



Retirement Planning: All in the Family



By Kathryn Buschman Vasel | Money Tree Published | November 18, 2013 | FOXBusiness

When it comes to planning for retirement, it might be in everyone's best interest to make it a family affair.

A new report from Merrill Lynch shows that over the last five years, 62% of Americans 50 or older have provided financial assistance to family members. "It's definitely the elephant in the room," says Ken Dychtwald, CEO of Age Wave, which partnered with the bank to produce the report. "There's a

lot of talk about the stock market, your money and your investments, but the reality is, a lot of people are in a fragile financial situation leading up to and in retirement because they are busy writing checks to loved ones."



The report shows the average amount of assistance in the last five years weighs in at \$15,000, but that number jumps significantly among wealthier families. "This is not a trivial amount. What we found is people are helping because they say it's the

right thing to do and are often not expecting to be paid back," says Dychtwald. "They are willing to sacrifice their own retirement and budget to help out others. The burden tends to fall on the most successful of the family to help out others."

It's not surprising that family financial support has increased given the recent economic climate, and financial planners say it's time for individuals to start taking family assistance into account when they map out their retirement savings plan in the same way they take into account health-care or expected living expenses. However, 88% of those 50 and older admit they have not factored in family support when planning, the survey shows, yet nearly three in five people consider a family member the "Family Bank."

Jeff Cimini, head of personal retirement for Bank of America Merrill Lynch, points out that the shift in funding responsibilities has also changed the retirement savings landscape. "We used to have the backstop of the government or private employer providing funds, but now, not only are we living longer we have a more do-it-yourself approach to retirement and right now middle-age people are getting squeezed from adult kids needing help and older parents who didn't save enough."

Experts offered the following tips for families to get a better grasp on their retirement plans without leaving financially-struggling members out to dry:

Talk it Out. We talk freely about vacations, college planning and other budget-related issues, but for some reason retirement planning seems like a taboo topic of conversation.

Family members should discuss potential hardships that could become a financial burden and map out a plan, but don't go overboard. "Don't make a list of everything that would go wrong, that can be unpleasant," says Dychtwald. "But be honest, only 37% of people think they will need long-term care but we know that closer to 70% will need long term care at some point. So take the approach of, 'we hope this doesn't happen, but in case it does, here is our plan.'"

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According to Jorge Rueda, senior advisor at Lau Associates in Greenville, Del., families that are facing tight economic situations are the least likely to communicate and actively plan for retirement. "Sometimes parents don't want to share their finances if they feel they didn't do go a good job, but they need to have honest and frank conversations so both the older and younger generations know what to expect."

Cimini says planning for family assistance in retirement is a case-by-case situation, but should include evaluating all sources of income, potential health-care cost of both young and older family members and desire lifestyle of the retirees.

"As a family, you need to have the conversation to understand the needs and expectations of the entire family so you don't run across major surprises and conflicts down the road."

Make Your Retirement a Priority. When it comes to retirement, there are no loans that can be issued to make it through the golden years, so financial planners urge people to plan for their own retirement first before offering financial assistance to family members.

And as Dychtwald points out, "When you get on an airplane, they tell you to put on your own oxygen mask before helping younger children or others next to you and to make sure you are OK before helping out others. The same holds true for retirement."

Set Expectations. Cindy Peterson, CFO at Lau Associates, says she has been in meetings with families where the parents are surprised when children say they are expecting to live off an inheritance or expect financial aid long into adulthood.

"Our focus with our clients is the money you have saved is for your enjoyment and you shouldn't have to restrict your later years because you have to save your kids. Get everyone on the same page and that will avoid personal and financial crises."

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