Business

TAPPING THE 'FAMILY BANK'

Study finds 62 percent of adults 50 and over help family members, but rich were likely to stop if someone's behavior was out of line.

By DIAN VUJOVICH
Special to the Daily News

Palm Beachers have a reputation for being very generous. Every charity and nonprofit in the world understands that, and volleys at getting a piece of PBers' "Prosperity Pie" every year. But when it comes to helping family members, are the coffers as friendly? Turns out, maybe.

A recently published retirement study by Merrill Lynch, working in partnership with Age Wave, is titled "The Family & Retirement: The Elephant in the Room." This study revealed that across all income levels, 62 percent of people age 50-plus provide financial support to family members facing life challenges — including those that America's new economy has brought with it.

Of the 5,415 individuals polled — ages 25 and over, including 2,104 Baby Boomers and those of the silent generations (ages 68 to 88) — the bulk of the giving, 68 percent, went to adult children over 21 for a variety of things.

Thirty-six percent, for instance, gave just because they were asked to help. Lesser percentages were given for paying such expenses as mortgages (20 percent), cellphone costs (18 percent), health care (15 percent), and more.

Of the total amount of financial assistance given, siblings and relatives received the least, and less than, adult children — 13 percent and 14 percent, respectively.

'Family Bank'

The research team coined the term "Family Bank" to represent the family that other family members went to to ask for financial help. How much got doled out depended, of course, on each individual's needs, circumstances and the family's assets.

What might be surprising, however, is that the Family Bank isn't always the family with the most money. Rather, it's the one that other family members see as the most "financially responsible."

Forty-four percent of those interviewed chose a Family Bank based on their perception of a family's financial responsibility. While 41 percent said they turned to the family with the most money, 37 percent chose the one that they felt was the easiest to approach; 15 percent picked one that lived nearby; 11 percent chose the eldest family; and 7 percent decided that their best option would be the Family Bank that had no children.

How much is given

What might not be as surprising as how a Family Bank was selected is the amount of money shared.

"What's pretty amazing is for the average family, the Family Bank has provided nearly $15,000 to family members over a five-year period," said Ken Dychtwald, founder and CEO of Age Wave, a nationally recognized leader on aging and the U.S. population. "But for the ultra-high-net-worth person, that financial support averages over $300,000."

More specifically, the high-net-worth breakdown looks like this: For those 50 and over with $500,000 to $5 million in investable assets, $34,100 was the average given in financial support during the past five years. For those with $5 million or more in investable assets, the average was $313,200.

Although the figures are not representative of charitable giving but, rather, based upon whether the family provided any kind of financial support to its members, a concern Dychtwald has about ultra-high-net-worth individuals' giving practices is how quickly the amount given turns from hundreds of thousands of dollars into millions.

"If that happens every five years, it doesn't take long for five years and five years and five years to add up and to turn into millions of dollars, "he said.

His worry is that that kind of million-dollar help could wind up impacting the retirement and inheritance plans for the ultra-high-net-worth individuals.

Then again, maybe not. The privileged, as it turns out, might give away larger sums to family members, but their rules for doing so aren't the same as those of families with fewer assets.

'Right thing to do'

"Americans were 20 times more likely to say that they were helping family members because it was the right thing to do than they were to point to any expectation of assistance to themselves down the road in the future," said Andy Sieg, head of Global Wealth and Retirement Solutions for Bank of America Merrill Lynch.

Key in generosity and "they are willing to step up to the plate and make sacrifices in their own level of comfort in retirement if that's what it takes to help family members," he said.

While the monied are tapped more often, they have a different set of rules regarding helpful giving.

Study statistics found that if you had plenty of dough, there would likely be plenty of asking for financial help: 21 percent of the general population believed that their family was the Family Bank, while 47 percent of those within the ultra-high-net-worth group were quite sure that their family was.

And while neither group really expected a payback for their generosity, the rich were likely to stop giving financial assistance if someone's behavior was out of line.

"They (the ultra-high-net-worth families) were more likely than the general population to disinherit or stop supporting people," Dychtwald said. "And the primary reason was 'unwise use of money' and-or 'irresponsible behavior.'"

Bottom line: While minding your P's and Q's can carry plenty of financial weight for the very wealthy, helping family and friends in need comes with rewards that go beyond the dollar amounts given.

The entire study, "Family & Retirement: The Elephant in the Room," is available online: ow.ly/s4Hsq.

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