



Families: Thank Your Boomers At Thanksgiving



Richard Eisenberg, Contributor | Posted 11/20/2013 at 9:22AM

As extended families gather for Thanksgiving, many elderly parents and adult children should give special thanks to the boomers in between their generations.

A new Merrill Lynch survey found that boomers have been extremely generous to their families lately — potentially endangering their own retirement as a result. Merrill Lynch calls them “The Family Bank.”

According to the report, *Family & Retirement: The Elephant in the Room*, conducted in partnership with the [Age Wave](#) research and consulting firm, 62% of Americans 50 and older are providing financial support to family members. The average amount of support (among people with less than \$5 million in investable assets): \$14,900.

Who Boomers Are Helping

More than two-thirds who provided support in the past five years (68%) assisted their children aged 21 and older; 26% helped grandkids; 16% aided parents or in-laws and 13% lent a hand to siblings.

The combination of long-term care needs for their parents and starting-out struggles for their adult children means the sandwich generation has been pressed into paninis.

“I was enormously heartened by the degree of generosity reflected in the study,” said Ken Dychtwald, AgeWave’s founder and CEO, who is a boomer, told me. “But I was also worried about our generation a decade or two downstream if they haven’t said ‘no’ enough to family members or if they and their family haven’t lived within their means.”

Generosity Could Be Costly

Dychtwald and the Merrill Lynch folks fear that boomers, many already struggling to save for retirement, may find their familial kindness endangering their financial futures.

“This is the elephant in the room when it comes to retirement planning,” Dychtwald said. “It may be the one thing that knocks all your planning into the winds.”

A key takeaway from the survey, according to David Tyrie, head of Retirement and Personal Wealth Solutions for Bank of America Merrill Lynch: “You’ve got to balance the needs of your extended family with your own financial wellness.”

Boomers Might Need to Be Less Kind

Are boomers being more generous than they can afford? Dychtwald thinks so, particularly regarding their adult kids.

“It’s partly an economic dynamic and partly a psychological dynamic,” he said. “It’s hard for boomers to say no to their grown children. We don’t want them to suffer or struggle or be without.”

The survey also exposed a cruel irony: Although “being a burden on my family” was boomers’ second greatest worry about living a long life (following “running out of money to live comfortably”), if they haven’t taken the proper steps to be financially secure in retirement, a burden is what they may become.

What Boomers May Need to Do

This dilemma, I think, means boomers who are The Family Bank may need to consider doing one or both of these options: 1) Save even more money for retirement (good luck with that) or 2) Be less generous toward their family members (and good luck with that, too).

The hard part, I think, is not knowing exactly how much financial assistance your parents and grown kids will need — or when. As Dychtwald told me: “There’s an absence of precision.”

So take some imprecise steps and stuff some extra money away in case your kids or parents will need financial assistance. That’s what Dychtwald did.

“My children are 23 and 26. Frankly, I never thought about budgeting for them should some period of bad luck or health crisis befall them,” he said. But as a result of his survey, “I talked to my wife and said, ‘We need to put aside a little bit should our children need help.’”

Put this cash in an emergency fund at the bank, not your 401(k) or IRA; you may need the money at a moment’s notice and retirement plans can prohibit or penalize early withdrawals.

Dychtwald and his wife also took another step to help avoid becoming a burden for their kids: They bought long-term care insurance policies, just as his parents did.

“My brother and I figured out that if our parents hadn’t had those policies, we would’ve been out about three-quarters of a million dollars,” Dychtwald said. (His dad passed away six weeks ago; his mother still requires care.)

Take Advantage of Thanksgiving

There’s one more thing boomers could do — and after the Thanksgiving meal is an ideal time: Talk honestly with your parents, grown kids and siblings about the family’s current and potential financial challenges.

“Silence is not golden,” said Tyrie.

The Merrill Lynch study found such conversations were remarkably rare. More than half of Americans 50 and older with adult kids (56%) said they haven't discussed with them key financial topics, such as the parents' financial security and plans for long-term care.

Just 24% have discussed with their elderly parents how their mothers and fathers will be financially provided for, or cared for, as they age.

"Families are often waiting for a parent to die or get desperately ill before rallying to say, 'How are we going to help mom?'" said Tyrie. "That's not when you want to be having those conversations for the first time."

But having these types of conversations can provide "a big payoff," he said.

The study found that people 50 and older who'd discussed finances with their adult children were nearly twice as likely to say they felt prepared for retirement as those who hadn't.

Exactly how do you have these talks at Thanksgiving without hanging a morbid cloud over the festivities?

Wait til after the meal, for one thing.

For another, "you don't have to bring up the darkest elements," said Dychtwald. "You can say, 'Let's think about how we might look after each other in the years to come.'"

To not discuss these things, Dychtwald added, "is, in my mind, to be disrespectful of your family over the long term."

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