



**Understanding and Managing Post-Retirement Risks**

A series of reports presenting highlights from the Society of Actuaries' extensive body of research on post-retirement risks and issues.

 Aging and Retirement

# Family is Important to Retirement Security

By Anna Rappaport



# Table of Contents

3	<b>Family is Important to Retirement Security</b>	14	<b>Family Structures</b>
4	<b>In This Report</b>	14	Blended Families
5	<b>Thinking About Retirement and the Family</b>	15	Elder Orphans: People Without Families
5	Changing Demographics Set the Stage	16	More Issues
7	The Generations, Expectations and Family Support	16	Divorce and Retirement Security
9	<b>Support Issues</b>	16	Transfer of Decision-Making
9	Support Provided to Individuals Age 85 and Over by Family	16	Are Family Members Always Helpful?
9	Non-Financial Help	16	Planning for Family Help: A Family Analysis
11	Financial Help	17	<b>Tips Based on This Research</b>
11	Family Help and Unexpected Expenses	17	Tips for Individuals and Their Advisors
11	Financial Transfers Across the Generations	18	Tips for Employee Benefit Sponsors, Financial Service Organizations
12	The Cost of Providing Long-Term Care or Intensive Help	19	<b>Final Thoughts</b>
12	The Family Bank	20	<b>Appendix</b>
13	Cognitive Decline Changes Everything	20	More about the Research
13	Discussions About, Help with Managing Finances	21	References

# Family is Important to Retirement Security

Managing retirement security in the U.S. has been increasingly challenging for all stakeholders. Major factors contributing to these challenges include people living longer than did prior generations, an increasing older-age population, the shift from defined benefit pension plans to defined contribution retirement plans and significant gaps in financial literacy. These factors contribute to growing concern about how well Americans will fare in old age and the adequacy of their retirement security.

The Society of Actuaries' (SOA) Aging and Retirement Strategic Research Program (the SOA program), implemented in 2018, builds on nearly 20 years of post-retirement-focused SOA research in this field. The studies are designed to identify and understand the way Americans manage their finances during the post-retirement years. This body of work includes a wide-ranging exploration of post-retirement risks through surveys of the public, focus groups and interviews and collections of essays, research papers and other related research reports.

This new SOA report explores findings from SOA's research about the role of family in retirement security. It references essays published in 2019 about family and retirement security as well as other research on how family helps (and the importance of family help), how people fare throughout retirement, plus national data on assets and spending. It builds on two prior SOA reports on women and post-retirement risk and the age 85+ period as well as SOA's 20 years of post-retirement research, and it offers guidance about where to find more information.

The intended audience for this report includes retirement experts, plan developers and service providers, and those who serve individuals, including employee benefit plan sponsors, advisors and financial services organizations.

# In This Report

This report includes references to the following Society of Actuaries program research and initiatives:

## Generational Differences and Analysis

*Financial Perspectives on Aging and Retirement Across the Generations*, 2018

*Family Obligations Across Generations*, 2018

*Financial Fragility Across the Generations*, 2019

## Risk Surveys

*2001–2017 Risks and Process of Retirement Survey*. Each biennial survey includes topics of special focus.

*2017 Risks and Process of Retirement: Key Findings and Issues*

*2017 Risks and Process of Retirement: Caregiving for Older Individuals: Perspectives of the Caregiver and the Care Recipient*

*Post-Retirement Experiences of Individuals 85+ Years Old: A Report of Surveys of Individuals Ages 85 and Over and Adult Children with Parents 85 and Over*, 2018

## Focus Groups and In-Depth Interviews

*Post-Retirement Experiences of Individuals Retired for 15 Years or More*, 2016

*Post-Retirement Experiences of Individuals 85+ Years Old: A Report on Sixty-two In-Depth Interviews in the United States and Canada*, 2017

## Committee Conversations

*A Conversation on Dementia and Cognitive Decline*, 2018

## Consumer Information

*Managing Post-Retirement Risks: Strategies for a Secure Retirement* (risk chart)

*Women and Post-Retirement Risks*, 2018

## Essays and Papers (only items supporting content listed)

*Managing the Impact of Long-Term Care Needs and Expense on Retirement Security Monograph*, 2015

Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*

Sandra Timmerman, *The 65 Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle*

*Financial Wellness Essay Collection*, 2017

Anna Rappaport, *Don't Forget the Role of Families in Lifetime Financial Security*

Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*

*Family Structure, Roles and Dynamics Linked to Retirement Security Essay Collection*, 2019

John Cutler, *Caregiving and What We Have Learned So Far*

Anna Rappaport, *Retirement Security and Blended Families*

Anna Rappaport, *Retirement Success and Elder Orphans*

John Turner, *The Declining Role of Families in the U.S. Retirement Income System*

## Retirement Section News Article

Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, Pension Section News, February 2017

# Thinking About Retirement and the Family

If we go back 150 years, there was no retirement system and people did not retire as they often do in today's work world. They also did not live as long. Couples had several children and often lived in multi-generational households. Families cared for people as they aged and for those who could no longer work.

As retirement systems developed following World War II, people were able to retire, and families were no longer the primary source of support for older persons. People lived longer and retired earlier as benefit plans were liberalized and, for many people, retirement included longer periods without work or earnings. During retirement, people had substantial choice about how to spend their time. By the late 20th century, birth rates in many nations had dropped, resulting in fewer adult children to care for parents.

Discussions about retirement and retirement planning often do not include consideration of the family. But SOA's research over the last 20 years has made it increasingly clear that family is still important as people think about and plan for retirement. In fact, even though family is no longer the primary economic support in retirement, family is a major source of help when needed. In the SOA *2017 Risks and Process of Retirement Survey*, for instance, caregiving and planning for long-term care were important topics, and both topics involved interaction with family. In addition, family and how family members support each other was an important topic in the SOA's 2018 survey report *Financial Perspectives on Aging and Retirement Across the Generations Study*. The SOA's 2019 essay collection, *Family Structure, Roles and Dynamics Linked to Retirement Security*, addressed the topic directly, making family the major theme for the entire group of essays.

Now, this report focuses on SOA efforts to bring family back into the conversation, based on the role family plays in retirement. This discussion refers to prior SOA research and as well some other sources of research. It makes clear that, 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. But other Americans have few (and sometimes no) family members available to help. These polar opposites have definite implications for retirement professionals and customers throughout the financial sector.

## CHANGING DEMOGRAPHICS SET THE STAGE

In *The Declining Role of Families in the U.S. Retirement Income System*, John Turner sets the stage by reminding us that families were once society's primary source of support in old age and that people had many children in part to provide care in old age. Changes in marriage and child-bearing as well as geographic separation of families are trends that have combined to reshape the American family and its retirement structure. This essay points to a long-term decline in the role of the family in providing financial and primary old age support.

The modern era's increasing longevity, increased divorce rate, growth of blended families and acceptance of same sex marriage point to a very different set of family patterns today and a very different aged population than in the past. Longevity researchers predict that people who retire in their 60s in this decade will be retired much longer than retirees in the past. John Cutler, in *Caregiving and What We Have Learned So Far*, says we will be an increasingly older population with much more diversity. The recognition of the LGBTQ community, the increasing percentage of adults born in another country and greater racial diversity will be elements of that.

SOA's 2018 research report on *Financial Perspectives on Aging and Retirement Across the Generations* provides a look at prevailing attitudes about and perspectives on retirement among adults in the five major generations alive today.

It also probes demographic differences across the generations. For example, the older generations were much more likely to have married, although many of the marriages had ended. The older generations also had more children. Table 1 breaks down some of the statistics by generation.

**Table 1**  
FAMILY STATUS OF RESPONDENTS BY GENERATION

	MILLENNIALS	GEN X	LATE BOOMER	EARLY BOOMER	SILENT
<b>Gender</b>	50% Male 50% Female	49% Male 51% Female	48% Male 52% Female	47% Male 53% Female	45% Male 55% Female
<b>Marital Status</b>	47% Married 15% Partner* 2% Divorced** 0% Widowed 36% Never Married	59% Married 11% Partner* 10% Divorced** 2% Widowed 19% Never Married	66% Married 4% Partner* 16% Divorced** 3% Widowed 10% Never Married	63% Married 4% Partner* 14% Divorced** 9% Widowed 10% Never Married	52% Married 1% Partner* 17% Divorced** 27% Widowed 3% Never Married
<b>Children</b>	58% None 20% One 22% Two or more	34% None 19% One 46% Two or more	26% None 19% One 55% Two or more	28% None 16% One 56% Two or more	10% None 17% One 74% Two or more
<b>Step-Children</b>	90% None 7% One 4% Two or more	82% None 8% One 10% Two or more	86% None 4% One 11% Two or more	80% None 10% One 11% Two or more	86% None 5% One 10% Two or more

Source: *Financial Perspectives on Aging and Retirement Across the Generations*

Notes: Totals may not add due to rounding.

\* Unmarried and living with a partner in a permanent relationship

\*\*Separated or divorced

The SOA 2017–18 research on individuals age 85 and over also provides some insights on demographics in old age and on the important role that family plays for this group. The age 85+ population is heavily female, and many are widowed.

### FOR MORE INFORMATION

- *Financial Perspectives on Aging and Retirement Across the Generations*, 2018
- John Cutler, *Caregiving and What We Have Learned So Far*, 2019
- John Turner, *The Declining Role of Families in the U.S. Retirement Income System*, 2019

## THE GENERATIONS, EXPECTATIONS AND FAMILY SUPPORT

Family is a common source of help when help is needed at all life stages. It is a real-world safety net for many. A strong sense of family obligations spans the generations and at different life stages.

For example, most respondents in the SOA generations research agreed that parents should fund or contribute what they could afford to their children’s college costs and allow their adult children to move back into their homes if needed, with millennials more likely than older generations to agree. However, there are limits to what most think parents should do financially; fewer than three in 10 said parents should put themselves in financial jeopardy to help their adult children.

**Table 2**  
SENSE OF FAMILY OBLIGATIONS OF MILLENNIALS VS. OTHER GENERATIONS % AGREEING WITH STATEMENT

<b>PARENTS OBLIGATION TO CHILDREN</b>	<b>MILLENNIALS</b>	<b>OTHER GENERATIONS</b>
Parents should contribute fully, or what can reasonably be afforded to their children’s cost of college	64%	58%
Parents should allow adult children who have financial difficulties to move back into their home	64%	52%
Parents should help adult children if they have problems, even if it means they will have inadequate funds for themselves later	34%	25%
<b>ADULT CHILDREN’S OBLIGATIONS TO PARENTS</b>	<b>MILLENNIALS</b>	<b>OTHER GENERATIONS</b>
Adult children should prioritize helping with tasks parents are no longer able to do	80%	80%
Adult children should help parents financially if needed and they can afford it	80%	73%
Adult children’s first priority is to their own families, not to their parents	55%	65%
Adult children should have parents move in with them rather than assisted living	48%	41%
The days when children would sacrifice their own happiness to take care of parents are over	38%	43%

Source: *Financial Perspectives on Aging and Retirement Across the Generations*

In contrast to the SOA’s generations research, which identifies expectations about obtaining help in retirement, the SOA’s age 85 and over research provides insights into what people have actually done in this area. For instance, when people have problems as they age, the respondents said that family members are the first people to whom the elders turn, and families usually try to help. In many situations where extensive care is needed, elders often reported needing to supplement or replace family assistance with paid help. However, even though people commonly turn to family for support, many indicated they often do not plan for such help and, in earlier research, many said they do not want such help.

In 2015, the SOA conducted focus groups with individuals retired 15 years or more. This research offers a different insight to the apparent lack of planning for help when needed. The 15-year plus retirees said they did not want to rely on their children for support, but some of them saw children as possible support and a fallback resource. While the research indicates that seniors do not plan on having children help them, and many work hard to avoid it, at the end of the day, the findings show that children and other family members typically offer a substantial amount of assistance. The help provided by family members was also documented by the *2017 Risks and Process of Retirement Survey*’s responses on caregiving and the SOA research on individuals age 85 and over.

The financial fragility analysis combined with SOA’s generations research provides insights into who is financially fragile and some of the differences in the way they plan. Financial fragility was defined through an overall weighted score assigned to each respondent depending on how each answered certain survey questions. For example, the researchers assigned respondents a higher fragility score if a person did not feel on track for a secure retirement. Married people were less likely to be financially fragile than others. Those living with a partner, separated, divorced or single never married tended to be

financially fragile. Millennials most often scored as having high financial fragility. Those demonstrating high financial fragility reported helping other family members less often and tended to need help themselves.

#### **FOR MORE INFORMATION**

- *Financial Perspectives on Aging and Retirement Across the Generations*, 2018
- John Cutler, *Caregiving and What We Have Learned So Far*, 2019
- *Post-Retirement Experiences of Individuals Retired 15 Years or More*, 2016
- *2017 Risk and Process of Retirement Survey*
- *Financial Fragility Across the Generations*, 2019



# Support Issues

## SUPPORT PROVIDED TO INDIVIDUALS AGE 85 AND OVER BY FAMILY

Many individuals need some help as they age. By age 85, needing help is very common, but many people need help earlier. The need for assistance may start with needing help with activities such as snow removal and home repairs that the elders once did themselves. It may then move on to needing help with anything that requires physical agility such as going on a ladder to change light bulbs. It may move on to needing help with driving, housework and other frequent chores.

Although some people choose to outsource such tasks even if they can do them without help, they may experience the need for help later on due to either physical or mental decline or both. Examples include people who experience loss of sight and hearing, or people who become unable to carry on a conversation. At the extreme is the need for help with some or all of the activities of daily living such as bathing, toileting, mobility and eating. In addition, people with mental decline often need help with managing finances.

The timing of help varies greatly. Some help can be scheduled as needed and may be needed occasionally or every few days. Some people need help daily, but some of these individuals can be left alone for a few hours at a time or even all day. At the extreme, people can't be left alone at all and need constant help.

A variety of statistics exists about how many people need long-term care. The term long-term care is probably not uniformly defined in the different studies, making for some variations in the statistical comparisons. However, the term generally applies to people who need a lot of help. Long-term care insurance policies typically define eligibility for policy benefits as needing help with two or three activities of daily living.

In some cases, when such need arises, the family member offering help and the person being helped live together or very nearby to facilitate such assistance. If necessary, one of the individuals may move in with the other.

Family may be involved at all levels of care, but other options may also be available. People who are working but may live nearby often provide less intensive help. As the need for help becomes more intense, the elders or their families may hire paid helpers. In some cases, the individual needing help moves to a facility such as assisted living, memory care or a nursing home where facility staff provides the care; in such cases, the elder probably still needs help with managing health care and/or finances and a family member may provide this valuable assistance.

## NON-FINANCIAL HELP

Most adult children do not provide financial support to their parents. However, individuals age 85 and over may need help with specific non-financial tasks and this help often comes from family. The survey of individuals age 85 and over focused heavily on a variety of such chores and tasks that family addresses. Significantly, very few of these respondents reported getting family help with personal care.

Elders reported needing:

- To be driven places: 49%
- Support in taking care of their residence: 35%
- Help with shopping: 34%
- Assistance with housekeeping: 23%
- Assistance with personal care or activities of daily living: 8%

The sample for the telephone survey in this research was healthier than the general population. Also, while some of the respondents would be considered eligible for long-term care benefits, most would not; their eligibility would depend on the specific insurance policy or public program involved in the person's care. Factors such as these may have influenced the types of needs reported in the survey.

Adult children who are helping parents were also surveyed. These parents tended to be less healthy and need more help than the general population. More of this group would be considered eligible for long-term care benefits.

The survey of adult children showed that they provide a great deal of non-financial help to parents. The adult children reported they:

- Provide transportation to their parents: 62%
- Assist their parents with shopping: 61%
- Assist with managing medications or medical care: 44%
- Do laundry for their parents: 38%
- Prepare meals: 37%

The adult children also reported their parents used paid help to:

- Clean their residence: 38%
- Prepare meals: 32%
- Assist with personal care: 31%

#### FOR MORE INFORMATION

- *Post-Retirement Experiences of Individuals Age 85+ Years Old*
- *2017 Risk and Process of Retirement Survey*
- *2017 Risks and Process of Retirement Survey: Caregiving for Older Individuals: Perspectives of the Caregiver and the Care Recipient*
- Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*, 2015
- Sandra Timmerman, *The 65 Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle*, 2015

## FINANCIAL HELP

The picture with regard to financial transfers was very different from the situation with regard to assistance with specific tasks. While family members provided help with many tasks, financial help was much less frequent. The age 85 and over individuals did not report much financial help from their children, for example. Most adult children of people age 85 provided consistent insights on this point regarding their help to aging parents and say they and their siblings provide:

- No financial support: 50%
- Little financial support: 21%
- A great deal of support: 11%

### Family Help and Unexpected Expenses

The situation for older individuals receiving financial help was quite different from the situation where older individuals provide financial help to adult children. An example is the impact of shocks and unexpected expenses. In the 2015 focus groups and risk survey, one of the most frequently mentioned shocks that older parents mentioned was a situation where children needed help. This was also one of the shocks that the respondents reported as being most difficult to manage, possibly because help was needed over a longer period of time.

### Financial Transfers Across the Generations

The SOA findings are reinforced by and consistent with other research on family transfers. The Employee Benefit Research Institute (EBRI) discusses family transfers in a 2015 Issue Brief. This is an analysis of *Health and Retirement Study*<sup>1</sup> longitudinal data. The older households in the study were age 50+ and the analysis covers 1998 to 2010. The EBRI report shows that 38% to 45% of older households in the study made cash transfers to younger family members versus 4% to 5% of older households that received transfers from younger family members. The cause of the transfers is not identified.

Table 3 shows the percentage of households making transfers to children and grandchildren and the amount of transfers by age group in 2010.

**Table3**

#### INTRAFAMILY CASH TRANSFERS BY OLDER AMERICAN HOUSEHOLDS

AGE GROUP	% MAKING TRANSFERS	AVERAGE AMOUNT	AVERAGE: 2ND INCOME QUARTILE	AVERAGE: TOP INCOME QUARTILE
50-64	51%	\$16,272	\$7,411	\$27,378
65-74	39%	\$13,639	\$7,784	\$21,072
75-84	33%	\$14,704	\$9,849	\$22,864
85-over	28%	\$16,836	\$13,474	\$24,601

Source: Sudipto Banerjee, *Intra-Family Cash Transfers in Older American Households*, EBRI Issue Brief no. 415

Note: Average amount is average transfer in last two years by households making transfers in 2014 dollars. Averages are shown for all households, and for second and top income quartile.

Transfers are more likely to be in higher asset and income families, and the amounts are more likely to be larger.

<sup>1</sup> The *Health and Retirement Study* is a national longitudinal database of people at ages over 50 sponsored by the National Institute on Aging. It examines the period leading up to retirement, how they retire and their lives in retirement.

### **The Cost of Providing Long-Term Care or Intensive Help**

The transfers discussed earlier do not include the value of help provided by family members, or the reduction in their earnings or retirement savings while help is being provided. The vast majority of long-term care is provided informally at home, very often by women. The cost to the caregiver of providing care is extremely high, particularly if the caregiver must leave a job or reduce a work schedule, but, in many cases, this cost is not explicitly recognized.

One study by Sandra Timmerman and Anna Rappaport has estimated that the individual who provides caregiving for aging parents loses a lifetime average of more than \$300,000 in wages, retirement benefits and Social Security benefits. In married couples, the caregiver is often the wife. She then may be left as a widow without a spouse to care for her and with family assets depleted due to her husband's care needs.

### **The Family Bank**

Merrill Lynch in partnership with Age Wave conducted a survey of the link between retirement and family issues. They found strong links. As part of the research, they introduced the idea of a “family bank,” defined as the household to which family members most often turn for help. Among respondents age 50+, more than half (56%) held the belief that there is a family bank in their family.

The same study indicated that 62% of people age 50+ provide financial assistance to family members, either on a one-time, ongoing or somewhere-in-between basis. The families providing such support are generally not factoring this expenditure into their retirement plans. Therefore, they may be underestimating their retirement spending requirements.

The study shows that among respondents age 50+ who provided money to family members in the last five years, recipients were:

- Adult children (21+): 68%
- Grandchildren: 26%
- Parents/in-laws: 16%
- Siblings: 13%
- Other relatives: 14%

Some family members are helping people in more than one group.

### **FOR MORE INFORMATION**

- *Post-Retirement Experiences of Individuals Age 85+ Years Old*
- *2015 Risks and Process of Retirement Survey*
- *Post-Retirement Experiences of Individuals Retired 15 Years or More, 2015*
- Anna Rappaport, *Don't Forget the Role of Families in Lifetime Financial Security*, 2017
- Sudipto Banerjee, *Intra-Family Cash Transfers in Older American Households*, EBRI Issue Brief no. 415
- Merrill Lynch, *Family and Retirement: The Elephant in the Room*, 2013
- Sandra Timmerman and Anna M. Rappaport, *Often Overlooked Issues in Retirement Planning*, 2016

## COGNITIVE DECLINE CHANGES EVERYTHING

A substantial number of people experience cognitive decline as they age, and they need help with managing finances and health care. Depending on how far along the decline is, they may need help with everything, and on a constant basis. The SOA conducted a conversation on dementia and cognitive decline in 2018. The commentary that emerged offers insights into the signals of decline and some of the challenges. The age 85 and over research did not distinguish cognitive decline from other reasons for needing help.

### FOR MORE INFORMATION

- *A Conversation on Dementia and Cognitive Decline*, 2018

## DISCUSSIONS ABOUT, HELP WITH MANAGING FINANCES

The studies with individuals at different stages during retirement indicate that some used financial advisors, but most did not. This is noteworthy because the focus groups and in-depth interviews excluded people with higher net worth who might have been more likely to use advisors. The experience reported with advisors was mixed.

Meanwhile, the age 85 and over research did not show more people hiring advisors at advanced ages if they had not done so earlier. It also did not indicate much changing of financial advisors. Financial advisors do not generally perform or assist with day-to-day financial tasks for clients, but there are specialized services that provide such assistance.

Even though family members often help their over-age-85 elders, including in some cases helping with day-to-day financial management, the younger members do not usually become involved in helping with longer-term financial thinking. Most of the people who were 85 and over when surveyed in 2017 indicated they had not given thought to, or had a family discussion about, finances. Only approximately one in 10 reported having given a great deal of thought about, or had much discussion with, family on topics such as investing, type of lifestyle desired, how long their assets will last in retirement or how to budget their money.

The preliminary stages of the age 85 and over research indicated it was very common for people who live in assisted living facilities to need help managing their day-to-day finances, and that adult children commonly provide that help. The survey of adult children of age 85 and over parents also found that the children helped with managing their parents' medical care. Nearly everyone with cognitive decline will need help with both sets of tasks.

Two online conversations, the conversation on dementia and a preliminary conversation conducted before the age 85 and over surveys, focused on other alternatives for managing day-to-day finances. The studies provide some insights into these alternative services but not about elders' and families' experiences with them, how often alternative approaches are used or details about what they provide.

### FOR MORE INFORMATION

- *2017 Risks and Process of Retirement Survey*
- Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, 2017
- Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*, 2017
- *Post-Retirement Experiences of Individuals Age 85+ Years Old*
- *A Conversation on Dementia and Cognitive Decline*, 2018

# Family Structures

## BLENDING FAMILIES

Blended families<sup>2</sup> are part of the picture today. A 2011 Pew Research Center survey provides insights into how prevalent blended families are in the U.S. The survey found that 42% of adults have at least one steprelative; 30% have a step- or half-sibling, 18% have a living stepparent and 13% have a stepchild. The results by age varied widely. In the age 18–29 category, 52% reported having at least one steprelative, and this dropped to 34% by age 65 and above. Of respondents age 65 and above, 22% had at least one stepchild. Younger adults were most likely to have a stepparent, with 33% of respondents age 18–29 saying this was the case.

A 2015 Pew Research Center study looked into how families have changed over time and what U.S. families look like in recent times. That report analyzed the 1960 and 1980 U.S. Census and the 2014 American Community Survey. The report indicated that in 1960, 73% of children were living with two parents in a first marriage, but in 2014, only 46% of children were living with two parents in a first marriage. The percentage living with two parents who were either cohabiting or in a remarriage increased from 14% in 1960 to 22% in 2014. The percentage living with a single parent increased from 9% in 1960 to 26% in 2014.

Family is a very important source of help when needed later in life. But blended families may be different. Here are questions to be considered:

- Are blended families different?
- Will the children in blended families step up to help their stepparents?
- Which people in blended families are likely to help and which are not?

The SOA generations research indicates that differences exist in how people feel about blended family members. While two-thirds of respondents said they believe parents should not differentiate between stepchildren and “natural born” children in the help they offer to adult children, only half agreed that stepchildren have the same obligation to their stepparents as natural born children. Those who currently had at least one stepchild were more likely to agree that parents should not differentiate between their stepchildren and natural born children.

An essay published in the SOA’s Family Structure collection provides anecdotal evidence that blended families are different. More work is needed to understand these issues and deal with them.

### FOR MORE INFORMATION

- *Financial Perspectives on Aging and Retirement Across the Generations*, 2018
- *Family Obligations Across Generations*, 2018
- Anna Rappaport, *Retirement Security and Blended Families*, 2019
- Pew Research Center, *A Portrait of Stepfamilies*, 2011
- Pew Research Center, *The American Family Today*, 2015

---

<sup>2</sup> Blended families, that is, a family consisting of a couple or individual and children from both current and previous relationships.

## ELDER ORPHANS: PEOPLE WITHOUT FAMILIES

The SOA research indicates that family help and support are often very important when people need assistance. Families are also an important source of social engagement. But some people have no available family members. In her essay *Retirement Success and Elder Orphans*, Anna Rappaport provides some data on elder orphans, a discussion of their issues and some conclusions about their challenges.

Elder orphans can be defined as aged, community-dwelling individuals who are socially and/or physically isolated without an identified available family member or designated surrogate or caregiver, according to 2016 research published in *Current Gerontology and Geriatrics Research*.<sup>3</sup> A *Psychology Today* article describes elder orphans as those “aging alone.” It is estimated that 22% of Americans 65 and older are at risk for becoming “elder orphans.”

It is estimated that the number of people living alone with limited support will increase in the future, according to the *Current Gerontology* article. In coming years, people will be aging in cohorts that had fewer children, were less likely to marry and married later than today’s elderly. Divorce at all ages has also been on the rise. Nieces and nephews will be a source of help for some.

In thinking about elder orphans, it helps to remember that:

- Elder orphans need more financial resources than those who have family to provide a great deal of support.
- Elder orphan situations differ depending on personal level of independence and financial resources.
  - » Elder orphans need contacts and sources of social engagement at all stages of retirement.
  - » Elder orphans who need modest amounts of help and support need someone other than family to take the place of family.
  - » Elder orphans with substantial cognitive decline or who need major help not only need the aid but also need someone to supervise their situation. This may be particularly difficult.
- Long-term care insurance can be particularly valuable to elder orphans.
- When an elder orphan needs help, moving into senior housing that embeds an appropriate amount of assistance is a reasonable option to consider.
- It is important to carefully select the people chosen to help elder orphans. Failure to select trusted assistance can leave such a person vulnerable to fraud or abuse or to needing a court-appointed guardian if they are unable to make decisions and function on their own.
- Building a support network before an elder orphan needs help is very important. Age-friendly communities offer a good environment for creating opportunities to meet people and establish supporting networks.

More work is needed to understand what works well, develop solutions further and provide resources to elder orphans.

### FOR MORE INFORMATION

- Anna Rappaport, *Retirement Success and Elder Orphans*, 2019
- Maria T. Carney, et al., *Elder Orphans Hiding in Plain Sight*, *Current Gerontology and Geriatrics Research*, 2016
- Bella DePaulo, *Elder Orphans: A Real Problem or a New Way to Scare Singles?* *Psychology Today*, 2016

<sup>3</sup> The authors are affiliated with Long Island Jewish Medical Center and Maimonides Medical Center. This paper takes a somewhat medical perspective, and it includes a literature search.

## MORE ISSUES

In addition to the issues discussed above, SOA's post-retirement research examines other family/retirement-related issues, a few of which appear in this section. Several are listed below. (One topic that gets a lot of attention in retirement circles, estate planning, is not discussed as it is outside the scope of this report.)

### **Divorce and Retirement Security**

The SOA 2015 focus groups found divorce after retirement was one of the shocks retirees could not recover from easily. This is a growing retirement concern because divorce at older ages is on the rise. Many studies show that couples are much better off than singles in retirement and widows are often better off than divorced individuals. There are also challenges related to divorce before retirement, but these are beyond the scope of this work.

### **Transfer of Decision-Making**

Individuals, and especially elders, are wise to designate—preferably well in advance—the person or persons to whom they wish to give authority to make decisions for them, both financially and for health care, if no longer able to do so. They execute legal documents detailing these wishes; matters related to development of such documents are beyond the scope of SOA research. For the purposes of this report, however, it is important to know that SOA research does highlight the need for these documents, especially how individuals at very high ages need to be clear in giving instructions to those whom they entrust with this responsibility. SOA research also points out the importance of cooperation among family members and the value of the person needing help to communicate the authority they have bestowed.

### **Are Family Members Always Helpful?**

While many family members are very helpful, not all are. In some cases, family members are guilty of misappropriating funds. They can also be a source of elder exploitation. In families with several children, everyone benefits when the children work together. That does not always happen, however. In view of the potential for conflict and misunderstanding, elders and their representatives need to use discretion in deciding what to discuss with family members and with whom to discuss it. Note that caregivers can also be involved in financial exploitation. Matters related to fraud and exploitation are very important, but they are largely beyond the scope of SOA research; most of the research that considered family involvement did not provide any insights about things going wrong.

### **Planning for Family Help: A Family Analysis**

Creating a family analysis could assist those overseeing an elder's need for help. Such an analysis could include a listing of parents, siblings and children (and maybe others), together with some evaluation of who might be able to help and who might request help, with any notes about potential magnitude. Types of help can include management of medical care, shopping, errands, household chores, household management, hands-on care, financial management and/or financial help. If the elder needs to move because of diminished capacity, this may require help moving and/or cleaning out their earlier residences as well as setting up the new residence.

Individuals, working independently or with their advisors, should build the family analysis. Ideally, siblings will work together with each other and their parents on such an evaluation. The analysis needs to consider which family members have good judgement and which ones can be trusted. It should also identify which family members are most likely to help in the event of cognitive difficulties. In blended families, or in cases of elder orphans, there may be additional issues in the analysis.

In addition to helping with a wide variety of day-to-day matters, the family analysis should be helpful in identifying which family members might serve as co-trustees (if the elders have a trust), and which ones might be given a power of attorney or health care power of attorney.



## TIPS BASED ON THIS RESEARCH

This collective research offers important information for individuals, advisors, organizations sponsoring employee benefits and companies that offer risk management products. The findings and observations reflect the role that families play in supporting individuals with help and financial support including substantial aid across generations. The following are general tips<sup>4</sup> for different stakeholders.

### Tips for Individuals and Their Advisors

- **Analyze the situation.** A family analysis is the background and foundation for incorporating family into personal plans. Elder orphans typically want to focus on their environment and sources of support other than family.
  - » Identify and provide for known situations requiring ongoing support, such as disabled adult children.
  - » Identify potential situations such as the likely need for future help.
  - » Identify any situations involving cognitive and physical decline at present.
- **Decide who to include in conversations.** When multiple family members exist, decisions will be needed about which ones will be involved in discussions. This will entail consideration of potential conflicts and also conversations with trusted family members to ensure they are available to help and to inform them of the elder's financial resources and legal documents.
- **Work together as a couple.** For married couples, this planning is usually done together. Although couples are often the first source of support for each other, as time goes on, they often need additional help. In blended families, the secondary sources of support may be different for the two partners.
- **Get legal help.** Secure appropriate legal help for situations requiring an attorney including preparation of wills, trusts, powers of attorney and health care directives. Legal issues are beyond the scope of this report.
- **Agree how advisors should help.** The financial advisor and client need to agree how the advisor will be involved in helping the client. Everyone should be comfortable with the advisor. Be sure to understand the firm's requirements for including family members in handling affairs and executing the required documents.
- **Think about the future.** A household can plan for future support when help is needed, or simply wait until assistance is needed. Identifying sources of help before the need arises, and having ideas about where to seek help, often makes for smoother transitions when the elder needs assistance.
- **Decide if the family and/or the elder is ready for a family discussion.** Seniors need to decide whether they wish to have a family discussion about their situation, and who and what topics to include.
- **Identify how the family will participate in planning.** Advisors should identify with their clients how family will be involved in discussions, either ongoing or if there is a problem. A specific family member can be designated as the go-to person if the advisor finds a new problem.
- **Build financial help into plans.** If the families help or plan to help others financially, that should be built into financial plans for retirement.
- **Provide for extra expenses if no family help is available.** When there is no family help available, include extra spending to pay for help in the long-term retirement plan.

Note: The same estate planning requirements apply regardless of the availability of family, but such matters are beyond the scope of this paper. Family members will often serve as trustees and they are provided for in wills. They also often hold powers of attorney.

---

4 The tips reflect the author's opinion. The ideas and tips are not the opinions of the Society of Actuaries or any committee thereof.

**Tips for Employee Benefit Sponsors, Financial Service Organizations**

- **Include information about family issues.** These topics should be a part of financial wellness and education programs.
- **Include program elements linked to family issues and special services** These topics should be a part of employee assistance programs to help elder orphans.

## Final Thoughts

Over a lifetime, help from family members is critical in childhood, often very necessary in late years, and sometimes in the years in between. As people age, capabilities may decline, and help from family members can become an increasingly important source of support, whether it involves changing a tire, cutting the grass, or picking up the elder's food and medicine from the local store. As people reach very advanced ages, however, they often develop physical and cognitive limitations. At this point, help becomes particularly important since it is required more often, with greater intensity, and must often coordinate with medical and other community systems.

Family is often the source of support in times of major need. But hands-on help for seniors is more common than financial help. Several sources of data indicate that many more older adults provide financial help to adult children than vice versa. This suggests that many older people should plan to pay for much of the support they will need when they reach advanced ages.

People without family support still need some of the help that family members would offer. They have the challenge of finding trusted sources of help or figuring out how they will manage alone.

Individual financial plans usually do not consider the potential for family help across generations nor do they take into account the added challenges for those without family support.

The available research leaves unanswered questions. More research is needed into the role and limitations of family in supporting the challenges of aging elders, the alternatives to family support and the impact of family support on caregivers.

This includes the role of traditional family units and quasi-traditional units (like stepfamilies), but also the role of family surrogates for the elder orphans who have no family members either nearby or still living. The increased longevity that many Americans have enjoyed in recent decades has provided many reasons to celebrate the elder years. What is needed now is a deeper understanding of how families (and surrogate families) can support their elders while still keeping their own lives on track and thriving, and how those same elders can find meaningful ways to participate in their family life even as frailty approaches.

# Appendix

## MORE ABOUT THE RESEARCH

The SOA research teams have based their insights on robust research designed to increase understanding of the way Americans manage their post-retirement finances and to help improve management of the risks. The focus has been on exploring the perspective of the individual. This includes representation at all income levels but with primary focus on the middle market.

The research approaches include the following:

- **Biennial risk surveys.** These surveys explore the knowledge and attitude of Americans age 45 to 80, with respondents split between retirees and pre-retirees with respect to post-retirement risks and the process of retirement. Each report includes some common questions and several topics of emphasis selected for that survey, such as health and long-term care, women's issues and shocks. These surveys have been conducted since 2001.
- **Focus groups and in-depth interviews.** These are periodic research projects targeted to specific subgroups and issues. The purpose is to understand better retiree rationale, to supplement the risk surveys, and to help provide input into questions and structure of surveys. Projects were conducted in 2005, 2013, 2015 and 2017.
- **Consumer information.** Gaps in knowledge are a key finding of the research, so the SOA Post-Retirement Needs and Risks Committee designed several publications to fill in gaps and provide helpful information for consumers and consumer-support services. These publications include *Managing Post-Retirement Risk: Strategies for a Secure Retirement* (risk chart), *Managing Retirement Decisions* (a series of 12 shorter guides to specific decisions) and *Age Wise Infographics* on longevity-related issues. A new series starting with *Retirement Health and Happiness* provides information about retirement literacy.
- **Essays and papers.** These are monographs that include essays and papers on topics such as the *Financial Wellness Essay Collection*, *Diverse Risks Essay Collection*, *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security* and *Family Structure, Roles and Dynamics Linked to Retirement Security Essay Collection*. These works reflect a range of perspectives from individual publishing authors who responded to calls for papers. Their ideas include solutions to some of the challenges raised by the research.
- **Other research.** The SOA has conducted other projects, including a series on lifetime income, reports on financial advice and discussions of retirement planning software.

## ACCESS THE REPORTS

The full reports are available for download at the SOA website: <http://www.soa.org/research/topics/aging-ret-res-report-list/>.

## REFERENCES

### Risk Survey Series

- 2001–2017 Risks and Process of Retirement Survey. Each biennial survey includes topics of special focus.
- 2015 Risks and Process of Retirement Survey: Key Findings and Issues: Shocks and Unexpected Spending in Retirement, 2016 (<https://www.soa.org/globalassets/assets/Files/Research/Projects/research-2016-shocks-unexpected-expenses.pdf>)
- 2017 Risks and Process of Retirement: Key Findings and Issues (<https://www.soa.org/globalassets/assets/Files/resources/research-report/2018/risks-survey-overview.pdf>)
- 2017 Risks and Process of Retirement: Caregiving for Older Individuals: Perspectives of the Caregiver and the Care Recipient (<https://www.soa.org/globalassets/assets/files/resources/research-report/2019/caregiving-older-adults.pdf>)
- Post-Retirement Experiences of Individuals 85+ Years Old: A Report of Surveys of Individuals Ages 85 and Over and Adult Children with Parents 85 and Over, 2018 (<https://www.soa.org/globalassets/assets/files/resources/research-report/2018/post-retirement-experiences-85.pdf>)

### Other Surveys: Generational Differences and Analysis

- Family Obligations Across Generations, 2018 (<https://www.soa.org/globalassets/assets/files/resources/research-report/2018/family-obligations.pdf>)
- Financial Fragility Across the Generations, 2019 (<https://www.soa.org/globalassets/assets/Files/resources/research-report/2019/financial-fragility-across-generations.pdf>)

### Focus Groups and In-Depth Interviews

- Post-Retirement Experiences of Individuals Retired for 15 Years or More, 2016 (<https://www.soa.org/globalassets/assets/Files/Research/Projects/research-2015-focus-group-report-final.pdf>)
- Post-Retirement Experiences of Individuals 85+ Years Old: A Report on Sixty-two In-Depth Interviews in the United States and Canada, 2017 (<https://www.soa.org/globalassets/assets/Files/Research/Projects/2017-post-retire-exp-85-years-old.pdf>)

### Committee Conversations

- A Conversation on Dementia and Cognitive Decline, 2018 (<https://www.soa.org/globalassets/assets/Files/resources/research-report/2018/cognitive-conversation.pdf>)

### Consumer Information

- Managing Retirement Decisions, various dates. (Note that while none of the SOA decision briefs specifically targets families, the general topics are helpful to families planning together.) (<https://www.soa.org/resources/research-reports/2012/research-managing-retirement-decisions/>)
- Women and Post-Retirement Risks, 2018 (<https://www.soa.org/globalassets/assets/Files/resources/research-report/2018/women-post-retirement-risks.pdf>)

### Essays and Papers (only items supporting content listed)

- Managing the Impact of Long-Term Care Needs and Expense on Retirement Security Monograph, 2015 (<https://www.soa.org/resources/essays-monographs/mono-2014-managing-ltc/>)
  - » Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*

- » Sandra Timmerman, *The 65 Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle*
- *Financial Wellness Essay Collection*, 2017 (<https://www.soa.org/resources/essays-monographs/2017-financial-wellness-essay-collection/>)
  - » Anna M. Rappaport, *Don't Forget the Role of Families in Lifetime Financial Security*
  - » Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*
- *Family Structure, Roles and Dynamics Linked to Retirement Security Essay Collection*, 2019 (<https://www.soa.org/resources/essays-monographs/2019-family-structure/>)
  - » John Cutler, *Caregiving and What We Have Learned So Far*
  - » Anna Rappaport, *Retirement Success and Elder Orphans*
  - » Anna Rappaport, *Retirement Security and Blended Families*
  - » John Turner, *The Declining Role of Families in the U.S. Retirement Income System*

### Other

- Pew Research Center, *A Portrait of Stepfamilies*, Jan. 13, 2011 (<https://www.pewsocialtrends.org/2011/01/13/a-portrait-of-stepfamilies/>)
- MetLife Mature Market Institute, *The New American Family: The MetLife Study of Family Structure and Financial Well Being*, 2012, jointly sponsored by the Society of Actuaries and the MetLife Mature Market Institut (<https://www.benefitsandretirementconsultantsllc.com/img/~www.benefitsandretirementconsultantsllc.com/soa%20american%20family%20study.pdf>)
- Merrill Lynch, *Family & Retirement: The Elephant in the Room*, study in partnership with Age Wave, 2013 (<https://mlaem.fs.ml.com/content/dam/ML/Articles/pdf/family-and-retirement-elephant-in-the-room.pdf>)
- Sudipto Banerjee, *Intra-Family Cash Transfers in Older American Households*, Employee Benefit Research Institute (EBRI) Issue Brief no. 415, June 2015 ([https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri\\_ib\\_415.pdf?sfvrsn=8bcd292f\\_0](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_415.pdf?sfvrsn=8bcd292f_0))
- Pew Research Center, *The American Family Today*, Dec. 15, 2015 (<https://www.pewsocialtrends.org/2015/12/17/1-the-american-family-today/>)
- Renee Stepler, *Smaller Share of Women Ages 65 and Older are Living Alone: More are Living With Spouse or Children*, Pew Research Center, Feb. 18, 2016 (<https://www.pewsocialtrends.org/2016/02/18/smaller-share-of-women-ages-65-and-older-are-living-alone/>)
- Sandra Timmerman and Anna M. Rappaport, *Often Overlooked Issues in Retirement Planning: How Family Caregiving and Living Arrangements Relate to Long-Term Care*, *Retirement Management Journal* 6, no. 1 (summer 2016) (<https://investmentsandwealth.org/getattachment/7cc892fc-896b-4e5c-9c8c-3fc9f9a113d8/RMJ061-OftenOverlookedIssues.pdf>)
- Bella DePaulo, *Elder Orphans: A Real Problem or a New Way to Scare Singles?* *Psychology Today*, Oct. 4, 2016 (<https://www.psychologytoday.com/us/blog/living-single/201610/elder-orphans-real-problem-or-new-way-scare-singles>)

- Maria T. Carney, Janice Fujiwara, Brian E. Emmert Jr., Tara Liberman, and Barbara Paris, *Elder Orphans Hiding in Plain Sight: A Growing Vulnerable Population*, Current Gerontology and Geriatrics Research 2016 (<http://dx.doi.org/10.1155/2016/4723250>)
- Christina Ianzito, *Elder Orphans: How to Plan for Aging Without a Family Caregiver*, AARP, *Family Caregiving Basics*, Dec. 13, 2016 (<https://www.aarp.org/caregiving/basics/info-2017/tips-aging-alone.html>)
- Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, *Pension Section News*, February 2017 (<https://www.soa.org/globalassets/assets/library/newsletters/pension-section-news/2017/february/psn-2017-iss91.pdf>)

## CAVEAT AND DISCLAIMER

The opinions expressed and conclusions reached by the authors are their own and do not represent any official position or opinion of the Society of Actuaries or its members. The Society of Actuaries makes no representation or warranty to the accuracy of the information

Copyright © 2020 by the Society of Actuaries. All rights reserved.