

What's in Your Sandwich?

The Impact of the Sandwich Generation and Retirement Readiness



ASPPA

Making Retirement Plans Work

Part of the American Retirement Association

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Who Is the Sandwich Generation?

Poll Question #1

Do you currently take care (physically or financially) of an aging parent and also a child(ren)?

Yes

No

How I Came To Be Here



What Is the Sandwich Generation?

- Also known as “working caregivers”
- “Squeezed between caring for aging parents and supporting dependent children” (Bureau of Labor Statistics)
 - Children don’t need to be minors
 - Aging parents don’t need to be infirm
 - And then, there are the “open sandwiches”



Who Comprises the Sandwich Generation?

- 35–64 years old
- 60 percent are working full- or part-time
- Equal split between male and female
- One in eight Americans are impacted



Financial Impact of Caregiving

- May need to switch from full-time to part-time employment
- Lost earnings, Social Security benefits, and retirement benefits > \$300,000 per individual
- \$3 trillion lost annually in America overall
- Employers lose between \$13.4-\$33 billion per year in revenue



Here Come the Boomers

- By 2030, 20 percent of total population will be baby boomers



Multi-Generational Households

Poll Question #2

Do you currently live in a household with more than one family generation?

Yes

No

Multi-Generational Households

- Number of MGH doubled since 1980
- Youth unemployment rate estimated 13.6 percent
 - Known as “boomerangs”
- Inadequate senior housing options
 - 40 percent of Americans 80+ spend 35 percent of income or more on housing
 - Urban sprawl = transportation challenges

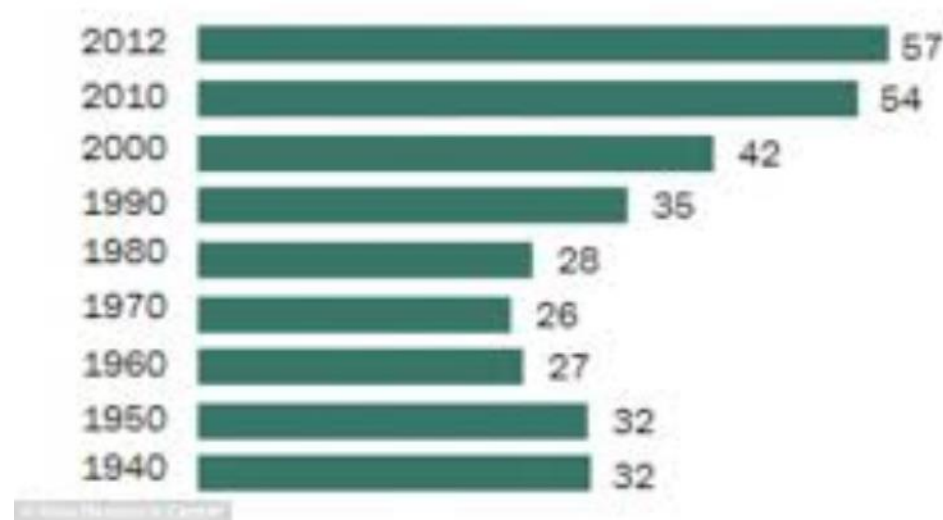


Multi-Generational Households

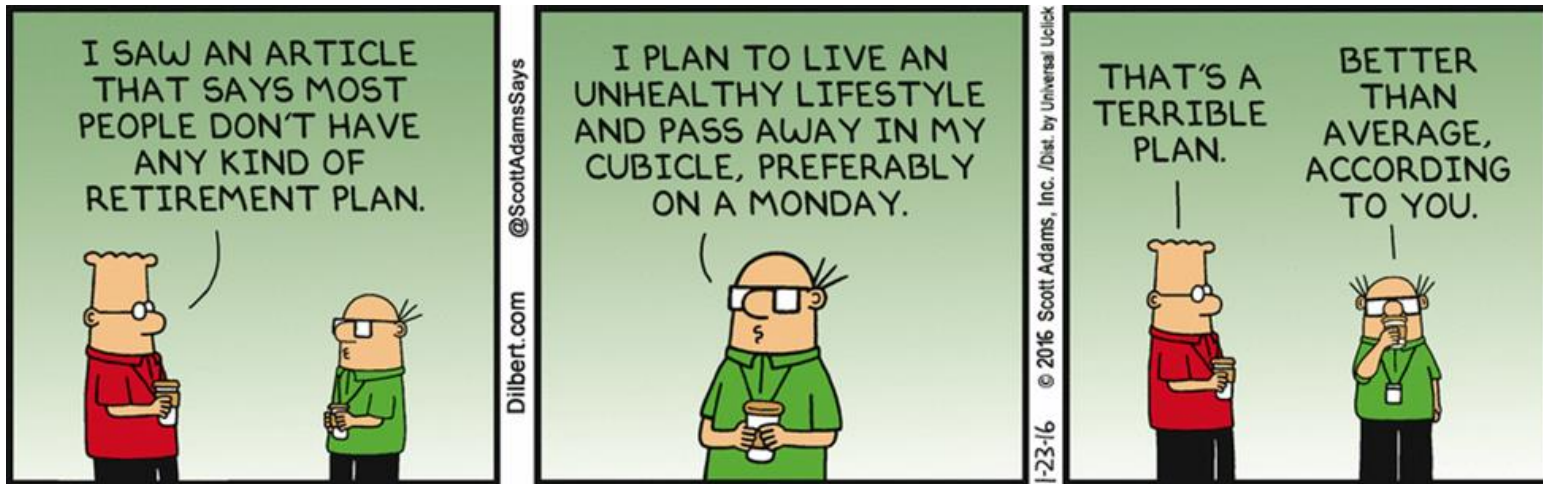
- Pew Research on Multi-Generational Households

Population Living in Multi-generational Households Has Doubled Since 1980

In millions



The Retirement Planning Problem



The Retirement Planning Problem

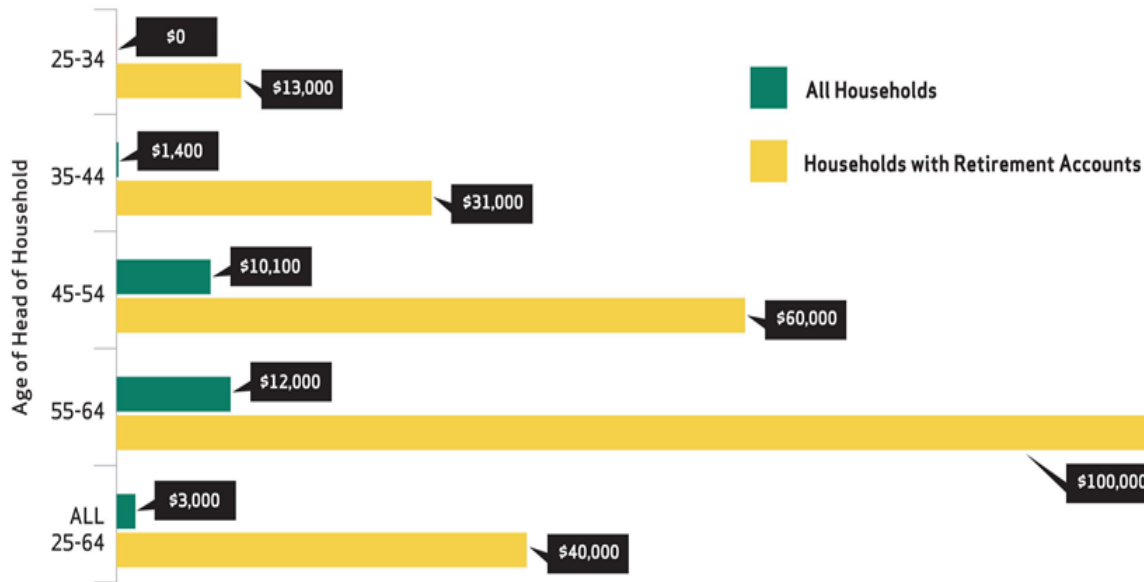
- 70 percent of Americans are more likely to save if a 401(k) is available to them
- Median deferral rate is only eight percent
- Average 401(k) account balance <\$92,000
 - Traditional assisted living = \$3,600 per month
 - Skilled nursing facility = \$6,600 per month



Average Retirement Savings

Figure 9: Typical Working-Age Household Has Only \$3,000 in Retirement Account Assets; Typical Near-Retirement Household Has Only \$12,000

Median retirement account balances, households with retirement accounts vs. all households, 2010



Source: National Institute on Retirement Security - The Retirement Savings Crisis: Is it Worse Than We Think? | www.nirsonline.org

Leakage Issues

Poll Question #3

What do you think is the main reason for 'leakage' from retirement plans?

Distributions in general

In-service withdrawals

Hardship withdrawals

Participant loans

Leakage Issues

- Estimated that 30 to 45 percent of annual contributions are actually leaking out of plans
- More than \$70 billion lost annually from retirement accounts
- Substantial portion is due to participant loans
 - Multiple loans increase the probability of borrowing to nearly double
 - Defaults due to lost employment



Possible Solutions for Individuals

- NOT helpful suggestions –
 - Put your parent in a home
 - Just cut off your children financially
 - Take a loan from your 401(k) to help pay for it
 - Have some other family member deal with it
 - Just tell them ‘no’
 - Oh, I’m sure that your parent(s) will manage somehow
 - Just figure out how to make it work



Possible Solutions for Individuals

- Learning to have financial discussions with parents and children
 - 55 percent of parents are comfortable talking about Drugs/alcohol
 - 36 percent of parents said they are very uncomfortable talking about money
 - Less than 50 percent of adults have discussed finances with their aging parents



Talking About Finances

Poll Question #4

Have you had discussions with your parents about their financial situation?

Yes

No

Having “The Talk” With Your Parents

- Start by asking for their advice
 - “How did you manage to pay for my college?”
 - “I was thinking of refinancing my house, what do you think?”
 - “What advice can you give me about my 401(k)?”
- Make it a regular part of your conversation
 - The more frequently discussed, the less shocking

Having “The Talk” With Your Parents

- Be honest about your concerns
 - Use real life examples from friends, family, news
 - Talk with siblings about a family discussion
 - You may need to make it about you, and not them



Having “The Talk” With Your Parents

- Suggest talking to an outside professional
 - If your parents don’t have one, find one before the conversation
- Create a file of documents, contact information, account information, etc.
- Respect their need to feel in control



Breaking the Cycle With Your Kids

- Different ages require different boundaries
 - The allowance debate
- Establish the importance of saving at any age
 - Birthday/holiday money
 - Family piggy bank
- Teach teens about the dangers of overextending on credit



Breaking the Cycle With Your Kids

- Talk openly about college expenses
 - Explain about 529 college accounts
 - Look at FAFSA before senior year
- Help your child understand benefits choices with new job
 - Offer to help them review their benefits package
- Learn to talk about your own financial situation



Educate Yourself

Poll Question #5

How aware are you of your retirement goals and current standing?

Well aware

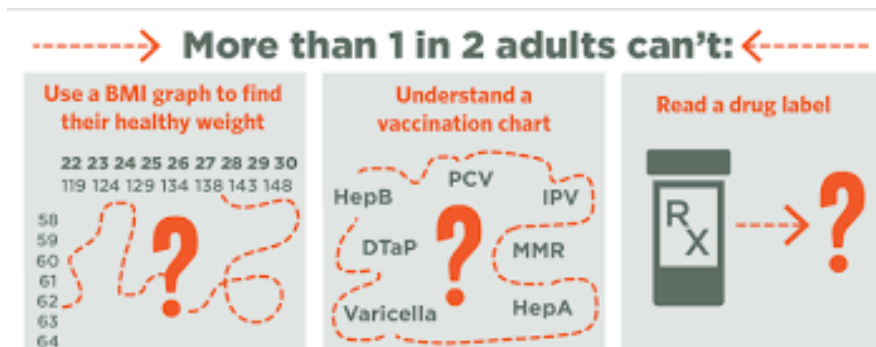
Somewhat aware

Not aware at all

I'm supposed to have retirement goals?

Educate Yourself

- Increase your health literacy
 - Nine out of ten adults are unable to understand their health choices
- Commit to having routine check-ups
- Learn about management of chronic and hereditary diseases



What Can Employers Do?

- Work schedule flexibility
 - Not available with all types of jobs
 - Breaking with old paradigms difficult
 - Retraining and adjustments required
 - Statistically proven to increase productivity
- Supportive benefit options
 - Long-term care insurance
 - Emergency dependent care
 - Respite care



The Value of Information

- Employer provide information
 - Employee assistance programs
 - Resource materials
 - Company intranet site
 - Employee breakroom
 - Brochures, local resources, 800#
 - Eldercare locator service (www.eldercarelocator.gov or 1-800-667-1166)
 - Only seven percent of employees look to HR for information



Employer-Sponsored Retirement Plans

- Most-used mechanism for retirement savings
 - Available to 80 percent of full-time private industry workers
 - Available to 49 percent of part-time private industry workers
 - Available to 99 percent of full-time governmental workers
 - Available to only 39 percent of part-time governmental workers



Plan Design Options

- Automatic enrollment
 - Increased usage in the past decade from ten percent of plans to 55 percent or more
- Motivational matching contributions
- Improved education/communication
- Consultative plan design

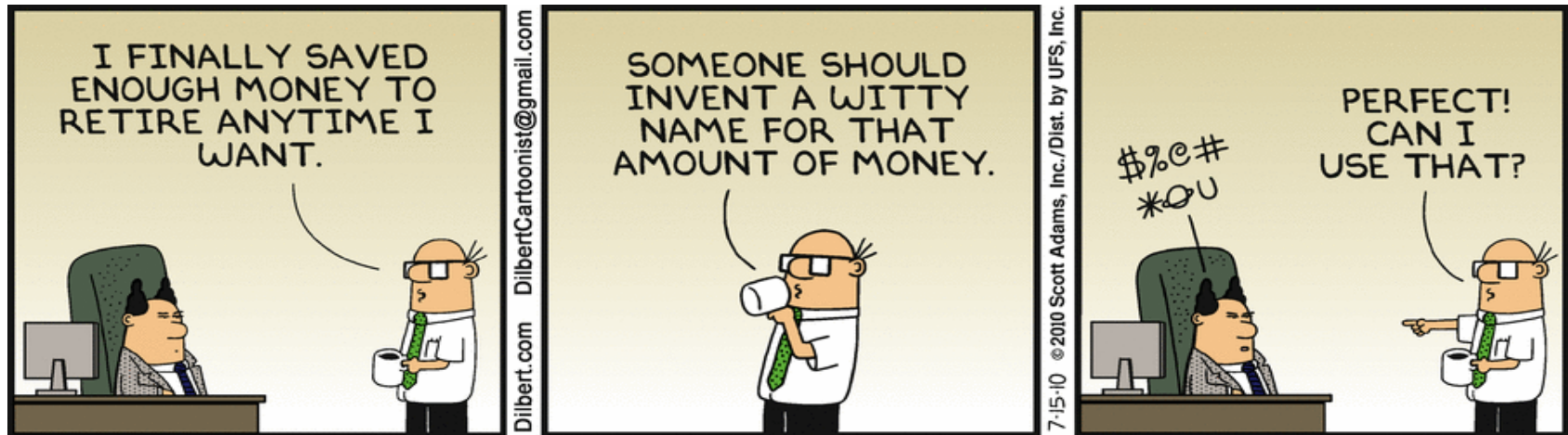


This Is a Job For.....

A Pension Professional!



Help Find Solutions



Changing Plan Design

- Think beyond testing results
- Review plan demographics to identify the percentage of employees in their 40s to 50s
 - Likely 70 percent of them are sandwiched
 - Understand and help explain why this group may have different needs
- Encourage auto enroll default rates above three percent



Make Loans Your Mortal Enemy

- Loans can be restricted to hardship reasons
- Defaulted loans = \$6 BILLION annually
- Multiple loans increase rate of borrowing
 - Aggregate amount borrowed rises 16 percent
 - Refinancing creates a “Christmas Fund” mentality
- Highlight the frequency with which errors occur with multiple loan provisions



Revamp Enrollment Workshops

- Revise script to acknowledge the working caregivers and their challenges
 - Don't make them feel any worse
 - Also serves to educate the younger employees
- Create basic national/local resource materials as part of the materials for working caregivers
 - Show that there are possible solutions
 - Will add value to employer, as well



Help Your Community

- Reach out to local schools to see if they offer any classes needing a guest speaker
 - Don't just limit yourself to high school or college
- See if your religious institution is interested in having a seminar on retirement planning
- Talk to your own family members to see who isn't taking advantage of a 401(k)



Defend the 401(k)

- This is an unpaid endorsement!
 - Recent threat to individual job classifications
 - State-run retirement plans
 - Continuing budget attacks
 - Misguided regulations



But, Is There a Silver Lining?



Questions?



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