

# Focus on Family Types and Financial Well-Being



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The American family is changing. In fact, household makeup in general is changing — today, the percentage of people living alone is at an all-time high, now representing the second largest American household type after married couples.<sup>1</sup>

The “traditional family” of husband, wife, and children, all from a first marriage, is a smaller percentage than ever before. For the first time since Census data collection on families began in 1940, fewer than half of all households (48%) are husband-wife households (first and second marriages). Other types of households, such as same-sex couples, opposite sex non-married couples, and single parents with children, have increased in percentage.<sup>2</sup>

However, while the structure is changing, concerns remain.

According to *The New American Family: The MetLife Study of Family Structure and Financial Well-Being*, Americans across all family types

have concerns around retirement security, particularly maintaining a “reasonable” standard of living for the rest of their lives.

They are also worried about health and long-term care, potential increases in taxes, and changes to government programs such as Social Security and Medicare.

There are differences, however, based on family type. For example, on average, couples are better off financially than non-couples. Financial security concerns are greater among non-couples, especially those who have never been married.

This study, produced by the MetLife Mature Market Institute in partnership with the Society of Actuaries, demonstrates that family type is an important consideration in financial and retirement planning. This tip sheet, based on the study findings, provides areas that are important for all family types to consider, followed by additional considerations based on specific family types.

48%

Just under half of households in 2010 were husband-wife families.



1 U.S. Census Bureau, Households and Families: 2010, 2010 Census Briefs, April, 2012  
<http://www.census.gov/prod/cen2010/briefs/c2010br-14.pdf>.

2 Ibid.

# Planning Considerations for All Family Types

- > **Maintain an appropriate level of health insurance.** If you are planning to retire prior to becoming eligible for Medicare, investigate what health insurance may be available to you through your employer, your spouse's or partner's employer, or another resource as well as the costs before finalizing your decision.
- > **Make certain your legal affairs are in order.** A will, advance directives for health care, durable powers of attorney, and trusts in certain instances are basic documents that are important to consider. These ensure that your assets are distributed as you would want upon your death and that your wishes are honored regarding health and financial decisions if there comes a time when you can no longer make your wishes known. It is important to review and update these documents if there are any changes to your marital or family status.
- > **Consider when you plan to take Social Security benefits.** Delaying Social Security will increase your monthly benefit for each year that you wait to begin taking benefits up to age 70.
- > **Calculate how much income in addition to Social Security you will need** to maintain your lifestyle and determine the sources of a steady stream of income available to meet your needs over your lifetime.
- > **Create contingency plans for the unexpected with financial products that can protect you and your family.** For example, disability income insurance can provide a portion of your income should you suffer a disability during your working years. Long-term care insurance can provide benefits to cover services should you need ongoing care and assistance with daily activities due to an accident, a chronic illness, or a sudden medical event such as a stroke. Life insurance can provide your family with financial security should you die unexpectedly.
- > **Educate yourself on retirement planning and risk management options.** Consider consulting with a financial professional to help you understand the steps needed in preparing for a secure retirement.
- > **Take advantage of workplace programs related to financial wellness and the workplace benefits** that might be available to you. Check with your employer about health, life, disability income, dental, critical illness, and long-term care insurance as well as retirement benefits such as 401(k) and 403(b) plans. Also explore what benefits continue to be available to you in retirement before finalizing your retirement plans.
- > **Learn about your pension distribution options and rules** that apply to your pension and retirement savings.

## Couples in a First Marriage

- > Continue to save and use a combination of financial products to create guaranteed lifetime income for both spouses.
- > Communicate openly and talk through any financial expectations and differences. Set goals and spending budgets so you are in agreement about retirement spending.
- > Factor in the possibilities of stock market downturns, tax increases, etc. during the planning process.
- > Recognize the impact of supporting others when making retirement planning decisions. Families can be a great source of support but also a potential financial burden. Providing financial assistance to adult children can impact the security of your own financial well-being and your retirement. If you are assisting family do not lose sight of the potential impact on your own financial future.



## Couples in a Second Marriage

- > Start saving for retirement early, and use financial products to create income for life.
- > Ensure that legal documents are in place that define obligations and resource ownership considering both previous and current spouses and children from both marriages. Review financial documents such as life insurance policies and retirement savings accounts to determine if any changes need to be made to beneficiaries. Unless you keep these documents up to date, retirement assets and life insurance from a first marriage typically go to your beneficiary, despite the fact that you may be remarried.
- > Keep in mind what impact supporting other family members may have on your own retirement savings and future financial security.
- > Make sure that you have a will. In most instances, a large portion of your estate will go to your spouse if a will is not in place. A will is necessary to divide assets and property among your spouse, your children, and other family members in accordance with your wishes. Your will should also designate someone to care for your children. Otherwise, the probate court will make these decisions.



- > When purchasing a home with your second spouse, determine whose name will be on the deed since it will affect how funds are distributed upon the sale of the property.

## Domestic Partners

- > Educate yourself to determine your rights and your partner's rights as they relate to your employee benefits and employer-based retirement benefits. As non-married partners, you may not have the same employee benefits rights as married couples. Seek legal counsel to learn your rights and those of your partner and children (if you have children) in accordance with state laws, government programs, and legal entitlements, and consider executing legal documents that will protect you, your partner, and other family members.
- > Educate yourself on special issues related to planning for retirement risks, saving for retirement, and planning for lifetime income considering your family structure.
- > Make sure you have a will. This is necessary to divide assets and property among your partner, your children, and other family members in accordance with your wishes.



## Widows and Widowers

- > Assess your financial resources and ability to achieve financial security in retirement. Consider the purchase of financial products that will provide protection in retirement such as long-term care insurance and financial products to receive a steady stream of guaranteed income for life.
- > Consider seeking professional legal and financial advice to determine what documents you may need to revise based on the loss of your spouse and to assist with estate planning and the development of a realistic plan for a secure retirement.
- > Understand the availability of family members to offer various types of help and support and maintain an appropriate network of support if family members are not available.
- > Keep in mind the potential impact to your own retirement and financial well-being if you are providing financial support or assistance to adult children or other family members.



## Divorced or Separated Individuals

- > Divorced and separated individuals in this study had relatively low income compared to other respondents. As a divorced or separated individual, you may be at greater risk of achieving financial security in retirement. Special consideration is needed to assess your financial resources and your prospects for financial security in retirement. Seek the help of financial professionals and your attorney to assist with the retirement and estate-planning process.
- > Consider delaying Social Security if your income is low or will be low in retirement, to increase your monthly income in retirement and become aware of public benefit programs that may assist you.



- > Ensure legal and financial documents are in place and any needed changes are made based on your current family structure.
- > Understand your state laws regarding asset division and distribution. Determine whether or not your ex-spouse will rely on you for support in retirement or be entitled to any of your retirement benefits, or whether you may be entitled to benefits from your ex-spouse in retirement.
- > Consider establishing a living trust to protect assets designated for your children (if you have children) and prevent someone else from having access to these assets. Some examples include trusts for child support, education, special needs, and medical

purposes. You should consult with your attorney to determine what the most appropriate option would be for your situation.

- > Use your employee benefits and retirement income sources to promote your retirement security if you are working. Consider financial products such as disability income insurance, long-term care insurance, and life insurance especially if you have children. Contribute to your 401(k) or 403(b) at the highest level to which you are able and learn whether your employer contributes as well. Find out what you need to contribute to receive the maximum employer match.
- > Assure that you will have adequate health insurance in retirement, as health care costs were a concern for divorced or separated individuals in this study. Find out what retiree health benefits are available through your employer or determine what your alternate plan will be if none are available.

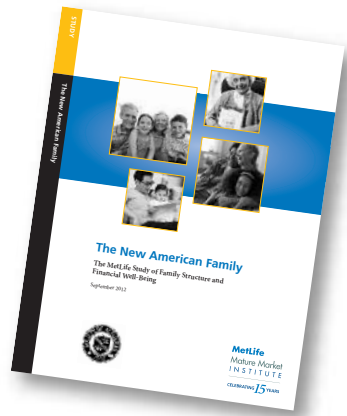
## Single Individuals

- > Start planning and saving for retirement as soon as possible, even if you are only able to save in small amounts initially. The study revealed singles have high concerns, limited income and assets, low level of saving, limited planning, and few retirement-related financial security products.
- > Understanding the value of your employee benefits and taking advantage of them can help you better prepare for retirement. Find out if your employer matches contributions to your 401(k) and learn what you need to contribute to be eligible for the match.
- > Establish ongoing sources of steady guaranteed income throughout your retirement.
- > Understand your risk tolerance. Since you do not have additional income from a spouse, it is important to know how much risk you can tolerate.
- > Consider seeking the assistance of a financial professional to assist with your retirement and estate-planning process.
- > Use health insurance and voluntary benefits such as disability income insurance, long-term care insurance, and dental and critical illness insurance to help you protect what you have saved and feel more secure in your preparation. Life insurance can protect any dependents you may have.
- > Make sure your legal affairs are in order and speak with your attorney about executing documents such as a will, health care advance directives, durable powers of attorney, and trusts (if you have children) to be certain your wishes are honored should there come a time when you cannot speak for yourself.
- > If you have younger children, your will should also designate someone to care for them so that you have maximum control over their care.
- > Establish and clearly designate your beneficiaries for any insurance policies or retirement funds you may have. Make certain someone you trust is aware of the location of your important financial and legal documents.



## The New American Family

Each of us has our own vision of retirement and our own challenges in preparing for this phase of our lives. These tips provide guidance based on the findings of *The New American Family: The MetLife Study of Family Structure and Financial Well-Being*. We hope that these tips will be helpful to you. To read the full study and other publications from the MetLife Mature Market Institute visit us at [www.maturemarketinstitute.com](http://www.maturemarketinstitute.com).



### The MetLife Mature Market Institute®

Celebrating its 15-year anniversary in 2012, the MetLife Mature Market Institute is Metropolitan Life Insurance Company's (MetLife) center of expertise in aging, longevity and the generations and is a recognized thought leader by business, the media, opinion leaders and the public. The Institute's groundbreaking research, insights, strategic partnerships and consumer education expand the knowledge and choices for those in, approaching or working with the mature market.

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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).

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