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Retirement Works Best as Family Affair

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Nov 22, 2013 --- Involving family members in retirement planning brings peace of mind, according to a survey on how families approach future financial needs.

"Silence is not golden. It's a real problem when you're thinking about retirement," David Tyrie, head of retirement and personal wealth solutions for Bank of America Merrill Lynch, said in a webinar about the firm's study on family interdependency and financial challenges. Tyrie also noted that the study uncovered a troubling lack of discussion among family members.

"Family and Retirement: The Elephant in the Room" illustrates the need for advisers to broaden their abilities. "You have to have a new kind of dialogue with people, one that extends beyond just financial priorities to include their family and real-life priorities as well," Tyrie told PLANADVISER. "It was amazing to see that 70% of people age 25 and over have not discussed any topics concerning finances or long-term care."

More than half those surveyed age 50 and older had not discussed these topics with their adult children, the study found. The few people who did have these discussions said they felt much better prepared to meet the future financially.

Increasing longevity means advisers need to have conversations around funding health care for a much longer life. Long-term care needs for clients and possibly their parents are another key issue. Advisers should encourage clients to consider the effects of longevity on work and leisure in retirement.

Advisers must prepare to coordinate and facilitate these kinds of discussions with couples and families, according to Tyrie. Financial advisers now need to know more than just clients' tax status, risk tolerance and time horizon for achieving financial goals. "These are still foundational," Tyrie noted, "but advisers also need to ask new and very different questions."

Generation Interaction

How family members of different generations interact financially profoundly impacts the wealth management industry and what advisers do in the marketplace. "Parenthood doesn't retire," Tyrie said. "In today's economy, adult children and other younger relatives are turning to older family members for a helping hand."

One interesting finding: Many families have someone who is “the family bank,” the person other members likely turn to for financial advice or actual financial help. Generally that person has the deepest pockets and, the family believes, the greatest experience and savvy about financial matters.

People who act as the family bank are unsung heroes, said Ken Dychtwald, founding president and CEO of Age Wave, which conducted the study with Bank of America Merrill Lynch. Motivated by generosity to help grandchildren attend college or pay summer camp expenses, individuals who take on this role may risk sacrificing their own retirement for family members.

Half of pre-retirees age 50 and over said they would make major sacrifices to help others. Those helping financially rarely do so because they expect future help or payback. People in this age group are 20 times likelier to say they are helping family because “it is the right thing to do” than because “family members will help them in the future,” the survey found.

An adviser needs to ask if the individual is the family bank, is part of a blended family or if there are other family dynamics the adviser should know about, according to Andy Sieg, head of global wealth and retirement solutions for Bank of America Merrill Lynch.

About a third (37%) of people age 50 and over are part of a blended family, according to survey findings. Nearly a third of those with stepchildren said it complicates financial planning, a total equal to those who said they and their spouse have different financial priorities for their own children than they have for their stepchildren.

Resounding Silence

The survey found that most families do not discuss key financial topics:

- A majority (70%) of adult children age 25 and older have had no discussion with parents about their retirement and other issues related to aging;
- More than half (56%) of parents age 50 and up said they have discussed no important financial issues—such as a will, health directive, inheritance plans and where they plan to live in retirement—with adult children;
- Just 24% of siblings age 50 and up have discussed how their parents will be financially provided for~~,~~ or cared for in later years; and
- Most people (91%) age 50 and older said they would be unprepared if an aging parent or relative needed extended long-term care.

“Family and Retirement: The Elephant in the Room” explores modern family interdependency and the financial challenges of Baby Boomers as they attempt to balance relationships with their own financial plans and financial security.

Bank of America Merrill Lynch surveyed a nationally representative sample of 5,415 respondents age 25 and up, including 2,104 Baby Boomers (ages 47 to 67) and members of the Silent Generation (age 68 to 88); 252 members of Generation X (age 37 to 48) and 250 Millennials (ages 25 to 36) for “Family and Retirement: The Elephant in the Room.” 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 was completed in August and conducted online in partnership with Age Wave and executed by Harris Interactive.

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