

Generational Reciprocity: What Does It Mean in the 21st Century?

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When Michelle Obama's mother, Marian Robinson, moved into the White House, many of us stopped and took notice. What a great solution for the President and the First Lady. Their lives would be turned upside down, as would the lives of their two daughters. Mrs. Robinson would provide the love and stability to the girls and would make it possible for the Obamas to feel comfortable and secure as they fulfilled their obligations and traveled the world. And today, with so many families feeling the economic pinch, the idea of an intergenerational household may have more traction than ever before.

Grandparents Helping the Family

I think back on my own childhood. My grandfather died when I was three, and my grandmother moved in with us. This enabled my mother to continue working and the second income enabled us to maintain a nice lifestyle. They made a deal, in a sense. My grandmother provided child care services and helped in the house, and my parents provided a place for her to live with people who cared about her. I didn't think about it until later, but my dad had his mother-in-law living in the house for many, many years. It's a good

thing they got along well; my grandmother was a low-key, caring person—and also a great cook. She had not earned money prior to moving in with us, so my parents had the foresight to pay her a stipend for her services and at the same time contribute to Social Security, thus enabling her to be eligible for benefits when she turned 65.

As for me, as it is for any young child, the presence of a grandparent in my life was very special. My grandma and I had a unique bond—sometimes we conspired together—and it was such a positive experience that it likely influenced me to go into the field of gerontology. She taught me to be creative, to be kind, and to appreciate older people.

Everything Old Is New Again

With the economy in a meltdown and today's parents confronting the high cost of daycare, coupled with heightened concerns about bringing an unknown person into their homes to care for the children, will this idea—grandma moving in with the family—be revitalized again? It is, after all, a tradition dating back through the annals of history. While a shared household might never be the norm the way it was in the past, generational reciprocity nevertheless is top of mind for the legions of new grandparents—the boomers—who are prepared to help, and for their adult children who welcome their assistance.

Being a grandparent seems to be an especially joyous event for the boomers, even for celebrity grandparents like Goldie Hawn and Billy Crystal. Some of my friends want to spend as much time as possible with their grandchildren and willingly sign up

for babysitting services. I have several friends who agree to care for their grandchildren a few days a week. They are really enjoying themselves, and their adult children are grateful. I also know traveling grannies: one couple travels from New York to Washington and other friends travel from New York to Cleveland to be with their grandchildren while their adult children go on vacation or business trips. They do special things with their grandchildren—zoos, concerts, ice cream outings—along with day-to-day child care responsibilities. These family relationships can only strengthen the ties that grandchildren have with their grandparents, and they provide the opportunity for grandparents to share their values and family traditions, passing on a nonfinancial legacy to the next generation.

There are, of course, financial aspects to intergenerational reciprocity as well. A recent poll of grandparents conducted by the MetLife Mature Market Institute indicates that two-thirds have provided financial support to their grandchildren in the past five years.¹ Many grandparents are thinking of the future security of their grandchildren too and are purchasing savings or insurance products so they will be protected if something should happen to their adult children.

Adult Children and Their Boomer Parents

Then there are the adult children who are short of money and look to their parents for financial support or assistance. Some are the “boomerang kids” who move back home with their parents after college. Others are unable

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to make ends meet on their own and are getting some financial assistance from their parents to pay the rent or subsidize their day-to-day needs. With the job market as it is for recent college graduates, even more adult children may be turning to their parents for a place to live and some financial help. According to a recent study, 68% of boomers with at least one child over age 18 say they are helping an adult child financially.²

Young adults these days appear to have a deeper relationship with their parents that goes far beyond a financial one. Studies indicate that their values are more closely aligned to their boomer parents' values than generations in the past. When asked, many Gen Ys name their mothers as their best friends and call them to discuss even the most intimate details of their lives. While it is always difficult to generalize, the boomers, who were at the forefront of the "drugs, sex, and rock and roll" revolution, had a very different relationship with their more conservative World War II generation parents. They were eager to leave the nest and break out on their own without expectations of financial help. The robust economy of the past, of course, made that a little easier, but changing attitudes have had an influence as well.

The Reciprocity of Caregiving

No matter what generation, the bond among grandparent, parent, and child remains strong. And as our loved ones age, there comes a time when reciprocity means helping those who once helped us. Instead of grandparents taking care of their grandchildren, they may need care themselves. In fact, care-

giving is a rite of passage for many of us now. Our children may be out of the nest, but we may find that our parents are now the ones in need of some assistance. There are 44.3 million caregivers—one in every five households—and the majority of them are working, doing their best to balance caregiving, careers, and family.³

After I finished college and went off on my own, my grandmother was diagnosed with a chronic heart condition. She was, of course, still living with my parents as it was her home too. My parents, older themselves but in generally good health, became the caregivers to her, and helped her through a period of physical decline followed by her death. It was—and still is—what families do for each other. Like other families, they subsidized her care financially, and my mother retired early so she could be at home. They also provided love and support 24 hours a day.

The caregiving experience with my grandmother was one of the main reasons my parents chose to move into a continuing care retirement community that guaranteed them care for life. I believe they did that as much for me as for them, and it turned out to be a wonderful place for them to grow old. For those who can afford it, perhaps this, or some combination of family care at home supplemented by paid care, will be the new generational norm.

No matter where their loved ones live, it is important to point out that families still provide the lion's share of care to their elderly parents or other relatives. The economic value of unpaid caregiving has been estimated at \$375 billion in 2007, up from \$350 billion in 2006.⁴ Caregivers also pay

money out of their own pocket. A recent study finds that the average caregiver is paying \$5,531 annually, and 34% have dipped into their savings.⁵ And caregiving can have a startling impact on earnings and savings, with lost wealth of working caregivers over a lifetime calculated at \$659,000.⁶ Most of us provide care not only with a sense of obligation, but also out of love for those who took care of us as children, paid for our education, and perhaps helped us financially throughout our adult lives. With the economy in disarray and causing us to reevaluate our lives, all of the generations realize they are in this together and are taking another look at generational obligation and reciprocity.

Implications for Financial Professionals

Life is a continuum. We move from childhood to adulthood to old age, and for most of us at each stage in life, the family (however defined) and our friendships are the most important.⁷ We have financial obligations associated with each stage, but the onset of the 21st century is creating some new dilemmas that earlier generations may not have faced. As financial professionals, we need to help our clients think about expenses and risks that may not have been considered 50 years ago.

For example, what is the financial trade-off for boomer parents in helping their adult children and grandchildren financially versus putting money aside for their own retirement, especially with increases in life expectancy? Studies indicate that boomers would prefer to give money to their children and grandchildren

now rather than leave an inheritance, but will they have enough so they don't jeopardize their own income needs in the future? Would it be more responsible of them to buy protection products like life insurance for their adult children so their grandchildren are taken care of should something happen, or set up a college fund rather than buying them a car or a computer? In regard to elder care, what will boomer financial obligations be for their own parents' care and have they budgeted for that? And finally, how would they like to live out their old age, and would products like long-term care insurance or a reverse mortgage enable them to have control over their own care?

Family and friends are at the core of our humanity. The impact of the new economy has caused many of us to be increasingly aware of what matters the most to us, creating a mix of social, emotional, and monetary needs. The end result may well be that family members will find new ways to help each other and there will be more reciprocity of friends helping friends. Some examples include babysitting or elder care volunteer collectives, new types of reciprocal home care and transportation services enabling us to age in place, and new living arrangements that enable like-minded individuals to move in together and share joys, expenses, and care. This confluence of environmental and behavioral forces creates new opportunities for financial professionals to help their clients evaluate what is most important while, at the same time, keeping

them on solid financial footing in a brave new world. ■

The viewpoints represented in this column belong to the author and are not necessarily those of MetLife.

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- (1) "Grandparents: Generous with Money, Not with Advice" (Westport, CT: MetLife Mature Market Institute, 2009); www.maturemarketinstitute.com.
- (2) "Baby Boomers: From the Age of Aquarius to the Age of Responsibility" (Washington, DC: Pew Research Center, December 2005); http://pewresearch.org/assets/social/pdf/social_trends-boomers120805.pdf.
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