



2019 **ANNUAL
MEETING**
& EXHIBIT

October 27-30
Toronto, Canada

Session 047: Family Structure, Roles and Dynamics Linked to Retirement Security

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Session 047: Family Structure, Roles and Dynamics Linked to Retirement Security

PRESENTATION OF THE 2018-2019 CALL FOR ESSAYS

OCTOBER 28, 2019

Welcome and Introduction

JOHN A. CUTLER

Moderator

Background

- Another successful series in the now annual SOA Call for Essays. This one on families and retirement security
- Call went out September of 2018 and essays selected at the end of the year but various venues (including the Retirement Section News) used to popularize the essays
- Papers can be found here... <https://www.soa.org/resources/essays-monographs/2019-family-structure/>

Prize Winners

- **First Prize**
Retirement Success and Elder Orphans
Anna M. Rappaport
- **Second Prize**
How Family Dynamics Influence Retirement Security
Gregory Ward
- **Third Prize**
The Declining Role of Families in the U.S. Retirement Income System
John A. Turner
- **Fourth Prize**
Beneficiary Forms in an Era of Expanding Family Structure
Linda Koco

Additional Papers of Note

- Caregiving and What We Have Learned So Far
John Cutler
- Retiree Medical Insurance Management Perspectives from an Independent Retiree Resource Center
Lauren Riley Feinman
- Don't Forget the Role of Families in Lifetime Financial Security
Anna M. Rappaport
- Retirement Security and Blended Families
Anna M. Rappaport
- Family Considerations in Retirement Planning
Zenaida Samaniego

The Declining Role of Families in the U.S. Retirement Income System

JOHN A. TURNER

Pension Policy Center

This Presentation

- This presentation examines the changing role of families in the U.S. retirement income system. Retirement income support can be provided by families, the individual, government programs, employer-provided pensions and charity. Family support can come from a spouse, a sibling, adult children or another relative.
- The presentation begins with a historical perspective on the start of Social Security and employer-provided pensions as they may crowd out family contributions or be needed in part due to declining family contributions. The paper then focuses on other changes occurring in the past several decades affecting the role of the family in providing retirement security.

Historical Perspective

- Historically, families were the primary source of retirement support. People had large families, in part because children were the “social security” for their parents. In old age, when they were no longer able to take care of themselves, older people relied on their adult children to take care of them, generally living in multigenerational households.
- With economic development, young people left rural areas and agricultural employment and moved to urban areas for expanded job opportunities, and thus often were geographically separated from their parents. Older adults still are a higher share of the U.S. population in rural areas than in urban areas.

Social Security

- The role of adult children in providing financial security in old age has been partially replaced by Social Security. For at least two reasons, since the start of Social Security, the role of the program in providing retirement income has grown over time. First, coverage was initially limited. In 1937 when Social Security began collecting contributions, 56% of the workforce was covered. By 1981, 90% of wage and salary workers were covered. Currently, 96% of the workforce is covered by Social Security.
- Second, initially Social Security provided benefits to a relatively small percentage of the group of workers it covered because a relatively small percentage survived to retirement age. In 1940, when benefits were first provided, the benefit eligibility age was 65. From U.S. life tables for 1910, for the cohort age 18 that year, at age 65, 54% would still be alive.

Pensions

- Starting in the early 1940s, because future pension benefits were excluded from wage and price controls during World War II and because of the increase in federal income tax rates and coverage, employer-provided pensions began to become more common, further diminishing the role played by families in providing retirement income.

Changing Demographics

- Changing demographics have also affected the role of families in providing retirement income security. Changes in marriage and childbearing have reshaped the American family over the past half century.
- Starting in the mid 1960s with the end of the baby boom, falling birthrates and the resulting smaller families have diminished the role of families in providing retirement security.
- With more families having a single child, when that child is retired, he or she will not have the support of siblings. In the past, for example, sometimes older sisters who were single lived together. That is less likely to occur with the decrease in family size.

Never Married

- Between 1986 and 2009, the percentage of women age 55 and older never married increased slightly, from 4.8% to 5.8%, a change that is not statistically significant, but the percentage for black women that age rose dramatically, from 3.5% to 13.0%. Thus, many older people are not living with a spouse, and may need assistance at some point from other family members.

Parent-Child Relationships

- The relationship between parents and children is changing in ways that may affect their relationship when the parents are retired. One of the largest shifts in family structure is that 34% of children are living with an unmarried parent—up from 9% in 1960. In most cases, these unmarried parents are single.
- The share of children born outside of marriage has risen to 41%, up from 5% in 1960

Conclusions

- The role of the family in the United States in providing support in retirement has declined over the past century, in part related to the enactment and growth of Social Security and the spread of employer-provided pension. Changes in families have also played a role, notably the decline in birth rates.



How Family Dynamics Influence Retirement Security

GREG WARD, CFP®



Greg.ward@financialfinesse.com





The influence of marriage on retirement preparedness

		
I am on track for retirement	31%	22%
I have a handle on cash flow	76%	68%
I am comfortable with my debt	61%	52%

The influence of minor children on retirement preparedness

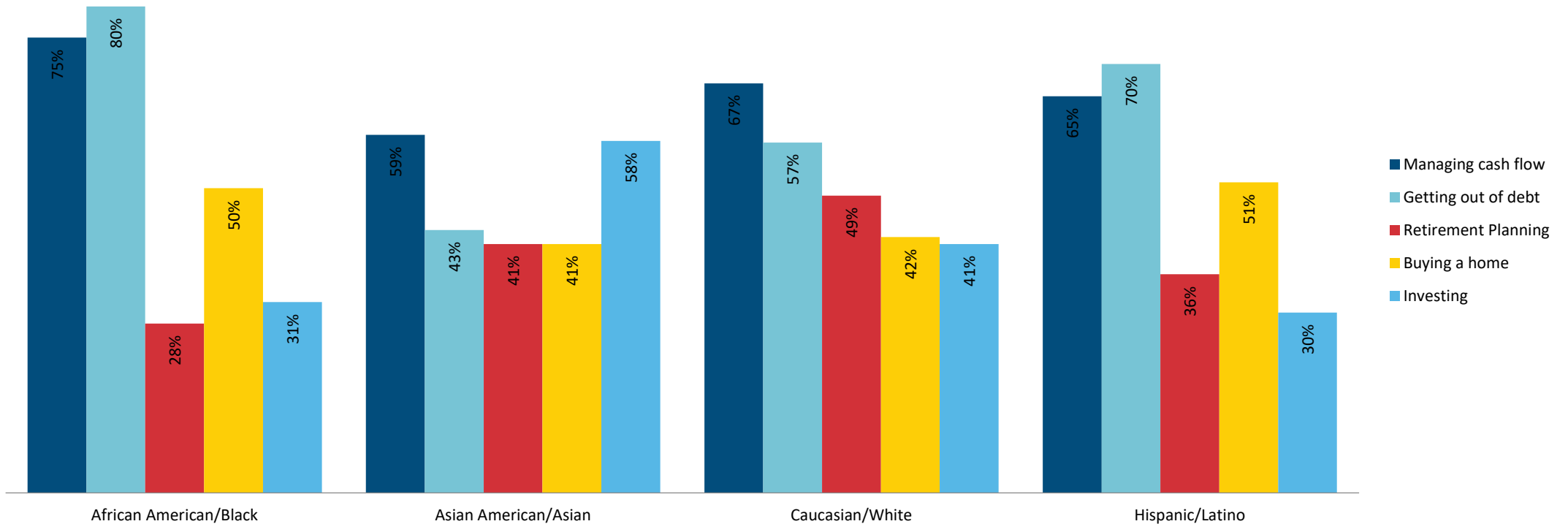
			The magnitude of decline in retirement preparedness
Overall	29%	26%	-11%
Married	34%	29%	-16%
Unmarried	24%	18%	-25%

The influence of minor children on retirement preparedness

			
I have a handle on cash flow:	Overall	78%	66%
	Married	82%	72%
	Unmarried	74%	54%
I have an emergency fund:	Overall	56%	43%
	Married	64%	50%
	Unmarried	50%	25%
I pay my bills on time:	Overall	92%	85%
	Married	94%	89%
	Unmarried	90%	74%
I am comfortable with my debt:	Overall	62%	51%
	Married	68%	56%
	Unmarried	58%	38%

The influence of family on retirement preparedness

Financial Priorities of Employees Under 30



The influence of family on retirement preparedness

Age 45-54:



I know I am on target to replace at least 80% of my income (or my goal) in retirement

18%

31%

31%

21%

I have taken a retirement plan loan

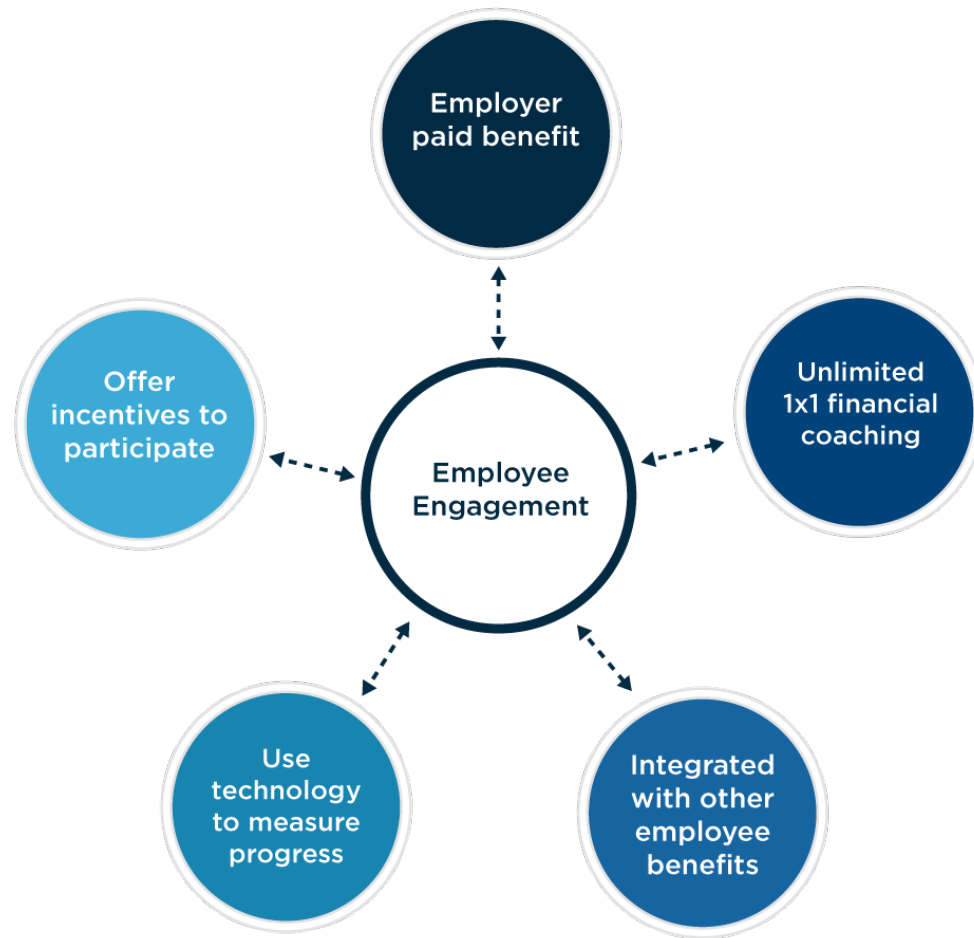
58%

21%

34%

50%

Employers offer the best chance at improving retirement security



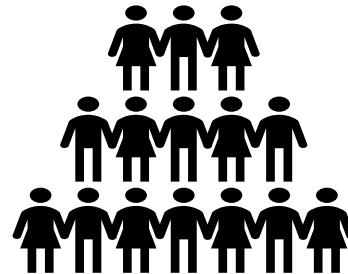
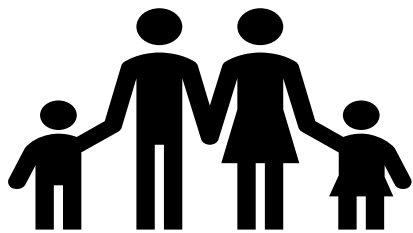
Beneficiary Forms In An Era of Expanding Family Structure

LINDA KOCO

koco4insight@outlook.com

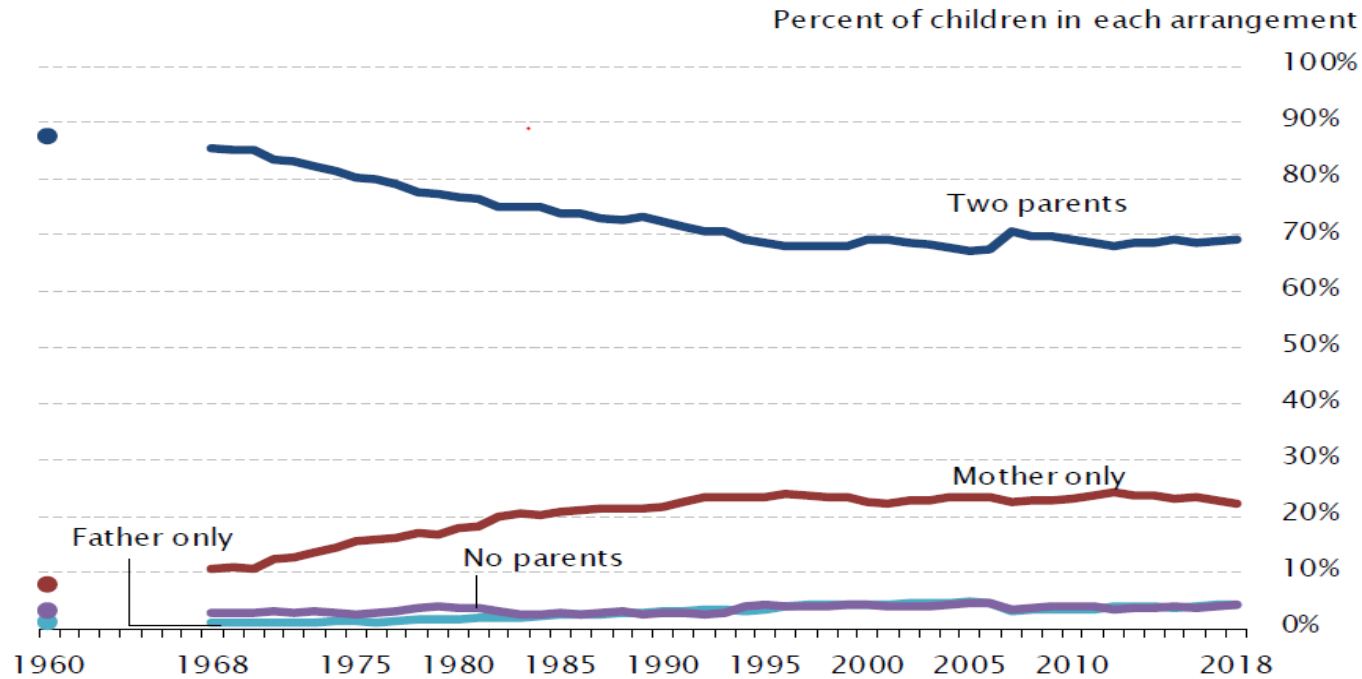
The challenge: A common assumption

“Most” people live in traditional families—and, when naming persons as beneficiaries, people “should” name one or more of those family members.



But...More expanded family structures

Figure 1 Living Arrangements of Children: 1960–Present



Note: Direct identification of both parents began in 2007, resulting in the ability to identify children living with two unmarried parents.

Source: U.S. Census Bureau, Current Population Survey. Accessed Nov. 18, 2018. <https://www.census.gov/content/dam/Census/library/visualizations/time-series/demo/families-and-households/ch-1.pdf>; U.S. Census Bureau, Decennial Census, 1960, and Current Population Survey, Annual Social and Economic Supplements, 1968 to 2018.

Examples

- Step
 - Blended
 - Multi-gen
 - Foster
 - Having both natal & adopted children

Key: These family types often have legal docs—and historical roots.

Emerging family structures, too

- “Families” (friends as family—from vacay to hospital stay)
- Cultural “family” groups (workplace, clubs, assns., teams, etc.)
- **The family of one** (an “adult orphan” with non-related others serving “family” type roles)

Key: These may or may not have legal docs—emphasis on *trust*

The impact: Uncertainty

- Is it okay to name *expanded* family members as beneficiaries?
Any consequences?
- Where to learn? Advisor? Employer? Web? Beneficiary forms?
- Not knowing can be costly:
 - Unwitting choices
 - Mistakes
 - Legal problems

Suggestions

- **Innovate the form:** Include key business units.
- **Offer an educational guide:** Ideas for several family types.
- **Show examples of completed forms:** Show a few family types.
- **Use tables with fillable boxes:** Helps guide thinking.

- **NAIC Consumer Alert:** “You can name your spouse, domestic partner, children, grandchildren, relatives, friends, charities, businesses, trusts or your estate as your beneficiary.”

--National Association of Insurance Commissioners (NAIC). “Reviewing Your Policy Important to Security Your Family’s Future.”
Consumer Alert, September 2008. https://www.naic.org/documents/consumer_alert_lifeinsurance_review.htm

Final thoughts

~ **HONOR THE LOVE** ~

Stress the importance of reviewing & updating the names.

Did You Know?

Some firms, esp. benefits firms, *are* on the expanded family case.

Retirement Success and Elder Orphans

ANNA M. RAPPAPORT, FSA, MAAA

Why This Topic?

- Family playing vital role, particularly at high ages
- Traditional planning: no focus on that role and the vulnerability of those without family support
- Two groups surfaced:
 - Elder orphans
 - Blended families
- Issues become critical in decline – physical and cognitive
- My goal: Identify issues and move discussion along

Elder Orphan Defined

“Elder orphans can be defined as aged, community-swelling individuals who are socially and/or physically isolated, without an identified available family member or designated surrogate or caregiver.”

Elder Orphans in Plain Site, 2016

Current Gerontology and Geriatrics Research

Important Questions

- What do we know about elder orphans?
- How prevalent is loneliness?
- What types of help do older Americans need?
- Where there are no family members to help, what are the available strategies?
- Does cognitive decline change the help needed and the strategies that will work?

Essay is just a start

Situation today: Approx. 22% of Americans are at risk of aging alone

Major challenges		Gap for them: family typically provides help with
Finding and supervising suitable support		Transportation
Finding person to make health care decisions if needed		Household chores
More paid help needed		Shopping
Greater problems if limited money		Managing medical care
Loneliness		Day to day financial management

Survey of Elder Orphans

- Have no help in a crisis 50%
- Are lonely 62%
- Have no help with bills, financial decisions 78%
- Lack living will or health power of attorney 43%
- Take 5 or more medications 31%
- Have not identified a potential caregiver 70%
- Have access to public transit 50%

Source: Carol Marak surveyed Elder Orphans Facebook group, 500+ responses; most were female

What types of support are needed: health

- Help with decisions about care
- Making appointments and participation in encounters with doctors, visiting nurses, and physical therapy, etc.
- Serving as a medical advocate
- Help with medications
 - Daily use
 - Filling and refilling prescriptions
- Observe symptoms and act if a problem

Special issues if hearing, mobility, cognitive challenges, complex problems involving multiple support systems

Financial Management Issues

- Annuities are an option not requiring ongoing management
- Signs of cognitive decline include
 - Unopened mail, failure to pay bills
 - Failure to balance checkbooks (may be unable to do)
 - Vulnerability to charity solicitations and fraud
- Family often steps in, but problem if no family
- Need to understand professional support systems better and how to link to them
- Court may appoint guardian

Conclusions

- Elder orphans need more financial resources
- Long-term care insurance is particularly valuable for this group
- All need social contacts and engagement – build a support and social network before help is needed
- Age friendly communities offer potentially good environment
- Different situations
 - Some need no help
 - Some need modest help which others get from family
 - Some need major support
 - For those with cognitive decline, help needs to be organized and supervised
 - Widows may be worse off if they were caregivers for a long-time
 - Some have nieces and nephews who can help
- Health care providers need to be aware of the situation and support system for this group
- This group is vulnerable to having court appointed guardians

More work is needed on finding good solutions.

Other Essays

Additional Papers of Note

- Caregiving and What We Have Learned So Far
John Cutler
- *High level review of what we have learned from SOA research*
- *Importance of family supports reiterated*
- *Planning does NOT occur in most cases so need to have strong social supports (Medicaid, Medicare, Social Security) for those who don't plan for the future*

Additional Papers of Note

- [Retiree Medical Insurance Management Perspectives from an Independent Retiree Resource Center](#)
Lauren Riley Feinman
- Essay identified and discussed issues affecting a retiree's ability to successfully navigate medical insurance choices
- Experience provided on the work of the Retiree Resource Center (RRC) which was established in 2014 by an independent retiree group of a large company that outsourced its retiree Blue Cross group medical insurance

Additional Papers of Note

- [Don't Forget the Role of Families in Lifetime Financial Security](#)
Anna M. Rappaport
- As we consider financial wellness, focus on issues that tend to be downplayed or ignored: For many Americans, the extended family plays the role of sharing risk and supplementing (or even taking the place of) personal savings and formal risk management
- Planning usually does not take into account the potential for family help across generations

Additional Papers of Note

- [Retirement Security and Blended Families](#)

Anna M. Rappaport

- There are a wide variety of family structures in the United States and some people have no family or are in blended families
- Adult children commonly step in when parents need help, but they do not usually plan for such activities.
- Many open questions regarding blended families

Additional Papers of Note

- [Family Considerations in Retirement Planning](#)
Zenaida Samaniego
- The traditional informal care of/by family has faced increasing geographic and economic challenges from changing family households and sources of family income.
- Now we see extended families: grandparents, aunts, uncles, cousins and others who are blood relations of the nuclear unit.
- AND nontraditional forms: the never married, divorced or adoptive parents, as well as same-sex marriages including gay, lesbian or bisexual couples that choose to raise children from adoption

2019-2020 Call for essays:
Products, Tools, and Strategies that
Address Retirement Risks

<https://www.soa.org/research/opportunities/2019-products-tools-services/>

Questions for our speakers!?