



# The New American Family

## The MetLife Study of Family Structure and Financial Well-Being

September 2012



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## **Society of Actuaries Committee on Post-Retirement Needs and Risks**

The Society of Actuaries is an educational and research organization for actuaries. The Society of Actuaries would like to acknowledge the work of its Committee on Post-Retirement Needs and Risks for its role in this research. The committee's mission is to initiate and coordinate the development of educational materials, continuing education programs and research related to risks and needs during the post-retirement period. Individuals interested in learning more about the committee's activities are encouraged to contact the Society of Actuaries at 847-706-3500 for more information. Additional information and research reports may be found at [www.soa.org](http://www.soa.org).

## **Acknowledgements**

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# Executive Summary

America's families are changing, and as their characteristics and composition are in flux, so is the national character. Such change has implications from the national policy level down to the household and family level. The strength of families is very important to the American economy and is a major factor in consumer spending. Families are also a significant support system — not only between spouses and partners, but also between parents and children and sometimes between other family members. As the family changes, will these financial and social consequences be affected as well?

The MetLife Mature Market Institute (the Institute), in partnership with the Committee on Post-Retirement Needs and Risks of the Society of Actuaries (SOA), examined the circumstances surrounding these structural changes, particularly in connection with its potential impact on financial well-being, family dynamics, and retirement. This study builds on the Institute's prior research on family relationships and the SOA's identification of 15 significant retirement risks in *Managing Post Retirement Risks*.<sup>1</sup>

A nationally representative group of adults aged 45 to 80 were surveyed, and are categorized into one of the family structures listed below. The presence of children was also looked at in each of the family structures.

## Couples

- **Married — first marriage:** currently married, with a prior marital status of either single, never married, or living with partner for both respondent and spouse.
- **Married — second marriage:** currently married, with a prior marital status of divorced or widowed for either/both respondent and spouse.
- **Domestic partnership**

## Non-Couples

- **Divorced/Separated**
- **Widowed**
- **Singles**

One of the major goals of the study was to understand the differences between different types of families, and particularly between first marriage couples with children and couples in second or later marriages with children. The data indicated that there are some differences in planning issues between first and second marriage couples. Second marriage couple partners may have residual obligations to former spouses, and they may include children from former marriages, adding complexity to planning decisions.

## Key Findings

### Overall

- Regardless of family type, retirement security remains a major concern for a large percentage of Americans, particularly concerns about being able to maintain a “reasonable” standard of living for the rest of their lives.
- Health care and long-term care are also top concerns among respondents.
- The effect that changes in taxes and government programs such as Social Security and Medicare have on financial resources for retirement ranked high on the list of concerns.
- Despite common perceptions about Americans delaying retirement and seeking a longer work life, a significant percentage recognizes they may be unable to work as long as they had planned, or find part-time work to provide supplemental income during retirement.
- The presence of children is both a financial burden (half of those with adult children have provided them some financial assistance) and a potential source of support (one-fourth of respondents expect children to help retired parents in need).
- Just about half of respondents have calculated how much monthly income — in addition to Social Security — they will need in retirement. On average, they estimate they will need an additional \$3,136.
- Almost four in 10 respondents do not know where they will turn to for assistance if they are unable to meet their financial obligations in retirement. One-third will turn to state/federal assistance; many will turn to family members.

## Couples

- More couples than non-couples have taken action to lower their debt, have met with a financial advisor, and have invested for their retirement.
- While couples in first marriages report that they are better financially prepared than those in second marriages, couples in second marriages do not feel more vulnerable to financial risks like inflation, stock market fluctuations, or outliving retirement resources.
- Half of couples and fewer non-couples agree that they have a clear idea of what they hope to experience in retirement. More couples than non-couples feel that they have planned well enough that they can face problems when they arise.
- About four in 10 respondents do not expect to support anyone else in retirement. However, the majority of married respondents will be supporting their spouse or relying on their spouse for retirement income.
- The results did not show any clear differences between first marriages and blended families in the roles of parents and children supporting each other, but there appears to be relatively little planning for such support in either type of family. It appears that such support is often unplanned and is not predictable.

## Non-Couples

- Financial security concerns are greater among non-couples, which are an increasing percentage of families in the country.
- More single women believe it's harder for them to save for retirement than respondents who are married or have a blended family.

# Introduction

The composition of households in America today as it relates to family structure is much more diverse than in previous years. According to the 2010 U.S. Census, 300.8 million Americans were living in a variety of arrangements with an average of 2.6 people per household, and 3.1 people per family. Though the number of households has increased since 2000 to 116.7 million in 2010, average household size has decreased, while average family size stayed the same.<sup>2</sup>

We have seen an increase in multi-generational households, which tend to increase in difficult economic times and fall when the economy improves. The most recent Census confirms that in the past 10 years a record number of parents with small children moved into their parents' homes, creating a three-generation household. What differs from the three-generation households of the past is that in most cases today the grandparent is the head of the household.<sup>3</sup>

Today, what may have been thought of as the "traditional family," with a first-marriage husband, wife, with their children, is a smaller percentage of households than in previous years. In contrast, the current Census reports an increase in one-person households to 31.2 million, representing 27% of the population. Among this group, one-third was age 65+. Growth was also seen in same-sex and opposite-sex, non-married couples.

Married couples represented 48% of the households — 28% with children and 20% without children. This would include blended families as well as first married couples.

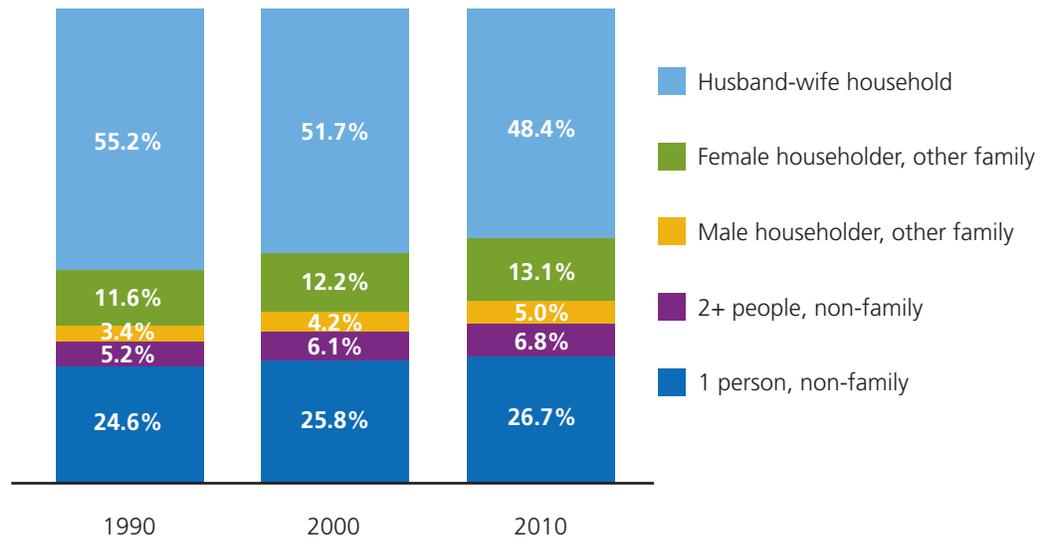
This is the first time that fewer than half (48.4%) of all households were husband-wife households, since data collection on families began in 1940. It is down from 55% in 1990 and 52% in 2000. In contrast, each of the other household types has increased its percentage share since 1990. Figure 1 on the following page represents the current population composition.

## What makes a family?

*"Spouse, biological son or daughter, adopted son or daughter, stepson or stepdaughter, grandchild, parent-in-law, son- or daughter-in-law, other relative, unmarried partner..."*

These are some of the characteristics in the 2010 U.S. Census Bureau questionnaire about family within a household — information it has been collecting in some form since 1880.

**Figure 1: Just under half of households in 2010 were husband-wife families**



Source: U.S. Census Bureau (2012), Households and Families: 2010.

Some key trends in the change of the traditional American family structure include:

- The proportion of two-parent households is on the decline, as single-parent-plus-children households are on the rise.
- Many two-parent households are blended families, and include at least one partner who was married previously. The partners in these households often have children from a prior marriage or relationship.
- The proportion of the population who are single is on the rise as young people delay marriage and starting a family.
- A larger number of older people are living alone than ever before as people live longer.
- With Social Security and other retirement benefits, older people can financially live alone and are generally healthier than in earlier periods.

Questions about the impact of changes in family structure led the Institute, in partnership with the Society of Actuaries (SOA) and its Committee on Post-Retirement Needs and Risks, to examine the financial consequences surrounding these structural changes.

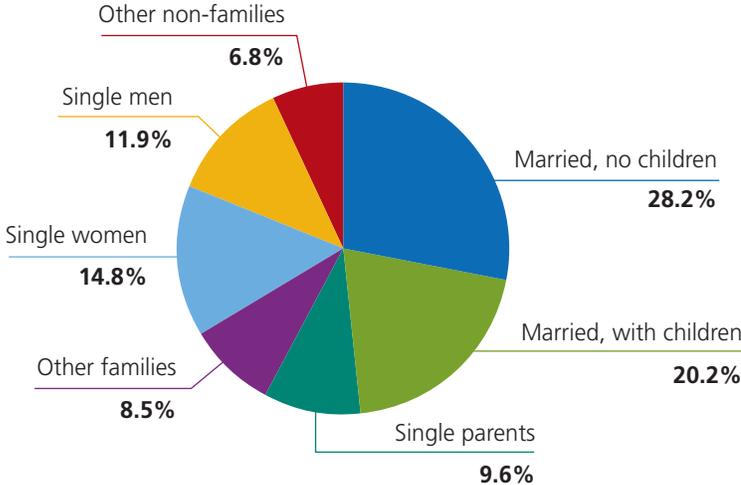
This study uncovered many differences in retirement planning and financial security based on family structure. For example, despite a larger and more complex household, couples are better prepared financially than non-couples. Furthermore, having children has an impact on retirement preparedness as well as on the risks people face in retirement and how they will address them. The study includes comparisons of those with children to those without children among each of the family structures. It is also interesting to uncover the similarities as well as the differences in concerns, regardless of family arrangements.

### The Traditional American Family Is No Longer the Majority

The complete lack of growth in the number of married couples with children (often referred to as “traditional families”) over the past half century is the most striking example of the transformation from what was in the distant past described as “Mom, Pop, and two kids.” As the chart below shows, no slice of today’s household pie is even one-third of the nation’s households. This chart also shows that it’s the non-traditional families and other non-families that have increased most rapidly over the past decade.

The best example of this is the second largest household type after married couple households: people who live alone. The 2010 Census counted 31 million single-person households, up 15% since 2000. That count was over four times the 7 million found in the 1960 census.

#### American Households: 116.7m in 2010, up 11% since 2000



Source: Census Bureau 2010 Census  
 Note: The Census Bureau data reported above are on all U.S. households. The respondents surveyed for this study were ages 45-80.

# Major Findings

## Retirement Planning and the Impact of the Family

### Families of All Types Have Retirement Concerns

Paying for their own living expenses and medical expenses ranked highest as a main concern among those surveyed, 53% and 49% respectively. These held more weight than providing assistance for educational funding to immediate family (21%), providing general financial assistance to their children (21%) or extended family (18%), or paying for long-term care expenses for their parents or grandparents (10%).

While about half of couples are concerned about these expenses, being single, divorced, separated, or widowed — whether with children (57%) or without (63%) — added significantly to the percentage of those who are more concerned about their own living expenses, and to a lesser extent about providing various types of assistance to their family.

Figure 2: Main Concerns Are About Paying Living and Medical Expenses



Some respondents express concerns that their spouse/partner may not be able to maintain the same standard of living after their death if they should die first.

For a limited number of respondents who have not yet retired, the ability to work was a concern, such as not being able to work as long as planned (40%) or not being able to secure part-time work in retirement to supplement income (42%).

## Risks to Financial Security in Retirement

Many of the concerns identified by families mirror the retirement risks that have been identified by the Society of Actuaries (see Figure 2). Categories of concern include longevity, the economy, public policy, health, and family, which can be a source of support as well as risk.

## **Fifteen Retirement Risks\***

### **Longevity: Outliving Retirement Resources**

- I might deplete all of my savings
- I might not be able to maintain a reasonable standard of living for the rest of my life
- I might not be able to leave money to my children/beneficiaries or their heirs

### **Inflation**

- I might not be able to keep the value of my savings and investments up with inflation

### **Interest Rates**

- My income in retirement may vary based on changes in interest rates

### **Stock Market**

- My assets may be eroded due to stock market declines or fluctuations, including stocks in a current or former employer

### **Business Continuity**

- My pension or an annuity I purchased might be reduced due to insolvency of my former employer or an insurance company from which I bought an annuity

### **Employment**

- I might not be able to work as long as I planned
- I might not be able to secure part-time work in retirement to supplement my income

### **Public Policy**

- My financial resources in retirement will be reduced due to changes in government programs such as Social Security or Medicare
- My financial resources in retirement will be reduced due to increases in taxes

### **Unexpected Health Care Needs and Costs**

- I might not have enough money to pay for a long stay in a nursing home
- I might not have enough money to pay for adequate health care

### **Lack of Available Facilities or Caregivers**

- I may not have access or be able to afford quality facilities or caregivers when I need long-term care services
- I might not be able to rely on children or other family members to provide assistance

### **Loss of Ability to Live Independently**

- I might not be able to live independently any longer

### **Change in Housing Needs**

- I might not be able to afford to stay in my current home for the rest of my life

### **Death of a Spouse**

- My spouse/partner may not be able to maintain the same standard of living after my death, if I should die first

### **Other Change in Marital Status**

- I might have retirement savings depleted due to divorce or unwanted action by my spouse

### **Unforeseen Needs of Family Members**

- My retirement resources might be depleted due to providing urgently needed help to other family members

### **Bad Advice, Fraud, or Theft**

- My retirement resources might be depleted due to bad advice
- My retirement resources might be depleted due to fraud or theft

\*Source: Society of Actuaries

## **Retirement Security Amidst Economic Volatility**

The volatility in today's economy raises additional external factors which were identified as major or significant concerns by respondents, including increases in taxes (39%), changes in interest rates (30%), stock market fluctuations or declines, including stocks in a current or former employer (29%), and reductions in a pension or annuity due to the insolvency of an employer or an insurance company from which an annuity was purchased (20%).

Respondents were also concerned about maintaining a reasonable standard of living for the rest of their lives (43%), the ability to keep the value of their savings and investments up with inflation (42%), and the ability to afford to stay in their own home for the rest of their lives (36%).

Singles (46%) were much more likely to indicate that depleting their savings was a major or significant concern as compared with couples with children (35%) and couples without children (36%). Singles (35%) were particularly likely to indicate a concern with retirement income varying based on changes in interest rates.

## **The Role of Social Security and Medicare**

Changes in government programs such as Medicare and Social Security that might reduce one's financial resources in retirement topped the list of external factors that were a concern for retirement, with 54% of respondents citing it. For many, Social Security is an important source of retirement income, while Medicare remains the primary medical insurance for those age 65+.

Increased costs under Medicare and reduced benefits in either program could have a significant impact for many retirees.

## **Longevity and Health Concerns**

Health care events and costs contributed to concerns around depletion of savings and investments. This includes not having enough money to pay health care expenses (45%), not having enough money to pay for a long-term stay in a nursing home (44%), being able to afford quality facilities or caregivers when they need long-term care services (42%), and not being able to live independently any longer (39%).

### **Keeping concerns in perspective**

This study looks at perceptions and concerns. The suggested strategies however also consider common misperceptions and expected resource levels.

Society of Actuaries' (SOA) work shows some areas of misperception and misunderstanding when individuals think about retirement risks. For example, they underestimate expected life spans and they underestimate the impact of working longer in enhancing retirement security.

Other SOA work shows that many households do not have the resources to retire and maintain their pre-retirement standard of living.

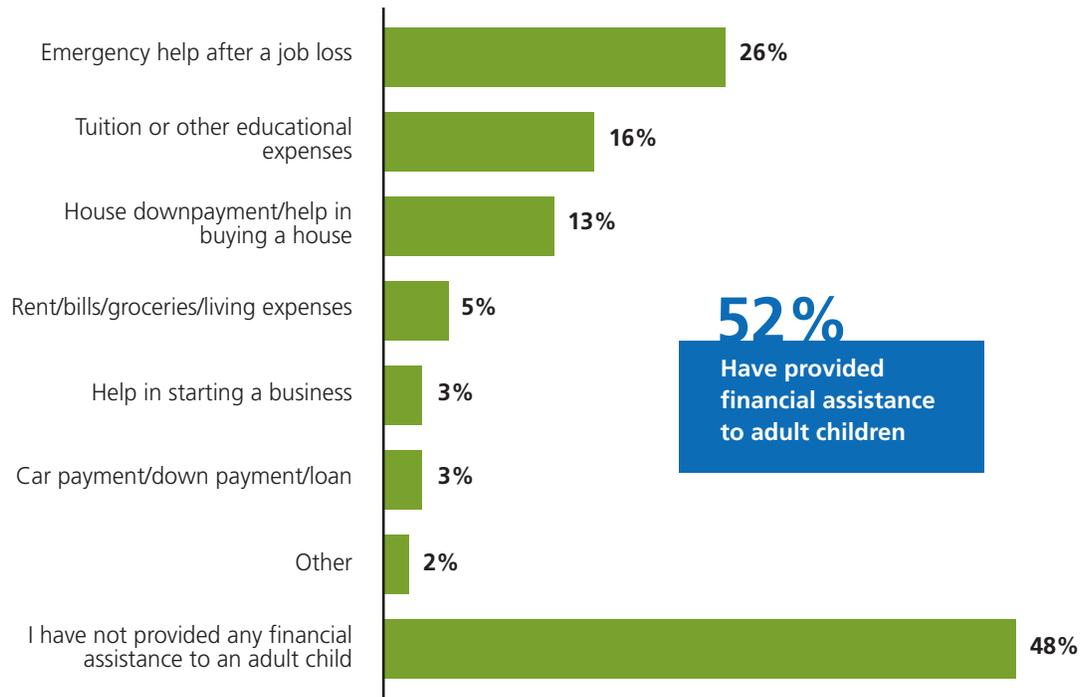
## **Family: A Source of Support and Potential Risk to Retirement**

### **Financial Assistance to Children**

The majority of respondents surveyed, 72%, have children — about three (2.9) children on average including those from previous relationships. Their children tend to be age 25 and older, and have children of their own.

Just over half (52%) of respondents with adult children have provided them with some type of financial assistance. The primary reason for this assistance is emergency help after a job loss, followed by help with tuition or a down payment on a house (see Figure 3). Overall, respondents report the help they have provided has moderate to no impact on their retirement security. Even though more couples (56%) than non-couples (46%) have provided this type of assistance to their children, non-couples with children were more likely than couples with children to say it will have a greater impact on their retirement security.

**Figure 3: Half have provided financial assistance to children**



*Have you provided financial assistance to an adult child for any of the following?  
Base: Have children age 18+*

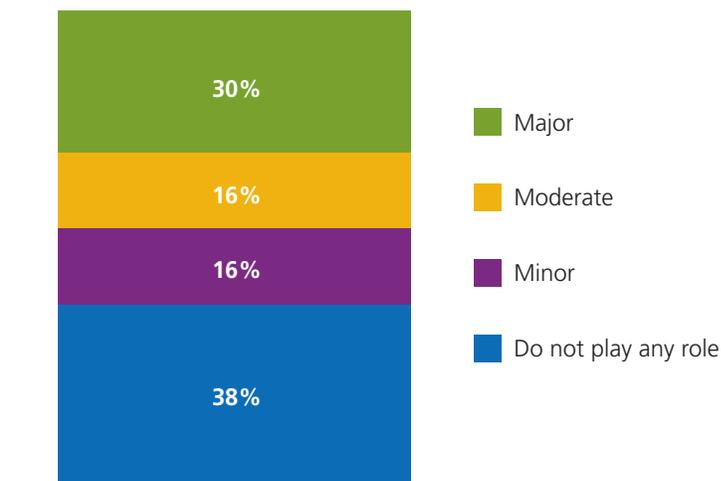
### Blended Families

Almost two in 10 (17%) respondents are part of a “blended family” — one that is made up of children from a prior relationship(s). Of these blended families, just over three-quarters are second marriages, and the remaining are domestic partnerships. When their families became blended — either through marriage or living together, most (70%) had at least some children who were still financially dependent, adding to their financial responsibilities.

While first marriage couples report that they are better financially prepared than second marriage couples, second marriage couples do not feel more vulnerable to financial risks like inflation, stock market fluctuations, or outliving retirement resources. However, among those with children, second marriage couples are more likely to report concerns including working as long as planned, securing work in retirement, or depleting savings.

Among those who have children from their spouse's or partner's prior relationship(s), a full 45% have contributed to the children's financial support. The extent to which the respondents played a role in raising or supporting these children was almost evenly divided between those who played a minor or no role in raising and supporting their spouse's children from a previous relationship (54%) and those who played a moderate to major role in their upbringing and support (46%) (see Figure 4). Some of this may be the result of children in these blended families (i.e., stepchildren) being generally older.

**Figure 4: Playing a role in raising children from previous relationships**



*How large a role did you play in raising and/or supporting your current spouse's/partner's children from a former relationship? Base: Those whose spouse/partner has children from prior relationship*

## Family Support and Retirement Risks

While support for family was identified as a lesser risk than some others, 20% of respondents identified that retirement resources might be depleted by providing urgently needed health care to other family members.

Couples and non-couples with children (21% and 22% respectively), were more likely than couples without children (15%) to be concerned that providing urgently needed assistance to other family members might deplete their retirement resources.

With parents supporting adult children and grandchildren, and increasing numbers of individuals serving as caregivers to parents or other family members, the risk to a secure retirement may be greater than individuals realize.

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*“If my son does not get his act together soon for his and his daughter’s sake, and I have to keep helping with his bills, I may not be able to retire any time soon.”*

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On the flip side, adult children can be a source of support for many parents in retirement, providing various forms of help. In fact, 24% of respondents agree that children are expected to help retired parents in need. While most people say they prefer not to rely on children (only 19% said they would turn to their children if they needed financial assistance), in fact many children become helpers when needed.

### Many Are Behind in Retirement Preparation

Despite concerns for retirement, many are behind in their savings goals and preparation for a secure retirement. Across all family circumstances, very few have reached a sense of adequacy for their retirement savings. A large number of respondents do not feel that they are well prepared financially for retirement, with four in 10 reporting they are behind on reaching their retirement savings goals, and 24% report being significantly behind (see Figure 5).

Figure 5: Few report they have reached adequate savings



Here again, being part of a couple has a significant impact on financial preparedness. More couples (34%) have achieved or are on track for achieving their retirement savings goals than non-couples (21%). Singles are the least prepared for retirement, with the highest percentage of those who say they have not started their retirement savings yet (20%), and a considerable number of them do not even have any goals set (27%).

While non-couples lack the additional income from a spouse or partner, this is a further reflection that non-couples tend to be less secure financially than others in general. Family structure certainly has an impact here, with half of non-coupled women feeling it is harder for them to save for retirement than for those who are married, especially for those with children (55%).

Just over one-third of couples (men and women) agree that it is harder for them to save and plan for retirement than it is for singles. However, the presence of children has a major impact, and more couples with children find it is harder for them than for singles.

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*“I don’t have a lot of savings and work at a job that pays okay, but not well enough to allow me to save a lot. Having to support an adult child uses resources that I could be saving for retirement.”*

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Indeed, many respondents with children find it is harder for them to save and to plan for retirement than it is for people without children in general. Though to a lesser extent, respondents without children agree.

### **Limited Finances Impact Planning**

Having limited assets and income is the primary challenge for the largest percentage of pre-retired respondents (34%) as they plan for retirement. This is followed by 25% who feel their number one challenge is unexpected expenses. Too much debt plays a role for only 15%. Interestingly, a very small percentage (4%) cast doubt on their self-discipline to save in comparison to external factors.

We again see a significant difference between family types in the perceived challenges they face in retirement planning. Many more couples see unexpected expenses as an issue (30%) in comparison to non-couples (20%), while much larger percentages (40%) of non-couples see limited assets/income as their major challenge to planning compared to couples (29%). This difference could be traced to the generally lower household incomes of non-couples in this study. Couples may be quite realistic in their view, as generally larger households offer more potential for the unexpected expenses to arise.

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*“No ability to plan for retirement. It takes everything I can come up with to save.”*

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## **Steady Income and Higher Savings Provide Reassurance**

What would provide reassurance in being prepared or organized for retirement needs? Just about half (49%) of respondents pointed to having a steady stream of monthly income, while just under one-third (31%) felt higher savings was key. These are followed by a clear idea of future routine and predictable expenses, and guarantees to cover unexpected expenses (both 23%). It's understandable that after the economic volatility of the past few years, many are eager to have some stability, guarantees, and steady income. However, their actual response is an interesting study in contrasts, in which family structure plays a part.

Respondents were asked to choose from among a list which financial products they currently own and plan to use to fund their retirement. Among them, life insurance (34%), traditional defined-benefit pension plans (31%), 401(k) and similar pension plans (29%), and IRAs (29%) were the top products identified, with additional savings also playing an important part for many (31%). Other investments such as stocks and mutual funds, insurance such as annuities and long-term care insurance, and savings such as CDs, etc. play a part for some as well. About one-quarter do not have any of these financial resources. In reality, even a simple majority lack the basic financial resources for their needs.

For example, only 42% of couples with children have financial resources from life insurance that they can or plan to use for supplemental retirement funding. For non-couples with children, this drops to 30%. Similarly, relatively few respondents overall have financial security resources such as annuities (14%) as a steady stream of income or long-term care insurance (9%) to protect their assets.

## **Plans for Protection without Longer Term Solutions for the Majority**

Consistent with prior SOA research, the majority plan to protect themselves financially by cutting back or planning to cut back on their spending (83%), pay down debts as much as possible (82%), and increase their saving (84%). These responses are laudable, and are areas over which the respondents can exercise control.

The comparatively small percentages who would accept other longer term solutions are also notable however. Relatively fewer respondents have postponed or plan to postpone taking Social Security benefits (32%), seek sources of guaranteed income (32%), or work longer (49%), all of which have been suggested as important considerations for increasing financial security. Family considerations play a role here, as significantly larger percentages of couples, especially those with children, are enacting multiple strategies to protect their financial security.

## The Retirement Risk of Being Unaware of Financial Needs

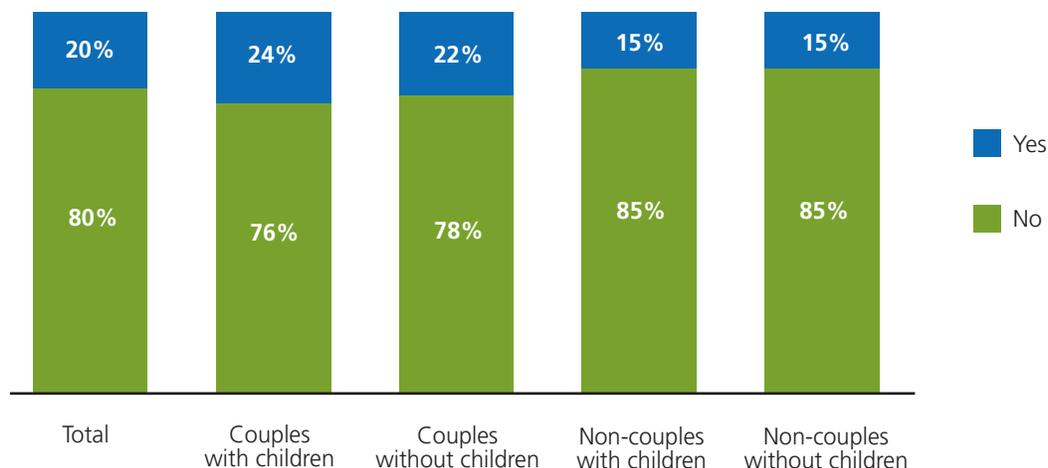
Another important step in the planning process is simply to consider how much monthly income is needed, in addition to Social Security benefits, to live “comfortably” in retirement. Although 52% of respondents have not done this, couples with children estimated the highest need (\$3,561), while non-couples with children estimated the lowest need (\$2,536). The average monthly amount estimated was \$3,136. As a result, in addition to the average \$1,235 monthly Social Security payment,<sup>4</sup> respondents estimated that they will need a total of \$4,371 of average monthly income from all other sources for a comfortable retirement (\$52,452 annually).

Respondents estimate they will need **\$3,136** average monthly income in retirement beyond what Social Security provides.

## Few Are Seeking Professional Advice

There is also a mixed bag of approaches to the planning process and dealing with the unexpected, with approximately equal percentages feeling actively in control (16%), those who simply hope for the best and “knock on wood” without actually having some plan for dealing with the unexpected circumstances when they arise (15%), and those trying to balance their current needs along with sacrifices today to ensure a more secure future (14%). Another significant segment reports they are just overwhelmed (12%).

Figure 6: Few are seeking financial advice



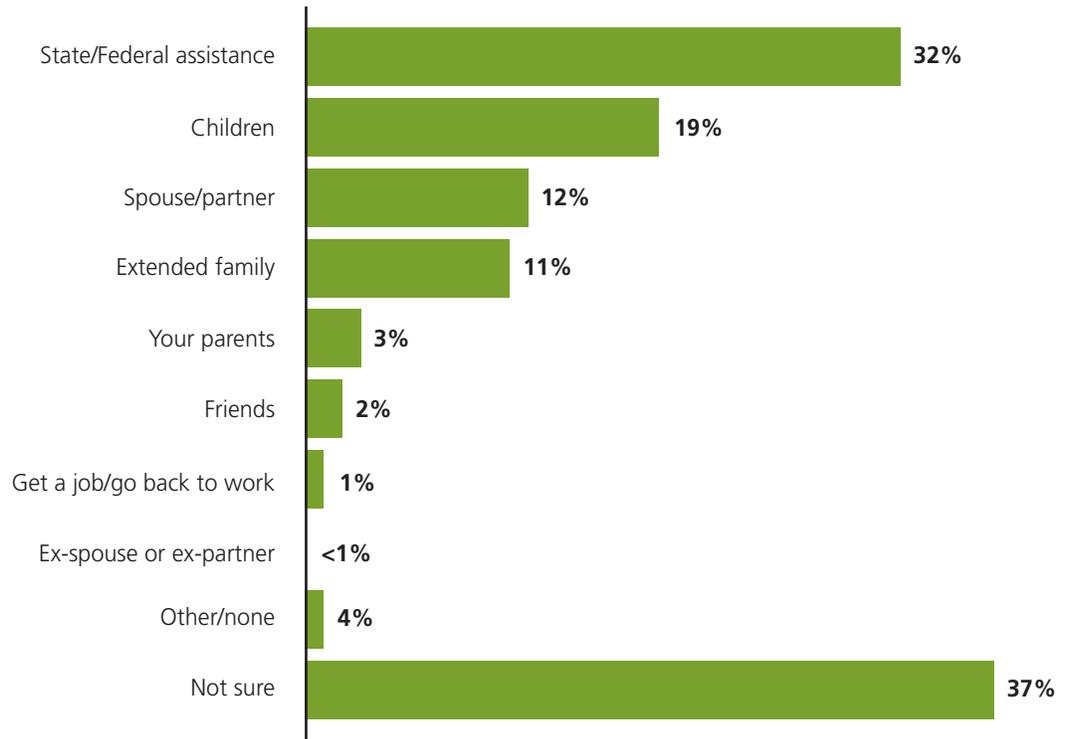
Do you and your spouse/partner currently work with a financial advisor to help plan for your retirement?

Overall, relatively few (20%) respondents use the services of a professional financial advisor to help in their financial planning process for retirement and assess whether their projected needs are reasonable, accurate, or achievable, or assist in overcoming procrastination or the feeling of being overwhelmed (see Figure 6). Couples however are more likely (24%) to seek out these professional services in comparison to non-couples (15%). Such inertia, while seemingly commonplace, adds to the feelings of being overwhelmed or unable to make any progress regarding family financial security.

### Sources of Assistance in Retirement

Overall, the majority (63%) of respondents expect to turn to others for financial assistance if needed in retirement. About one-third (32%) would turn to state/federal assistance. Many would turn to family for assistance if needed, including children (19%), their partner/spouse (12%), or other family members (14%). Close to four in 10 respondents (37%) were not sure where they would turn if they needed financial assistance in retirement (see Figure 7).

**Figure 7: Many plan to rely on state or federal assistance if financially in need**



*If you were unable to meet your financial needs in retirement, who would you turn to for assistance?*

Among couples with children, those in a second marriage are more likely than those in a first marriage to say they would turn to state or federal assistance if they were in need (33% versus 26%). Overall, non-couples (35%) were more likely to expect to rely on state/federal assistance than couples (29%).

Non-couples with children (30%) were more likely than couples with children (24%) to expect to receive assistance from their children. Only 4% of singles expect to receive help from children and are more likely to expect assistance from extended family members. Overall 37% were not certain where assistance would come from, with non-couples without children (44%) most likely to be uncertain where assistance would come from.

### **Actions that Mitigate Retirement Risk**

Respondents were asked what they would be willing to do to increase their income and/or lower expenses in retirement if they were unable to meet their financial needs. They were most likely to take a full-time or part-time job (45%) or move to a less expensive residence (42%). A small percentage (13%) indicated they would move in with family members. Twenty-eight percent were uncertain what they would do. Among the 72% who own their residence, only a small percentage would consider taking a second mortgage (4%) or taking out a reverse mortgage (13%).

The study leaves us with concerns for individuals approaching or in retirement. There is a great deal of uncertainty about security as well as sources of support. Plans for earning income may be unrealistic for many. For instance, 45% percent indicate they would find a full-time or part-time job to increase retirement income, yet health reasons and the job market may make this an unrealistic option. The study holds implications for each of the family types as well as for employers and financial professionals, who are important resources to assist individuals with achieving financial security in retirement.

# Implications

While the results of this study indicate that most respondents are not well prepared for retirement, it also uncovers differences in retirement planning and concerns based on family structure. In general, couples are better prepared than non-couples. Additionally, the presence of children has an impact on retirement preparedness, as well as the risks people face in retirement and how they will address them. The diverse structure of U.S. families surveyed provides

implications for each of the family types, as well as implications for employers and financial planners. A one-size-fits-all planning strategy is no longer sufficient. Strategy needs to be linked to the needs of different family structures. Households are also in different tax situations and this may affect their best choices.

If only **\$1,235** of estimated **\$4,371** monthly income for a “comfortable” retirement is coming from Social Security, where is the rest coming from?

Strategies that are important to all family structures include:<sup>6</sup>

- Maintaining appropriate health insurance
- Making sure legal affairs are in order
- Paying attention to and evaluating Social Security claiming age and amount
- Being certain to have contingency plans for the unexpected
- Educating themselves on retirement planning and risk management options
- (If employed) Taking advantage of workplace programs related to financial wellness and the workplace benefits available to them, including protection products for themselves like disability income insurance and long-term care insurance and products to protect their children if they have children e.g., life insurance
- Accurately estimating their retirement risks and financial needs. The study revealed that many respondents projected that they would need income in retirement equivalent to their current income. Many experts suggest that a replacement of 80%-90% of pre-retirement income provides a comparable retirement lifestyle.

## Married Couples

Couples in a first marriage tend to have higher education, higher average income, and high home ownership rates. Almost four in 10 are on track or have achieved their savings goals. Another four in 10 feel they are behind in goals.

### Important strategies for couples in a first marriage include:

- Continuing to save and using financial products to create income for a lifetime, especially those with children in view of the fact that they feel they are behind in their savings goals.
- Factoring in the possibilities of downturns in the stock market, tax increases, etc., and the ability to maintain their lifestyle and security after the loss of a spouse.
- Recognizing the impact of supporting others when making retirement planning decisions, especially those who have children.

Couples in a second marriage with children expressed concerns about keeping their savings up with inflation, their spouse's being able to maintain their lifestyle should they die, taxes and changes in Social Security and Medicare reducing their resources, and being able to work as long as they like. Many may be supporting their spouse's children. They also have lower retirement assets on average than first marriage couples.

### Important strategies for couples in a second marriage include:

- Saving for retirement and using products to create income for a lifetime as just under one-third are on track or have achieved goals and more than four in 10 feel they are behind.
- Ensuring legal documents are in place to define obligations and resource ownership considering both previous and current spouses and children from both marriages.
- Keeping in mind the potential impact that supporting other family members has on their own retirement.

## **Domestic Partnerships**

Many couples in a domestic partnership have concerns about meeting expenses in retirement, outliving retirement income, and saving enough for retirement.

### **Important strategies for couples in a domestic partnership include:**

- Educating themselves on special issues related to planning for retirement risks, saving for retirement, and planning for lifetime income considering their household structure.
- As non-married partners, recognizing the fact that they may not have the same rights with employee benefits and legal entitlements as married couples. They are treated differently than married couples for Social Security and Medicare. They may need to seek legal advice on documents that will protect themselves, their partners, and other family members. Domestic partners have access to some kinds of benefits and rights, and not to others. This can vary by employer and state.

## **Widows**

Widows represent the oldest group among those surveyed. Only 26% are employed. Though they have a good idea about how much they need for retirement, they are among the lowest in terms of financial resources for retirement. They own few insurance or retirement income products. Widows generally have fewer concerns about retirement than other groups.

### **Important strategies for widows include:**

- Realistically assessing their financial resources and capability. This especially involves considering the purchase of products that will provide protection in retirement, e.g., long-term care insurance and financial products to guarantee a stream of lifetime income.
- Understanding the availability of family members to offer various types of help and support and maintaining an appropriate network for support if family members are not readily available.

## **Divorced or Separated Individuals**

Those divorced or separated, particularly those with children, are at a higher risk for retirement security. They have among the lowest average income and assets and lack a clear idea of what they wish to achieve in retirement, how much they will need for basics and whether they will have enough money for a secure retirement. They are concerned about not having enough to pay for health care and to leave money to children. They worry they might not be able to rely on family for assistance, may not be able to afford quality long-term care services, and their financial resources will be reduced due to changes to Social Security and Medicare. Almost four in 10 are employed with one-third not currently working and one-quarter fully retired. They have the lowest number of retirement products.

### **Important strategies for divorced or separated individuals include:**

- Recognizing that as individuals with relatively low income and assets they are at greater risk to achieving financial security in retirement.
- Particularly for those with lower income, consider delaying Social Security to increase their monthly income in retirement and become aware of the public benefits and social safety net programs.
- Considering protection products, e.g., long-term care insurance for themselves and life insurance if they wish to leave a legacy to children.
- Assuring they will have adequate health insurance in retirement since paying medical expenses is a concern for them.

## **Singles, Never Married**

Singles have among the lowest income (\$32,000) and assets, and lowest home ownership rates (43%). Fewer than two in 10 believe they are on track/have achieved goals and more than one-third feel they are behind. About one in four have not started saving for retirement.

**Important strategies for singles include:**

- Planning and saving for retirement. Their high level of concern, limited income and assets, low level of saving, limited planning, and few retirement-related protection products puts this group at risk for retirement security but, being the youngest group, they have more time to plan.
- Understanding the value of and taking advantage of employee benefits that can support their retirement. The fact that a large percentage are in the workforce and the presence of defined contribution plans and benefits including health and voluntary benefits (including life, disability income, critical illness, long-term care, and dental insurance) if available could assist with their becoming more secure in retirement preparation.
- Making sure their legal affairs are in order and executing documents such as a will, health care advance directives, powers of attorney, and trusts should they have dependent children.

**Financial Planners**

New insights provided from the study hold additional implications for financial planners. While many focus on the “traditional family” model of a husband, wife, and children, today there are multiple family types that need to prepare for retirement and as the study demonstrates there are concerns specific to particular family types that need to be addressed in the planning process. A one-size-fits-all model and a singular approach to the planning process will not address the specific concerns of multiple family types.

In order to best address risks, the planning process needs to begin sooner rather than later and needs to include consideration at various life stages to protect one’s savings and secure their future and that of dependents. Life insurance, disability income insurance, and long-term care insurance can provide protection for key unexpected events that can have a significant impact on preparation for retirement and protecting one’s assets and income stream in retirement.

Knowing the special issues related to particular family types will allow planners to help individuals in these particular groups understand where they may need to put additional focus in the planning process. Discussion of the possibility of certain risks based on family type may help to engage clients in the process and for those that are couples engage them in a discussion with each other to see if they are on the same page.

## Group Benefits Professionals

Studies have shown “financial wellness” is important to employee productivity and the workplace is the linchpin for financial security. Brokers and insurers have an opportunity to help employers offer benefits that look at the need of employees at various ages and life stages and family types and develop educational programs surrounding financial wellness and retirement preparation that meet the diverse needs and learning preferences of employees. Employers need an engaged and productive workforce in both good times and bad. Benefits and educational programs can differentiate an employer and help in attracting and retaining talent. They can also help employees feel more financially secure and be more productive in the workplace if they have fewer financial concerns. MetLife’s *10th Annual Study of Employee Benefits Trends* found 22% of employees indicated they took time off from work to handle a personal financial issue. Financial wellness among employees benefits both the employer and employee.

It is important for brokers or insurers working with employers to help them understand the specific risks the various family types face in attaining financial security and planning. This study shows many individuals are not prepared for retirement and that different family types have specific risks that need to be addressed. The *10th Annual Study of Employee Benefits Trends* shows employees value benefits including retirement benefits and voluntary benefits such as life and disability income insurance and many indicate they would be willing to pay the entire cost if multiple options were available. They would like benefits to accommodate the needs at various life stages and ages as well as in individual circumstances. They are also looking for financial education at all ages in the workplace.<sup>7</sup>

## Employers

Employers are beginning to focus on “financial wellness” as well as physical wellness as they recognize these programs lead to greater productivity. Employees are seeking education on finances and the availability of a greater variety of voluntary benefits even if they need to pay the full cost. Both education and the availability of retirement benefits and voluntary benefits are important to assist employees with feeling financially secure.

Programs and benefit strategies work best when designed to meet the needs of the multiple generations in the workplace, and as this study shows, the many family types that currently make up the workforce and the retiree population. One area that should be a focus is the value of employee benefits and the important part they play in protecting assets and assuring income and protection for individuals and families, both during the working years and in preparation for retirement.

Employers may want to consider a series of financial wellness programs to meet various needs throughout one's career, including preparation for retirement. Financial wellness programs should include consideration of various family types and the risks that are particular to them. Delivery of information may include printed materials, webinars, seminars, and online tools and information.

### **Final Thoughts on Risks**

This study has provided a view of the risks people face, the concerns they have, and how well they feel they are preparing for retirement. While we see similarities with the overall sample within each of the groups, we also see specific concerns related to various family types that need to be understood and addressed.

Starting the process early and perhaps discussing the various retirement and protection products at various points in time throughout the years may focus more importance on the value of participation in retirement savings programs at an earlier age and protecting what is being saved through employee benefits. Lack of protection products for the unexpected events is especially evident among single individuals who may be at highest risk in retirement, where women will represent the majority at older ages.

The study also shows that planning basics, such as calculating how much one will need in retirement, are not being addressed by many. In some instances people do not recognize potential risks such as assisting family members, which can diminish one's own retirement resources. Adult children for instance may be either a financial burden if they need financial assistance or a potential support for retired parents. Family structure is a key component and should be a consideration in the retirement planning process for individuals, families, and financial professionals.

# Methodology

*The New American Family* was conducted by GfK Custom Research North America on behalf of the MetLife Mature Market Institute between February 8 and February 19, 2012. The national online survey included 2,522 adults age 45 to 80 who were grouped into one of the following six family structures with and without children.

## Couples

- Married — first marriage
- Married — second marriage
- Domestic partnership

## Non-Couples

- Divorced/Separated
- Widowed
- Single, never married

The study examined 15 retirement risks defined by the Society of Actuaries in *Managing Post-Retirement Risks*<sup>8</sup> and its ongoing *Risks and Process of Retirement Survey* series.<sup>9</sup> Respondents were asked to indicate their level of concern with a series of 22 statements addressing the 15 risks. See Appendix B for data on each of the risk statements by family structure.

# Appendix A: Family Summaries

This appendix provides an overview of the demographics, retirement and savings planning progress, and retirement concerns and risks reported by each of the family types surveyed.

The rankings from highest to lowest on certain variables represent relative comparisons among the groups surveyed.

## First Marriage with Children

### Profile

- Average age (59.5); about four in 10 (39%) are employed; they have an average of 2.5 children and 4.6 grandchildren.
- Half (50%) are college-educated.
- \$69K average household income, \$236K average household assets; 88% own their homes.

### Retirement Savings/Planning

- Almost four in 10 (37%) are on track or have achieved their retirement savings goals; four in 10 (41%) feel they are behind.
- More than half (52%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- Among couples with children, they are least likely to report concerns with paying living expenses (43%) and medical bills (44%).
- About half report concerns about saving for retirement (51%) and paying living expenses in retirement (46%), and 37% are concerned about outliving their retirement money; yet, among couples with children, they are the most likely to expect to have enough money for a secure retirement (37%).
- Over half (55%) agree that they have a strong family culture of helping one another, but many (38%) recognize family needs are a barrier to saving enough for retirement.

## First Marriage without Children

### Profile

- Average age (58.2); just over four in 10 (42%) are employed.
- Almost six in 10 (57%) are college-educated.
- \$67K average household income, \$224K average household assets; 85% own their homes.

### Retirement Savings/Planning

- Four in 10 (40%) are on track/have achieved their retirement savings goals; just over one-third (35%) feel they are behind.
- More than half (55%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- Nearly half are concerned with paying their living expenses (48%) and medical bills (46%).
- With regard to retirement, half (52%) are concerned about saving enough, and 45% are concerned about paying their bills once retired; another 35% fear outliving their money.
- Over half have a clear idea of what they hope to achieve in retirement (54%) and a good idea of how much money they need to fund basics for retirement (54%); only 35% expect to have enough money for a secure retirement.
- Four in 10 (42%) report having a strong family culture of helping one another, and one-third (32%) recognize that family needs are a barrier to saving enough for retirement.

## Second Marriage with Children

### Profile

- Average age (59.3); four in 10 (40%) are employed.
- They have an average of 3.7 children and 5.7 grandchildren; half (49%) financially support spouse's children; almost six in 10 (57%) have provided assistance to an adult child.
- Less than half (44%) are college-educated.
- \$65K average household income, \$189K average household assets; 84% own their homes.

### Retirement Savings/Planning

- Three in 10 (30%) are on track/have achieved their retirement savings goals; over four in 10 (46%) feel they are behind.
- More than half (53%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- Over half report current concerns with paying living expenses (50%) and medical bills (52%).
- Over half report concerns about retirement such as saving enough for retirement (56%) and paying bills in retirement (54%). Another 42% are concerned about outliving their retirement money.
- Half (51%) have a clear idea of what they hope to achieve in retirement, and 53% have a good idea of how much money they need to fund basics for retirement; only 28% expect they will have enough money for a secure retirement.
- Almost six in 10 (57%) report they have a strong family culture of helping one another in need, and many (44%) recognize family needs are a barrier to saving enough for retirement.
- Four in 10 (40%) worry that their spouse may not be able to maintain the same standard of living after they die.
- More than four in 10 are concerned about work in retirement — 44% report concerns about not working as long as planned, and another 45% report concerns about not being able to supplement their income with part-time work in retirement.

## Domestic Partners with Children

### Profile

- Average age (55.2); over half (53%) are employed.
- They have an average of 3.7 children and 4.8 grandchildren; about three in 10 (29%) financially support partner's children; over half (53%) have provided assistance to an adult child.
- Half (51%) are college-educated.
- \$57K average household income, \$148K average household assets; 60% own their homes.

### Retirement Savings/Planning

- One-quarter (24%) are on track/have achieved their retirement savings goals; more than four in 10 (43%) feel they are behind.
- Four in 10 (41%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- About six in 10 report concerns about paying their living expenses (58%) and medical bills (60%).
- Almost six in 10 have concerns for retirement including saving enough for retirement (57%) and paying bills in retirement (56%). Another 50% are concerned with outliving their retirement money.
- Just over four in 10 have a clear idea of what they hope to achieve in retirement (43%) and a good idea of how much money they need to fund basics for retirement (41%); only 23% expect to have enough money for a secure retirement.
- Over four in 10 (45%) feel they have a strong family culture of helping one another, while many (36%) recognize that family needs are a barrier to saving enough for retirement.
- Just over half (52%) worry that they won't maintain a reasonable standard of living for the rest of their lives.
- Approximately half worry about not having enough money to pay for health care (54%) or having access to long-term care services or caregivers (50%).

## Divorced/Separated with Children

### Profile

- Average age (58.5); four in 10 (40%) are employed.
- They have an average of 2.6 children and 4.4 grandchildren.
- Less than half (45%) are college-educated.
- \$39K average household income, \$102K average household assets; 57% own their homes.

### Retirement Savings/Planning

- Only 16% are on track/have achieved their retirement goals; over four in 10 (45%) feel they are behind.
- Four in 10 (40%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- Paying living expenses (60%) and paying for medical bills (53%) are high current concerns among this group.
- About six in 10 express concerns about retirement including saving enough for retirement (59%) and paying bills once retired (58%). Another 44% are concerned with outliving their retirement money.
- Four in 10 have a clear idea of what they hope to achieve and have a good idea of how much money they need to fund basics in retirement (both 43%); only 24% expect to have enough money for a secure retirement.
- Over half (54%) report a strong family culture of helping one another when needed, and a third (34%) recognize that family needs are a barrier to saving enough for retirement.
- Half (49%) fear they might not be able to maintain a reasonable standard of living for the rest of their lives.
- Many are concerned with health care in retirement – 51% fear they won't have enough money to pay for adequate health care, and 46% fear they won't have money to pay for a nursing home stay.

## Divorced/Separated without Children

### Profile

- Average age (58.4); just over one-third (35%) are employed, 29% are fully retired, 37% are not currently employed.
- Half are college-educated (50%)
- \$31K average household income, \$104K average household assets; 51% own their homes.

### Retirement Savings/Planning

- Only about two in 10 (22%) are on track/have achieved their retirement savings goals; about one-third (32%) feel they are behind.
- Over four in 10 (44%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- More than two-thirds (68%) are concerned with paying their living expenses, and 49% are concerned with paying for medical bills.
- Over half express concerns related to retirement such as saving enough for retirement (53%) and paying bills once retired (55%); another 41% are concerned with outliving their retirement money.
- Just under half have a clear idea of what they hope to achieve in retirement (49%) and a good idea of how much money is needed to fund basics for retirement (48%); only 23% expect to have enough money for a secure retirement.
- Fewer (41%) report having a strong family culture of helping one another in times of need, and one-quarter (26%) recognize that family needs are a barrier to saving enough for retirement.
- Over four in 10 fear they might not be able to maintain a reasonable standard of living for the rest of their lives (46%) or their savings and investments won't keep up with inflation (41%).

## Widowed with Children

### Profile

- Average age (66.2); just over a quarter (26%) are employed; 54% have fully retired.
- They have an average of 2.7 children and 5.6 grandchildren.
- Just over four in 10 (43%) are college-educated
- \$34K average household income, \$117K average household assets; 71% own their homes.

### Retirement Savings/Planning

- About three in 10 (29%) are on track/have achieved their retirement savings goals; over a third (35%) feel they are behind.
- Almost six in 10 (59%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- Just under half (48%) express concerns with paying their living expenses, and 43% express concerns with paying for medical bills.
- Many are concerned about saving enough for retirement (44%), paying bills once retired (47%), and outliving their retirement money (36%).
- Half have a clear idea of what they hope to achieve in retirement (50%) and a good idea of how much money they need to fund basics for retirement (54%); fewer (30%) expect to have enough money for a secure retirement.
- Six in 10 agree that they have a strong family culture of helping one another in need, and one-quarter (26%) recognize that family needs are a barrier to saving enough for retirement.
- About three in 10 worry that they might not be able to leave money to their children (29%) or that they might not be able to rely on children or other family to provide assistance (31%); 41% fear they might not be able to live independently any longer.

## Widowed without Children

### Profile

- Average age (62.4); only a quarter (26%) are employed; 41% are fully retired.
- Over half (52%) are college-educated.
- \$39K average household income, \$178K average household assets; 71% own their homes.

### Retirement Savings/Planning

- Three in 10 (31%) are on track/have achieved their retirement savings goals; almost four in 10 (39%) feel they are behind.
- Almost six in 10 (57%) have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- Half (52%) are concerned with paying their living expenses and another 43% are concerned with paying for medical bills.
- Four in 10 express concerns with saving enough for retirement (40%) and paying bills once retired (41%), but only one-quarter are concerned with outliving their retirement money.
- Half (50%) have a good idea of how much money they need to fund basics for retirement, and 40% have a clear idea of what they hope to achieve in retirement, however one-quarter expect to have enough money for a secure retirement.
- Over four in 10 (45%) report a strong family culture of helping one another, and some (19%) recognize that family needs are a barrier to saving enough for retirement.
- Relative to other family types surveyed, widows without children are less likely to report many of the concerns presented to them.

## Singles with/without Children

### Profile

- Average age (54.6); almost half (46%) are employed.
- They have an average of 2.1 children and 3.1 grandchildren.
- Less than half (44%) are college-educated.
- \$32K average household income, \$110K average household assets; 43% own their homes.

### Retirement Savings/Planning

- Fewer than two in 10 (17%) are on track/have achieved their retirement savings goals; over a third (36%) feel they are behind and 20% have not started saving for retirement.
- Only 36% have calculated how much income they would need to live comfortably in retirement.

### Concerns/Risks

- Over two-thirds of singles (68%) are concerned with paying their living expenses and another 59% are concerned with paying for medical bills.
- Over six in 10 express concerns with saving enough for retirement (64%) and paying bills once retired (62%); half (51%) are also concerned with outliving their retirement money.
- Only 37% have a clear idea of what they hope to achieve in retirement and 42% have a good idea of how much money they need to fund basics for retirement; only 18% expect to have enough money for a secure retirement.
- Just under half (49%) report a strong family culture of helping one another, and three in 10 (31%) recognize that family needs are a barrier to saving enough for retirement.
- Over half of singles are concerned with maintaining a reasonable standard of living for the rest of their lives (55%) or having enough money to pay for adequate health care (53%).
- Almost half worry that they might not be able to have access to long-term care services (48%), or that they might deplete all of their savings (46%).

## Appendix B: Concerns About Risks by Family Structure

### How concerned are you about each of the following (in retirement)?

Responses on 5-point scale; 5 = major concern, 1 = not a concern at all.

Table represents percent who responded either 4 or 5 by family structure.

Risk	Family Structure					
	Married 1st	Married 2nd	Domestic Partner	Divorced/ Separated	Widow	Single
	A	B	C	D	E	F
I might not be able to maintain a reasonable standard of living for the rest of my life	39%	41%	53% ABE*	48% ABE	34%	55% ABE
I might not have enough money to pay for adequate health care	42%	46%	51% AE	48% AE	39%	53% AE
I might not have enough money to pay for a long stay in a nursing home	42%	45%	51% AE	43%	39%	48% E
I might not be able to keep the value of my savings and investments up with inflation	43% E	44% E	46% E	42%	36%	45% E
[MARRIED/PARTNER] My spouse/partner may not be able to maintain the same standard of living after my death, if I should die first	32%	39% A	41% A	—	—	—
I might not be able to afford to stay in my current home for the rest of my life	34%	35%	39%	36%	33%	41%
I might not be able to leave money to my children/beneficiaries or their heirs	27%	24%	29%	30% EF	22%	21%
I might not be able to rely on children or other family members to provide assistance	26%	30%	33%	33% A	28%	29%
[THOSE NOT RETIRED] I might not be able to work as long as I planned	37%	43%	43%	42%	40%	41%
[THOSE NOT RETIRED] I might not be able to secure part-time work in retirement to supplement my income	38%	43%	46%	44%	40%	46% A
I may not have access or be able to afford quality facilities or caregivers when I need long-term care services	38%	41%	50% ABE	45% AE	37%	48% AE
I might not be able to live independently any longer	36%	39%	41%	40%	37%	44% A

Risk	Family Structure					
	Married 1st	Married 2nd	Domestic Partner	Divorced/ Separated	Widow	Single
	A	B	C	D	E	F
I might deplete all of my savings	32%	37%	43% AE	36%	33%	46% ABDE
My income in retirement may vary based on changes in interest rates	31% D	30%	34% D	25%	29%	35% D
My assets may be eroded due to stock market declines or fluctuations, including stocks in a current or former employer	32% DE	27%	32%	25%	25%	28%
I might have retirement savings depleted due to divorce or an unwanted action by my spouse	12% E	12% E	15% E	12% E	7%	12% E
My retirement resources might be depleted due to providing urgently needed help to other family members	19%	20%	23%	19%	18%	22%
My retirement resources might be depleted due to fraud or theft	19%	19%	23%	20%	18%	24%
My retirement resources might be depleted due to bad advice	20% E	19%	19%	19%	14%	19%
My pension or an annuity I purchased might be reduced due to insolvency of my former employer or an insurance company from which I bought an annuity	21% E	22% E	22% E	19%	15%	22% E
My financial resources in retirement will be reduced due to increases in taxes	41% E	41% E	41%	36%	33%	40%
My financial resources in retirement will be reduced due to changes in government programs such as Social Security or Medicare	50%	57% A	59% A	57% A	53%	56%

# Endnotes

- 1 Society of Actuaries, *Managing Post-Retirement Risks: A Guide to Retirement Planning, 2011; 2011 Risks and Process of Retirement Survey.*
- 2 U.S. Census Bureau, *Households and Families: 2010, 2010 Census Briefs, April, 2012*  
<http://www.census.gov/prod/cen2010/briefs/c2010br-14.pdf>.
- 3 MetLife Mature Market Institute (January 2012) *Global Trends: The Impact of a Changing Age Structure, Mature Market Trends.*
- 4 According to the Social Security Administration, the average monthly Social Security benefit payment to retired workers was \$1,234.84 in July, 2012.
- 5 For more information on strategies to deal with post-retirement risk, see the Society of Actuaries publication, *Managing Post-Retirement Risks: A Guide to Retirement Planning, 2011.*
- 6 MetLife, *10th Annual Study of Employee Benefits Trends, 2012.*
- 7 Society of Actuaries, *Managing Post-Retirement Risks: A Guide to Retirement Planning, 2011.*
- 8 Society of Actuaries, *2011 Risks and Process of Retirement Survey.*

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