August of a nationally representative sample of 5,415 respondents age 25-plus, including 2,104 respondents among the baby-boom (age 47-67) and "silent" (age 68-88) generations. Select findings are based on a sample of 2,809 affluent respondents age 50-plus with at least $250,000 in investable assets (including liquid cash and investments, but excluding real estate).

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