Financial tips for the sandwich generation

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For many Americans in their 40s and 50s, along with raising children or supporting an adult child, they are also caring for aging parents. Over half of adults in this age range are sandwiched between supporting their children and their parents. Since this can bring about unique financial challenges, creating a clear strategy and budget is essential to minimizing stress and keeping personal goals on track.

What is the sandwich generation?

The sandwich generation is a term used to describe primarily middle-aged adults who are caring for dependent children while also assisting their older parents. Younger and older age groups may fall into this category as well if they are financially or emotionally supporting family members. In addition to balancing work and family responsibilities, members of the sandwich generation may be financially supporting an older child, managing caretaking responsibilities, and providing general assistance to their parents. In today's world, the burden of being squeezed between helping two generations can lead to high stress—both emotionally and financially.

Challenges facing the sandwich generation

With multiple responsibilities coming from both sides, people in the sandwich generation may struggle to balance it all and keep up with their own priorities. Especially if the transition is sudden, adjusting to a new norm can be challenging. The sandwich generation may face:

- Managing a multigenerational household
- Caregiver burnout
- Trouble balancing work, relationships, home life, and personal time
- Financial struggles
- Difficulties managing errands, kids' schedules, and parents' appointments
- Health issues due to stress

Some members of this generation may also have a grown child who returns home or needs financial support as they set out on their own. It's important for those who are caring for multiple people to care for themselves first. This can include taking time to enjoy hobbies, spending time with friends, and asking for help when needed. When it comes to managing money, having a solid financial plan is crucial to keeping your own goals at the top of the list while also supporting the financial health of your loved ones.

How does financial planning help structure family finances?

Creating a family financial plan can help lay out budgets for specific family members, identify how much money is allocated to caring for children versus caring for elderly parents, and provide a framework to get everyone on the same page. Developing a plan can also help outline the best ways to contribute to personal financial and savings goals. To begin structuring family finances, helpful tips include:

- Take inventory of each person's financial needs and monthly expenses
- Assess your current sources of income and expenses
- Identify areas where spending can be reduced

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- Assist older children with creating a budget
- Review parents' will and estate plan

While discussing money can sometimes be difficult with parents or older children, it's essential to managing finances successfully. Having open and honest conversations and reviewing the budget together can support greater financial independence and prevent your own financial needs from being put on the back burner.

Financial planning for aging parents

For people who help manage their parents' financial needs, there may be several factors to consider. This could include in-home nursing care or nursing home living expenses, or additional utility and food costs if a parent is living with you. There may also be general medical bills and medication fees to consider, as well as added transportation costs for running a parent to appointments. If an individual is a designated power of attorney for their parents, they may also manage the parents' day-to-day financials, possibly leading to additional strain. To help financially prepare for aging parents and minimize the stress of managing their money, here are several tips:

Set up scheduled payments to cover parents' bills

To help parents stay on top of their day-to-day expenses, it can be a good idea to help them set up options like autopay to automatically cover recurring payments without worrying about being late on a bill.

Know how to access important documents and passwords

As parents age and become more dependent, it's helpful to know where important documents like their birth certificates, Social Security cards, vehicle titles, property deeds, and bank account information are located.

Encourage parents to create or update estate plan

Ensuring parents have outlined their will, power of attorney, and healthcare directives can make sure their assets are distributed correctly and they have someone designated to make financial and legal decisions if they become incapacitated.

Consider setting up a joint bank account

Setting up a joint bank account with aging parents can make it easier to manage their finances, especially if they are no longer able to do so independently. This arrangement can also help you monitor their spending, pay bills on their behalf, and ensure their financial needs are being met. In case of emergencies, having a joint account can also provide quick access to funds for medical expenses or other unexpected costs.

Meet with a financial professional

A financial professional can provide valuable guidance and support during family money conversations. They can assist in creating a comprehensive financial plan, provide recommendations, and offer tips for navigating financial decisions. Aging parents can gain peace of mind knowing their finances are in good hands and they are making informed decisions to secure their financial future.

Helping children manage their financial priorities

In addition to contributing to their parents' financial well-being, members of the sandwich generation can also set their children up for success and financial independence by teaching smart money management strategies. Modeling good budgeting and saving skills and finding ways to boost financial literacy together can help children of all ages develop an appreciation for money and your family's financial position. Ideas for helping children manage their finances include:

- Showing how to reduce overspending and reach savings goals by using a budget
- Involving them in financial decisions, such as planning for a vacation or making a big purchase
- Encouraging them to take ownership of reaching important goals like paying off student loans, managing debt, or saving for a home
- Discussing how they can contribute to household or shared expenses

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Saving for your own future as a sandwich generation caregiver

While sandwich parenting can feel all-consuming, this isn't a time to neglect your own finances while caring for your loved ones. Many people in their 40s and 50s are in their peak earning years, and trying to bulk up savings and put more money toward retirement should be a top goal during this life stage. A few ways to help accomplish this is by:

- Establishing clear short- and long-term financial goals
- Prioritizing paying down debt
- Designing a budget around these goals
- Automating transfers to savings account and retirement funds
- Maximizing contributions to employer-sponsored retirement plan(s)
- Exploring the benefits of adding an annuity and life insurance to a financial plan

By taking proactive steps to save for the future, you can help reduce money-related stress as a sandwich generation caregiver, improve financial stability and security, and help loved ones reach their own financial goals with greater success.

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