Aging and Retirement

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Family Structure, Roles and Dynamics Linked to Retirement Security

2019 Call for Essays

Caregiving and What We Have Learned So Far

John Cutler

Years ago, I asked Gail Gibson Hunt (the founder of one of the larger national caregiving groups) why no one seemed to be able to organize successfully around the issue of caregiving when there are so many people affected by it. By contrast, disease groups seem highly successful in terms of outreach and lobbying.

First, as background, AARP recently stated that nearly 44 million people in the U.S. are caregivers.[1] To put that in context, there were about 329 million people in the United States in 2018. About 89 million people are under 21, or 27%. About 240 million are over 21, about 73%. Those older than 21 are the core ages to get or receive aging care. (I'm not going to break it down more than that since it is not relevant for this essay.) If you match up that number against the 44 million doing the caregiving, it means 18%—or almost one out of every six people—are impacted. Most of the caregiving is on a part-time basis for sure. Also, a lot of help is probably monetary and not hands on. But still!

Anyway, back to Gail Hunt. Her answer was that no one really knew they were caregivers. As she was saying that, my immediate reaction was that her comment seemed silly. How could one not know? But then she gave examples: "Honey, can you run upstairs to get my glasses?" "We're running low on milk. Can you get that when you go to the store?" These were all the things I was doing and just doing so as part of being family. So, the light bulb went on and I realized I was one of those 44 million. Who knew?

So where does that leave us?

I went back to the call for essay language and realized we actually know a lot.

Family Support, Financial and Physical

Families support each other. This is across time and goes both ways. Sometimes the older person supports the younger and sometimes the reverse (grandchildren supporting their grandparents or the reverse as well as the direct next-generation caregiving).

But we know this is haphazard and often a "slow motion" kind of thing where there is little understanding of the path or progression of disease or need.

FAMILY STRUCTURE

We are getting smarter about figuring out that the Ozzie and Harriet generation is gone. Often families are blends of different spouses and ex-spouses. Older people are living longer too. In the old days, maybe one grandparent would be alive. Now it might be three or even all four (not even counting stepparents and remarried folk). So even if the adult child wants to help, which person will need it most and get it?

And, in fact, with the aging of society it might not be the parent that needs it; it might be your sibling. Except the one needing help is 80 and the one supposedly there to give it is 75. No one seemed to see that one coming.

Demographics

We need to continue to be cognizant of the vast diversity in the United States populations, especially the growing diversity in ethnic background. As of 2015, 14% of the United States' population was foreign born, compared to just 5% in 1965. Nearly 39 million immigrants have come to the U.S. since 1965, with most coming from Asia and Latin America. The 2015 Census Report predicts that the percentage of the U.S. population that is foreign born will continue to increase, reaching 19% by 2060. By then, the breakdown is estimated to be 48% white, 24% Hispanic, 14% Asian and 13% black.[2]

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1 National Alliance for Caregiving and AARP Public Policy Institute. 2015. 2015 Report: Caregiving in the U.S. *http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf.*

2 Vespa, Jonathan, David M. Armstrong and Lauren Medina. 2018. Demographic Turning Points for the United States: Population Projections for 2020 to 2060. U.S. Census Bureau, *Current Population Reports,* P25-1144, March. *https://www.census.gov/content/dam/Census/library/publications/2018/demo/P25_1144.pdf.*

The average U.S. citizen of 2060 is likely to be older than the average citizen of today; almost one in four people will be 65 or older. At the same time, the percentage of people who are working age (18 to 64) is likely to fall from 63% today to 52% in 2060. This will have huge implications for society as younger people work to fund the pensions and health care of the older generation.[3]

For this essay, I would like to propose we continue and expand our intergenerational efforts. There are things we don't know, of course. But often it is things we think we know that will derail our efforts. For instance, new research by Greenwald & Associates for the Society of Actuaries on people 85 and over was quite surprising.[4]

In 2013, the SOA conducted focus groups with people retired less than 10 years[5] and in 2015 with people retired 15 years or more.[6] In the most recent research,[7] SOA examined the lives of those age 85 and older. The purpose of this study was to "find out how the habits and behaviors from earlier in life play out in the final years. In what ways do the concerns of pre-retirees and early retirees change as people age? How similar and how different is the perspective of people ages 85 and over compared to people ages 60 to 80, and what leads to any change?"

The first phase consisted of in-depth interviews with people age 85 and over as well as with adult children who have parents age 85 and over. All of the age 85+ participants were selected to have wealth of less than $400,000, so the focus is on what might be referred to as "resource-constrained retirees."

These focus groups reinforced the notion that short-term planning was common; long-term planning not so much. In essence, the approach for dealing with shocks and the unexpected was to "deal with it when it happens." At the same time, the research showed a great deal of resilience on the part of retirees and a desire to hold onto, and not spend, their assets. Most are frugal and have been able to match income/assets to need.

Not to be too cavalier about it, but here we are worried about them but they seem to be in a pretty good place, all things considered. Their homes are paid off or they have a stable housing situation. Often, no cars, so no problems like that (and they have figured out by this age how to deal with car issues): "Those 85 and over do not often report that expenses such as home repairs, medical bills, car repairs or dental bills have a major impact on their finances. In the case of medical expenses, in-depth interviews suggest that they have long since adjusted to paying for Medicare and Medigap premiums and don't experience a great deal of unexpected expense."[8]

Their relationship with family have been figured out. Often the problem comes early in aging where the older person doesn't want to ask the children for help and the children, who have issues of their own as do their own children, are blindsided by the need.

I don't want to paint too rosy a picture, but it is certainly not what we expected for so many people over the age of 85. And to give one example of what that misunderstanding means would be the creation of longevity annuities. These annuities step in to supply extra income to the old old (as they are sometimes called) because these people will have shortfalls in income and have run through their assets. What if the picture is more nuanced? What if many seniors don't need this kind of intervention? It doesn't mean there aren't seniors who do. The issue becomes not just the product but the targeting. An example here would be the fact that most financial planning is targeted to males (at least in these cohorts due to the way couples approached money matters), but the population over 85 is heavily female.

3 World Population Review. United Stated Population 2019. Nov. 21, 2018. (Accessed March 20, 2019.) *http://worldpopulationreview.com/countries/united-states-population/.*

4 See Greenwald & Associates Inc. 2018. Post-Retirement Experiences of Individuals 85+ Years Old. Society of Actuaries research report. *https://www.soa.org/research-reports/2017/2017-post-retire-exp-85-years-old/.*

5 Greenwald & Associates Inc. 2013. The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups. Society of Actuaries research report. *https://www.soa.org/Files/Research/Projects/research-2013-decision-retire.pdf.*

6 Greenwald & Associates Inc. 2015. Post-Retirement Experiences of Individuals Retired for 15 years or More: A report on Twelve Focus Groups and Fifteen In-depth Interviews in the United States and Canada. Society of Actuaries research report. *https://www.soa.org/Files/Research/Projects/research-2015-focus-group-report-final.pdf.*

7 Greenwald & Associates Inc. Post-Retirement Experiences of Individuals 85+ Years Old.

8 Ibid.

Another important point from that report is that this all changes when there is a serious long-term care need. The research definitely showed that expectations often don't match reality: "Most of the people who do not yet need extensive care think that when they need long-term care they will stay at home and string together aides and family support. However, most of the adult children of those needing paid long-term care report that their parents are in nursing homes or assisted living. The study shows inadequate planning for long-term care with both financing and delivery."[9] So, while we see that there is a lot of discussion among and by the family members on many things, planning for long-term care is not one of them.

A recent SOA report on financial risk across generations[10] offers some other ideas. The report presents the results of research also conducted by Greenwald & Associates for the Society of Actuaries.

This report is the third in a series that analyzes financial viewpoints and behaviors of five generations of adult Americans. Greenwald & Associates surveyed 2,000 individuals, pretty equally split between millennials (ages 20 to 38), Gen Xers (ages 39 to 53), late boomers (ages 54 to 63), early boomers (ages 64 to 72) and the younger portion of the silent generation (ages 73 to 83). Key issues around financial goals, concerns and retirement preparedness were examined.

Most respondents feel strongly that family obligations are not one-sided. Across all ages, 80% agree that adult children should help their parents with tasks they are no longer able to do and almost as many (76%) say these adult children should help their parents financially, especially if it allows them to remain in their own home. Despite millennials having a higher likelihood of relying on their parents for financial support, they express a strong sense of obligation to help their parents if needed. They are more likely than older generations to feel individuals should take a leave of absence or reduce their work schedule to care for a parent facing significant disabilities or illness.

This is somewhat in contrast to today's current older Americans who believe that adult children's first priority is to their own families, not their parents. Whether this is due to these particular cohorts or is a function of age and experience is not clear. In other words, older respondents could be worrying that taking care of old people, to be crude, will just drag the younger folks down. And we don't know that millennials won't have this same attitude when they get older. But for now, it is a bright spot that the younger generation sees the need to be there for their older family members. This, in fact, may be one reason why polling consistently shows young people in full support of Social Security even though they aren't quite sure it will be there for them when they get old.

Where do we go From Here?

Long-term care preparation is clearly called for. The survey data (and not only this SOA research) show that older people and their adult children often lack a sense of reality when it comes to long-term care, in financial terms and also in setting and delivery. A significant number believe that the solution to save for long-term care is by cutting back on spending and putting money away. This is an untenable solution for any of these people who experience a major long-term care event. Few seem to have plans to borrow from their house—much less sell it—to pay for long-term care, if needed.

Part of the problem may be that while a significant number of older people get some type of support from their children—and know the amount of support will increase as they age—most older people don't understand how extensive the help will need to be in the event of major physical or mental decline. What happens is that the care at home becomes a stitched together piecework of unskilled and semi-skilled care that moves into home health care and greater skilled care and then falls apart when stressed too greatly.

As a policymaker I would craft policy solutions that intervened when the need was clear and not worry about people until they reached a crisis state. That definitely flies in the face of every notion we've been hearing all our years of working in aging and retirement. We always hear we need to help people plan. But there is a famous Wall Street saying: Don't fight the tape. If people do plan, that's great. There are tools for them. But studies consistently show the percentage of planners is fairly low. And some of those with planner

9 Ibid.

10 Society of Actuaries. 2018. Financial Risk Concerns and Management Across Generations. Aging and Retirement report. ***https://www.soa.org/Files/resources/research-report/2018/financial-risk-concerns.pdf.***

genes may not be able to plan for reasons of health or income.

To me, the products need to be “just in time” and delivered when the need becomes too great for the individual or family to continue. A more robust Medicaid system that delivers home- and community-based care is critical for the poorer population. And for those above the poverty level, there should be a re-purposed Medicare program. In 1988, Medicare provided only 3% of its budget for skilled nursing coverage and home health care. That was up to something like 14% in 2016, not even counting the dollars flowing through the Part D drug program, which are heavily weighted to those needing higher degrees of care. Recently the Centers for Medicare and Medicaid Services authorized Medicare Advantage plans to offer nonmedical services for the first time. This should be expanded to include Original Medicare. But the direction should be clear that seniors should be able to rely on Medicare for their long-term care needs. (I’m a supporter of long-term care insurance, by the way. But don’t fight the tape; people aren’t buying it.)

Finally, Social Security needs to be protected, if not enhanced. It’s beyond this essay to get into how to do that. But one obvious matter to address would be to fix the shortfall projected to hit about 2033. If nothing is done, the program will run at 80 to 85% of its current value for seniors. To put it in money terms, if you are getting $1,000 a month, that will drop to $800 or $850. The point is that the SOA research discussed here shows most seniors are able—and do—live within their means. But if you reduce what seniors are getting, then more are at risk of not being able to do just that.

John Cutler, J.D., is a senior fellow for National Academy of Social Insurance, a special adviser to the Women’s Institute for a Secure Retirement, and a consultant for various organizations interested in long-term services and support financing reform, including the state of Minnesota. Cutler is also active in a number of SOA activities, including its Aging and Retirement Committee, as well as the Post-Retirement Needs and Risk Committee. He can be reached at *johncutler@yahoo.com.*