

## Impact of Family Structure on Retirement Aspects

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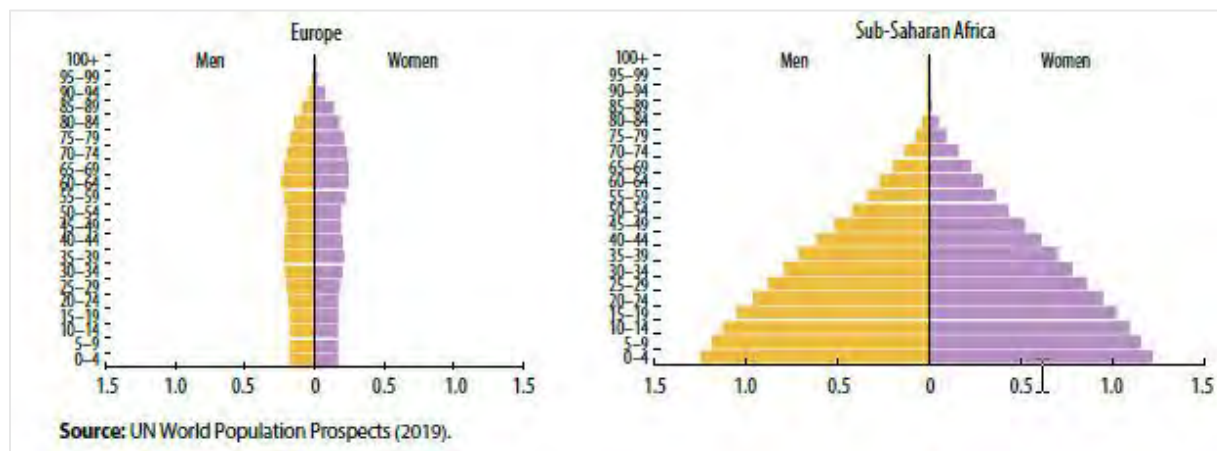
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### INTRODUCTION

All over the world demographics are changing. From a pyramid-like structure with a lot of young people and fewer people surviving to old ages, declining birth rates, and increasing life expectancy ensure the traditional pyramid shape of population demographics no longer holds. Today, we have what researchers term a "beanpole" ("Europe" in Figure 1) structure which is a thin long pole-like structure with fewer individuals at all levels and multiple generations alongside one another.

**Figure 1**

COMPARISON OF EUROPE AND SUB-SAHARAN AFRICA'S POPULATION BY AGE BAND IN 2050



In many areas, families too are more like a beanpole where there have been trends towards fewer aunts, uncles, and cousins because of fewer siblings in each generation. The traditional concept of an extended family, based on the links of marriage and blood-ties (and in some cases adoption), was always wider than the typical nuclear family. In the past, family meant clans linked by common ancestors, which was also the basis for how familial and individual laws of inheritance were defined. This is different from today's developed world where family is commonly thought of as immediate family members with a 1-degree separation from the individual.

It is not just demographic issues like increasing life expectancy and decreasing birthrates, but also cultural changes, industrialization/urbanization, a greater awareness and emphasis on individual freedom and choices that are changing family structures. For society to work efficiently, we need to clearly define roles, responsibilities, rights, and obligations of all members in a family. For this purpose, the state/society has narrowly defined a family as

husband, wife, and offspring (born and adopted). This is a new concept that evolved in modern society where the state has taken some of the requirements originating from the historical agriculture society where means as well as outputs of production were shared. Same-sex marriages, and cohabiting adults are still newer concepts arising in the last 50 years, and countries are beginning to legalize these arrangements. The term marriage and partnership (marriage) are based on the notion of the state benefits which spouses and young destitute children should be entitled from the estate/earnings of the deceased. Marriage/adoption are the only two widely recognized ways to enter a family structure. However, there is a change of demographics and societal attitudes towards non-traditional family structures that may have an impact. In the rest of this paper, we try to answer the question, if marriage/adoption remain the only ways to enter a family structure?

## **WHEN RETIREMENT MEANT FAMILY**

Given the life expectancy, morbidity, and standards of living of the pre-industrialized world, age made it difficult to carry on hard physical labor, so retirement was fairly early especially as compared to today. However, although older society members stopped contributing to physical activities, they continued to share their knowledge/wisdom to provide guidance and mentorship to the next generation. This allowed them to be able to carry on their craft/trade or farming. Multi-generational families were common and the young and old took turns caring for each other and mutually supporting one another through various stages of life. All needs were met—physical, monetary, information/guidance, healthcare, long-term care, and emotional! In a sense, individuals devoted their endeavors throughout life to a family that in an individual's old age would devote itself to the individual's care.

Some glimpses of retired life in the pre-industrialized world can still be found in tribes that are as of yet untouched and unchanged by technology. Among the Faluni, a West African tribe, upon the marriage of their last child, couples transfer their cattle to their children and live as dependents of their eldest son. Although their basic needs are all met, they have no say in running the family and also carry less weight and rights in the community. In other farming tribes/cultures like the Amayra of Bolivia, elders shift to less strenuous tasks. In their culture, marriage is the rite of passage into adulthood, but they do not get to head a family until after their parents' lifetimes, ensuring that the elderly still hold the same power or right over shared resources that, in-turn, ensures their needs are met throughout their lifetime. In many Eastern cultures such as Hinduism and Buddhism, an emphasis on reverence to elders in the family ensures that they are cared for even as they withdraw from active physical and economic activity and move towards religious and spiritual pursuits.

Industrialization brought about a rise in standards of living and improved quality of life in material aspects, but it caused families to get smaller and more fragmented. It also brought women into the workforce which made it unviable for many to support the large joint families. With migration to cities, young and able people took to earning a living and building a life for themselves far away from the family homes and elders. This changed much of the fundamental family structure to a greater reliance on self and spouse rather than a whole extended family. But in recent years, there are a number of different kinds of family structures that have evolved from the traditional extended and later traditional nuclear families.

## **A WORLD VIEW**

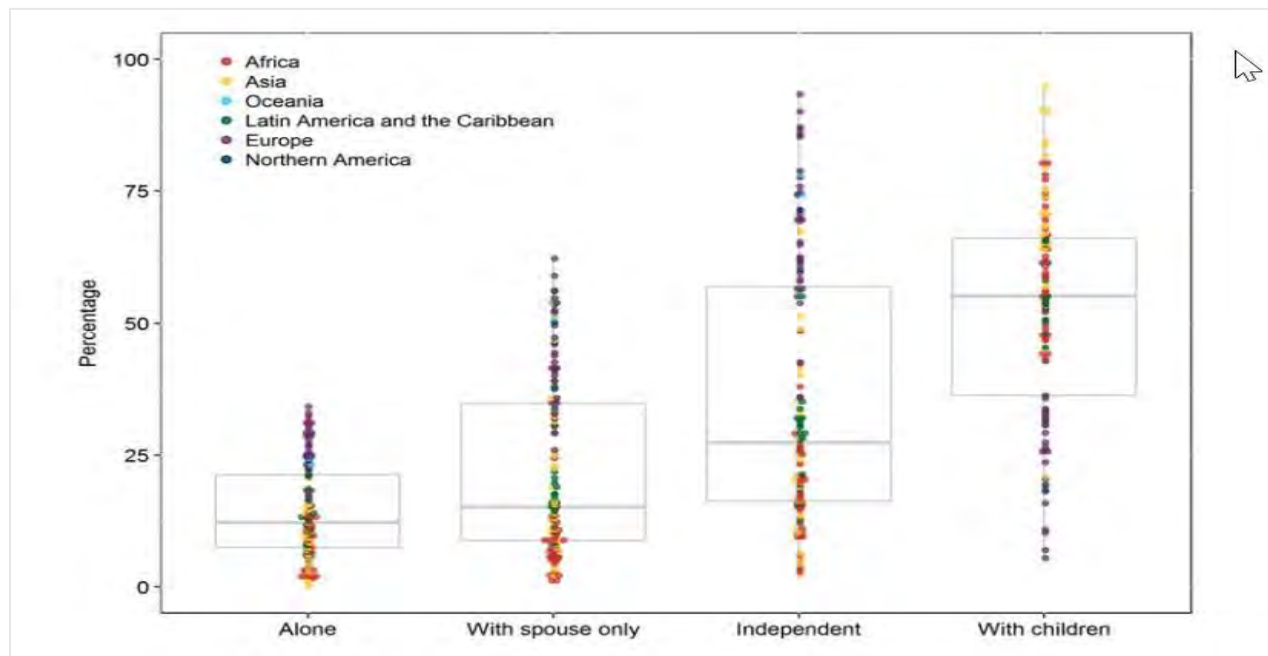
While traditional practices discourage living together without marriage, or opting to not have children, these choices have become increasingly commonplace and gaining greater acceptability. This has resulted in several trends including more elders living alone, later-in-life marriages, families with dual income and no children (DINKs) and other non-traditional family structures.

## OLDER ADULTS LIVING ALONE

There are marked differences in the proportion of older people living alone around the world, with the highest in Europe and North America and the lowest in Africa. Asia and Latin America (including the Caribbean) also have low percentages for elderly living alone compared with the 'developed' world. There is also a gender-based life expectancy gap at 60 in Europe and North America, which results in more women living alone.

Figure 2

DISTRIBUTION OF HOUSEHOLD LIVING ARRANGEMENTS OF PERSONS AGED 60 YEARS OR OLDER.



Source: United Nations, Department of Economic and Social Affairs, Population Division (2017), A Report on an Expanded International Dataset (ST/ESA/SER.A/407).

Most older adults in Asia and Africa still live with their children. As education and income increase, more Asians are catching up with the trends of the high-income developed countries, with more single persons and DINK families, and increasingly more independently living older adults. However, cultural factors seem to encourage arrangements where elderly parents and children may not cohabit but are still available to support each other by opting to live in the same cities within townships or multi-family compounds.

## TRADITIONAL MARRIAGES VS. COHABITATION

In more conservative societies, cohabitation is not common and does not have the same societal approval that marriage has, furthermore, in many countries, married couples enjoy more privileges compared to cohabiting ones in terms of taxation, social security, and state benefits. For example, countries like Sweden treat marriages on par with registered partnerships, while others like Switzerland treat cohabiting partners as single persons for the purpose of pensions. This puts the onus on the cohabiting partners to plan well ahead for retirement by considering the laws of their country and the various options available to them to have a joint retirement similar to married couples for whom these are automatic entitlements.

Studies show that young married couples are more likely to have greater savings because they share costs and resources. Being married may help them more readily conceive old age together and hence may be more likely to plan for retirement than cohabiting partners or single people.

Age of spouses or partners appears to also influence the retirement decision, with couples closer in age opting to retire jointly. When age-gaps in couples are large, the retirement decision/plan is mostly impacted by the older partner. However, there may be differences based on whether a marriage is more traditional gender-roles based or more egalitarian. In more egalitarian set-ups, the partner with a stronger financial position would likely be expected to drive the retirement planning. Although studies on married couples confirm this, these dynamics are likely to play out among cohabiting couples as well. What we should be factoring in to reflect the present is whether these trends are likely to change with more re-partnering or remarriages happening later in life and also increasing age-gaps and changing gender dynamics in such unions.

## **BLENDED FAMILIES**

Rates of divorce have steadily increased since the 1900s all over the world, and remarriage or new cohabiting relationships often result in blending children from previous relationships into the new family. By 2011, 1-in-4<sup>1</sup> Americans had a step relative—parent, child, or sibling. A Pew research study found that younger people, Blacks, and people without a college education were more likely to have a step relative.

Similar to cohabitation, not all cultures and countries have become more accepting of same-sex marriages. In many conservative societies, same-sex marriages do not enjoy the same rights as traditional marriages and there are still countries where such unions cannot exist. Where they do exist, the nature of rights they enjoy, and the eligible state benefits could be very different from those of traditional married couples. Among many studies conducted, a Swedish<sup>2</sup> study on retirement behavior found that same sex couples have larger age gaps than opposite sex couples, male couples retire together more often than female couples, and the retirement decision is driven more by the economically stronger partner. Another aspect to consider is that many same-sex couples adopt children. Even if one of them is a biological parent, the other becomes a stepparent. This brings in similar dynamics as other step-relations. The Pew<sup>1</sup> study of 2011 shows that in interviews, 85% of adults with a living parent said they feel obligated to help a biological parent in distress, 56% felt similarly for a stepparent. For children, the gap was closer with 78% of adults feeling obligated to help a biological adult child in distress vs. 68% feeling the same obligation towards a stepchild. However, all forms of step relatives took precedence over a best friend, reiterating that family was important irrespective of its make up. But what was undeniable was that biological relationships had a stronger pull than step relatives.

The questions with respect to retirement that arise in such blended families are:

- Would having a biological relationship versus a step-relationship influence people to retire sooner rather than later?
- Do stepparents also factor in supporting stepchildren in their old age into their retirement savings expecting in exchange that stepchildren care for them in old age?

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<sup>1</sup> [A Portrait of Stepfamilies | Pew Research Center](#)

<sup>2</sup> [Retirement coordination in opposite-sex and same-sex married couples: Evidence from Swedish registers - ScienceDirect](#)

- We have been witnessing more multi-generational living since the pandemic, this most likely involves at least one biological relationship between parent and child. Do these arrangements last when the biological parent has passed, and the remaining one is a stepparent?

## IN MORE CONSERVATIVE SOCIETIES

In more traditional societies, newer family structures are catching up, but rather slowly. Consider for example India—which we selected because we live and work here—same-sex marriages are not allowed by law, divorce is frowned upon, and cohabitation is very rare. A large part of the workforce is in the unorganized sector and relies heavily on family and minimum social security support from the government in old age. A 1980 study<sup>1</sup> among rural Indians showed that 55% relied on their eldest son for retirement support. Even today, parents often live with their sons or spend time equally in the homes of all their children irrespective of the state pension. In urban India it's common to have parents and children residing in the same locality or in close proximity with a flourishing symbiotic relationship with grandparents providing childcare while their care needs are met in return. More so in the case of single parents, we often find grandparents lending a helping hand with kids and also providing crucial emotional and moral support during the transition from married to single parenthood.

## THE FUTURE RETIREMENT!

At the individual level, what retirement could mean and look like in the future could be very different from what it currently does. With successive technology revolutions, the factors of production now include knowledge/entrepreneurship along with real estate, labor, and capital. While real estate, labor, and capital are limited in availability and applicability, knowledge is abundant, flexible, and applicable to a wide range of areas. Knowledge is also more immune to limitations of aging, as long as we possess our mental faculties. With beanpole family structures and longer life expectancy; uncertainty of old age living arrangements; and the basic socializing nature of humans, can we in the future have legally adopted brothers/sisters/aunts and uncles? That is, will a newer family structure not bound by blood but by close community relationship evolve to meet the need for support and connection? Society could allow its members to define a new community-based approach to retirement where people are bound by common interests and benefits are pooled for the members agreeing to join this community. This is not an alien concept. We already have continuing care retirement communities (CCRC) or life plan communities, that charge an upfront fee to join, and an ongoing monthly payment based on the services they provide. These communities ensure that residents have the stability of remaining in the place they call home. Payments to the community can be a combination of savings before retirement and their social security benefits.

Why is this relevant to our discussion? As we see more and more adults aging, and the familial ties getting more varied we could expect likeminded people combining and forming coops and other mutual arrangements and then joining these communities. Could these communities be the answer to the retirement uncertainties of non-traditional families? Would that ensure, for example, a long-forgotten relative would not be the beneficiary of an old, deceased relative's estate but rather would be the community that was an active participant in the deceased's life? Life insurance companies may have to devise innovative products or offer micro plans to bring together the new-age family or likeminded groups that may not fit the definition of a traditional family, where beneficiaries can be more than one person and other than spouse/partner, i.e., it can be a sibling or friend. The new 'families' can be work groups, local community groups, interest groups, or gender/sex based. By thinking about these trends, insurance companies could be better prepared to draft/understand complex life care contracts, given longevity and inflation risks in providing additional benefits to the insured group. States, communities, and corporations could benefit by considering new policies and establishing a community-based retirement approach so that people are healthy together as a group and not one as rich and lonely.

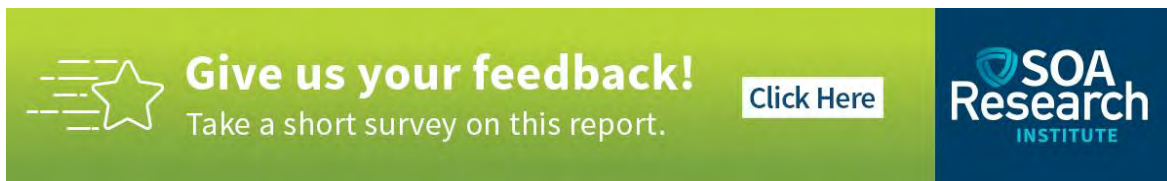
Edith Schaeffer's book, *"What is a Family?"* describes family as a *living, constantly changing network of relationships, reflecting the passage of time, the growth and ageing of its members, the addition of new members and the removal by death of some.*

This definition of a family could well apply to those communities of the future, that perform the same function as the traditional family!

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