Finances for the Sandwich Generation

Who Is the Sandwich Generation?

The “sandwich generation” refers to a generation of people who care for their aging parents while supporting their own children. A longer life expectancy has resulted in a larger population of older adults and therefore, a need for more caregivers. In addition, many couples are starting families in their mid- to late-30s. According to a 2013 Pew Research report, almost half of adults in their 40s and 50s have a parent age 65 or older and are either raising a young child or financially supporting a grown child. And about one-in-seven middle-aged adults is providing financial support to both an aging parent and a child. As a result, more and more people in their forties, fifties, and sixties find themselves with responsibilities for family members a generation younger and older than them.

Navigating the Multigenerational Family

People who have a living parent age 65 or older and are either raising a child under age 18 or supporting a grown child are pulled in many directions. In addition, there is overall trend towards multi-generational households – either older unmarried adults living with their children, or adult children living with their parents. Not only do many inter-generational family members provide housing, care, and financial support to their parents and their children, they also provide emotional support and considerable amounts of time. Typically, the family members who provide the majority of care to their aging parents and loved ones are female.

Supporting a multigenerational family involves juggling a multitude of responsibilities. Often, caregivers experience high levels of stress as well as a negative impact on their careers and finances. On the other hand, having both children and aging parents under the same roof or nearby can foster closer family bonds between the generations. Individuals may also feel a great deal of satisfaction and accomplishment when caring for their loved ones.

Learning how to combat stress is a necessity for sandwich generation caregivers; it is crucial for caregivers to take care of themselves by requesting help from a family member, hiring respite care, or having regular breaks from caregiving.

Holding Family Meetings

While dealing with what can seem like overwhelming demands of taking care of an aging parent, it’s important that we don’t lose focus on caring for and being there for our children.

Children may act out from concern about what’s going on within the family, sadness over changes in their grandparents’ health or behavior, and from feeling ignored or scared. They may also feel angry and/or stressed if the family is in crisis mode from addressing multiple medical and emotional issues.

Having family meetings to discuss these issues can help to alleviate some of the stress. Meetings are also good times to discuss and delegate the many different caregiving tasks that need to be accomplished each day or week. Although caregiving is often a one-person show, family support at any level can make an enormous difference. Set a task list for family members to complete each day/week. Come up with mutual expectations of how many tasks of caregiving can reasonably be accomplished by each family member. The family meeting allows for family members to participate and share in the gift of caregiving – they will likely reap many tangible and intangible benefits.

Consider spending one family meeting a month focused on discussing the family budget, particularly you are sharing expenses with your parents and/or children. Tailor a budgeting worksheet (e.g., https://www.balancepro.org/resources/booklets/money-management-planner) for your family’s circumstances, and ask for everyone’s input in modifying to reflect each member’s “needs”, but not necessarily all their “wants”.

Caring for Parents

There are a multitude of factors to consider when caring for an older relative – medical, legal, and financial. It's best to be proactive and discuss issues frankly, openly, and with respect.

Gathering Information

Too often, children don't have a full understanding of where their parents stand physically, emotionally, or financially. Are they primarily in need of your physical, logistical, and emotional support, or do they need financial support as well? It is important to have a financial picture with as much detail as possible, including how much money is saved and available, where the money is tied up, and how much is required both now and in the future to support their parents. This includes retirement benefits and savings, insurance coverage and medical costs, and options for long-term care. Consider asking and recording answers to the following.

- What are their current assets, income sources as well as debts and liabilities?
- What medical expenses do they have – both now and expected for the future? What medications do they take?
- Some parents may not be in the position to accurately describe their circumstances, so you'll need to be watchful for signs of decline.
- Will they live best on their own, with family, or at a senior's residence? And ultimately, how much is this all going to cost? What type of medical insurance do they have and what does it cover?
- What end of life documents do they have in place, such as powers of attorney, health proxies, a last and living will, and any other specific directives. For example, who is the executor of the estate?

This information will help ensure that both generations are on the same page and prevent surprises or potential conflict later on.

Claiming Tax Deductions

Many people that are providing care to aging and ill relatives often overlook tax breaks that can cut costs. A caregiver can be deductible as a medical expense; but make sure not to "double dip" as some services may be paid through insurance. The Internal Revenue Service (IRS) states, "Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of diseases, and the costs for treatments affecting any part or function of the body." Both individuals and people who care for qualifying relatives can claim deductions and credits for a range of out-of-pocket expenditures such as:

- Dental treatments
- Cost of transportation to get to a medical appointment
- Health insurance premiums
- Long-term care services

An aging parent need not to live with you to qualify as a dependent. If the parent is in a nursing home or assisted living facility and you provide more than half of her support, she or he qualifies as a dependent. In that case, all the parent's medical expenses become yours for the purpose of deducting them on your tax return as a dependent-care credit. In addition, you can count all of the funds that you and your siblings chip in together as a total. Find out if your employer offers a dependent-care flexible spending account.

You can also consider the gift-tax exemption. Taxpayers who want to help relatives can give them $14,000 a year, without triggering any gift-tax consequences. That's the limit for one individual giving money to another individual; a couple could give another couple as much as $56,000 every year. If you are paying medical costs for your parents, you can pay them directly to the provider, and they won't count against that limit. You can find more information on allowable federal tax deductions at https://www.irs.gov/help-resources/tools-faqs/faqs-for-individuals/frequently-a...sked-tax-questions-answers/irs-procedures/for-caregivers.

Your parents may be eligible for other federal, state and other benefits as well. You can find more information at https://www.benefitscheckup.org. Also, visit these federal government sites for specific information on Medicare, Veteran's, and Social Security benefits:

- https://www.medicare.gov
- http://www.benefits.va.gov/benefits
- https://www.ssa.gov/retire

Discussing Living Options, Present and Future

No one can predict the future. So it's beneficial to have a sense of the broad array of living options available to seniors, from staying in their own home to specialized facilities that provide round-the-clock nursing care. Below are some considerations:

- If your parent has a medical condition that is expected to worsen over time, think about how you will handle health and mobility problems. Are they already at the point where you need daily help?
- Even if your parents are completely independent at this time, this may change. It pays to think a little about their location and accessibility of their current home. For example, how far is the home from shopping, medical facilities, or other services? If they can no longer drive, what kind of transportation access will they have?
- If you have siblings or other close relatives, discuss their availability in helping with routine or occasional tasks. Be straightforward as you organize and manage your parents' options, and frequently revisit everyone's circumstances in case arrangements need to be tweaked.
- Even if family members can commit to assist in caregiving, they might not be able to fill in all the gaps if physical and medical needs become extreme. The more thought you put into your future, the better chance your needs will be met.
- Making a budget with anticipated expenses can help you weigh the pros and cons of your combined situations. Senior housing options such as assisted living can be expensive, but extensive in-home help can also rapidly mount in cost, especially at higher levels of care and live-in or 24-hour coverage. You may be able to purchase insurance to offset some of the costs of long-term care (see more at https://www.balancepro.org/resources/articles/long-term-care-insurance)

No matter what the living arrangement of your parents will be at any given time, make sure and address their quality of life as well. Are their meals nourishing? Are they as active as they can be? Factor these critical aspects of their lives into your budget planning.

The National Institute of Aging may be a valuable resource as you research many of these issues (www.nia.nih.gov).

Updating/Preparing Legal Documents

Take some time to systematically talk to your parent(s) about preparing health proxies, power of attorney, and wills. A health proxy is a document that lets you appoint another person to express your wishes and make health care decisions for you if you cannot speak for yourself. A Power of Attorney is a legal document that gives the authority to act for another person with regards to their legal and/or financial matters. A will is a document that states your final wishes after your death You may find that you need to be sensitive in broaching these topics. Some individuals may be hesitant to share information, or may not feel ready to discuss the later stages of life. If they are willing to do so, discuss their preferences for final arrangements.

In addition, alert your parents to the rise in scams on older adults. Encourage them to be wary of phone calls or other forms of solicitation asking for personal financial or living information and provide strategies for dealing with such encounters. If they spend time online, discuss how to make their information private.

Leave instructions or notes for them, or ask them to do the same for you, on where to find important documents related to their finances and healthcare. You should also have the relevant information to call their doctors and to access their safety deposit boxes and bank accounts if needed.

Finally, respect your parent's needs and choices for as long as possible, keeping in mind that you ultimately have their best interests in mind.

Caring for Children

While your parents may be your most pressing concern, it is also necessary to address current and future expenses of your children. Your expenses will depend on where you live, the number of children you have, their stage in life, and your lifestyle and that of each child. Be prepared to have honest discussions and negotiations around how to manage and balance responsibilities and needs.

Education

One particularly important issue is your child's college education. First, think about how long you have to save for your child's education to determine what college savings options might work best for you and your family. Investing in a tax-advantaged Section 529 college savings plan could be a great option. 529 college savings plans, are flexible, tax-advantaged accounts that allow you to make high contributions to help you pay for college expenses. You won't be taxed on your funds as they grow and you pay no federal (and often state) taxes on withdrawals used for qualified higher education expenses. Another option to tackle high tuition expenses is for students to start off at an affordable two-year college, earn an associate's degree, and then transfer to a four-year university where they earn their bachelor's degree.

If your child is under eighteen, you'll be balancing the costs of extracurricular activities, such as lessons, uniforms, transportation, and schedules. You may have conflicting feelings as you try to provide your children with as many as opportunities as possible within your budget. Brainstorm with your partner, friends, and teachers for solutions such as sharing transportation, taking hand-me-downs from friends, and bartering care or services. You may want to encourage your older child to work a few hours a week babysitting or tutoring. There are several benefits to this approach, including promoting good financial management skills, a strong work ethic, and a healthy self-image.

The Emerging or Returning Adult

Many parents continue to support their adult children, frequently spending hundreds of dollars a month to help them with expenses such as groceries, rent, and cell phone bills. As noted above, increasingly, adult children are returning home after college until they find a job that can fully support them. Aside from teaching your children financial literacy early on, you should keep your adult children up to date on family finances and your plans for the future. In addition, it's never too late to model good financial decision-making to help give them the tools to set their own path towards financial independence.

If you have an adult child living at home, and they're only earning a small salary, it might actually help if their income is below a threshold amount. An adult child who moves back home and earns less than $3,650 in a year meets the dependency requirement that enables you to claim him as a "qualifying relative." Once your adult child qualifies as a dependent, you can list the child as an additional personal exemption on your tax return. You can also include any extra medical costs (such as premiums for maintaining the child on your health insurance plan) in your medical expenses. For example, a family with $120,000 in income whose adult dependent kid produces an additional $10,000 in medical expenses may see their federal tax bill drop from $14,369 to $8,706, saving $5,663. Determining whether or not an adult child can be claimed as a dependent can be complicated, so seeking advice from a professional tax preparer may be helpful.

Regardless of the circumstances, enlist your adult children in taking on tasks that seem manageable for them and help you with your stress and time management issues. You can be a valuable source of support to each other.

Caring for You

Your parents took care of you, so you may be tempted to take care of their every need. And when it comes to your children, your first instinct, understandably, may be to put their needs ahead of yours.

While the intention to support your parents and children are valid, it's important to prioritize your own savings. Know your capabilities and limitations as you budget for expenses regarding your parents and children.

Making your Finances a Priority

If you have any debt, make a plan to pay it off within a certain time frame. Make a budget and reevaluate your priorities periodically. In addition, look at your own retirement savings and see if you are saving enough. Know what resources are or will be available for you, such as Medicare, Veterans benefits, Social Security, etc.

Having a Care Plan in Place

If you are working full-time and your parents will need care, how are you going to manage the needs involved? There are many possibilities to consider: aging in place, in-home geriatric care, independent living, assisted living, nursing home, adult day care, caring for them yourself, etc. What will work for your family? Do you know the cost involved? Do you have a plan to pay for your choice? If you stop working full-time, how will you save for your own retirement? How will any of these choices affect your family finances? It is a lot easier to plan for this before it becomes a need.

Managing Your Mindset

Preparing for the Unknown

It is important to note that even if you prepare ahead, you may have an unplanned event that takes you by surprise. Creating an emergency fund for those unforeseen circumstances to mitigate a devastating financial event can be invaluable. Most financial experts define the fund as six months of your income. If you are single or if you have a one-income family, you may want to increase this to a year. This will provide security while you recover from many emergencies. It provides security to know you have the money there while you are dealing with other issues such as a job loss, illness, death, or anything that might affect your income.

Maintaining Your Focus

Balancing the responsibilities that come with caring for others and caring for yourself is challenging. It's normal to go through stages of guilt and/or regret, or even feeling like you are losing your own identity. Remind yourself often of your priorities regarding family, marriage, career, etc. Ask for help! Talk to family and friends, join support groups, and change course when needed in caregiving options. Keeping your life goals in mind, even on a daily basis, will help inform you in making wise financial choices and decisions for your multigenerational family.

Resources

www.irs.gov
www.benefitscheckup.org
www.medicare.gov
www.benefits.va.gov
www.ssa.gov/retire
www.nia.nih.gov

Click here to schedule your Personal Financial Checkup today for helpful guidance and more tips!

Or contact us directly via email: TruliantAtWorkTeam@Truliantfcu.org

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