SOCIETY OF ACTUARIES®

Aging and Retirement

Family Structure, Roles and Dynamics Linked to Retirement Security

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SOCIETY OF ACTUARIES®

Prize Winners

First Prize
Retirement Success and Elder Orphans
Anna M. Rappaport

Second Prize
How Family Dynamics Influence Retirement Security
Gregory Ward

Third Prize
The Declining Role of Families in the U.S. Retirement Income System
John A. Turner

Fourth Prize
Beneficiary Forms in an Era of Expanding Family Structure
Linda Koco

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Introduction

Andrea Sellars and John Cutler

Over the past three years, the Society of Actuaries (SOA) compiled essay collections that address important issues related to retirement. The 2018 call for essays sought to expand and complement the discussion and identify the current and potential impact that structure, roles and dynamics of families have on retirement security in the United States. Family structure can, and in many instances does, play a significant role in retirement security but is often not recognized in retirement planning.

Eight essays were submitted that met the publication criteria of the judging committee. All of the essays are published in this monograph. It should be noted that the essays are deliberately intended to be solely the views, ideas and opinions of the authors. They do not represent any formal position or opinion of the Society of Actuaries or organizations the authors are affiliated with. They are meant to contribute to the wide range of thinking on these topics.

Essay Topics

The essays explore several aspects of how changes in family structures, roles and dynamics have impacted individuals' retirement security including:

- How administrative and organizational changes can better support individuals by recognizing these changes and encouraging and engaging family members appropriately
- How families can assist people to better prepare for retirement
- The types of issues faced by aging solo individuals

A panel of judges did a blind review of the essays for publication and awards. The judges selected four essays for awards. Consideration was given to creativity, originality and the extent to which an idea could contribute to the further development of solutions.

FIRST PRIZE

Anna M. Rappaport, "Retirement Success and Elder Orphans"

SECOND PRIZE

Greg Ward, "How Family Dynamics Influence Retirement Security"

THIRD PRIZE

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

FOURTH PRIZE

Linda Koco, "Beneficiary Forms in an Era of Expanding Family Structure"

What's Next?

Some of the essays include ideas that can be easily implemented and are focused on more immediate solutions. Others provide ideas that would need further development to come to fruition. Regardless of the individual essay's stage of development, the ultimate aim is for this collection of essays to be the springboard for further exploration and research in this area with the Society of Actuaries and other organizations.

The PRNR Project Oversight Group

The SOA established the Committee on Post-Retirement Needs and Risks, chaired by Anna Rappaport, in 1999. The PRNR Committee is now part of SOA's Aging and Retirement Strategic Research Program. The committee seeks to further knowledge, research and understanding of the risks encountered during retirement through a variety of activities. The committee has hosted an annual series of call for papers or essays since 2014. The Project Oversight Group (POG) for this call for essays was co-chaired

by Andrea Sellars and John Cutler. They would like to thank the rest of the members of the POG for their participation and contributions to this collection:

Barb Hogg

Carol Bogosian

Cindy Levering

David Manuszak

David Rogofsky

Greg Ward

Julie Stich

Ken Tacchino

Nevenka Vrdoljak

Steve Newman

Stuart Ritter

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Retirement Success and Elder Orphans

Anna M. Rappaport

The Sightlines Project[1] research tells us that success in retirement is influenced by financial resources and management, health and social engagement. One of the implications of the importance of social engagement is that loneliness can be a major problem for some older people. Society of Actuaries research with individuals age 85 and over tells us that family support is often very important when people need help. Families are also an important source of social engagement. But some people have no available family members. Elder orphans can be defined as aged, community-dwelling individuals who are socially and/or physically isolated, without an identified available family member of designated surrogate or caregiver.[2] This essay looks at issues facing elder orphans and provides some ideas for dealing with them.

Elder orphans face financial and health challenges, just as all older Americans do. They may face cognitive decline. They also may be lonely and they may need help and support with a variety of tasks, just as many older Americans do. The difference for the elder orphans is that they do not have family members to provide the help and support, and they must find their social engagement in different ways. Some of the questions we will think about include:

- What do we know about elder orphans?
- How prevalent is loneliness?
- What types of help do older Americans need?
- What kinds of help do family members typically provide?
- Are siblings and nieces and nephews an option?
- When there are no family members to help, what are the available strategies?
- Does cognitive decline change the help needed and the strategies that will work?

In this essay, I will explore the challenges of elder orphans, and link them to retirement well-being and economic security. The essay reflects some input from literature, some observations from my own experience and my ideas.

The Situation Today

People who are single and have no children are at great risk of being alone. Some people with kids will not have support. It is estimated that 22% of Americans 65 and older are at risk for becoming "elder orphans."[3]

We can think of retirement and the need for support in phases: first, no support is needed, then moderate support is required, and, sometimes, finally very intensive support is necessary. Support includes help with various tasks, activities of daily living, managing finances and decision-making. Some help is very short term and not very intensive. Other people require very intensive help and help for a long period of time.[4] Friends and neighbors may offer some support, but they are unlikely to offer intensive help over a long period of time. I am aware of three situations where

1 Sims, Tamara. The Sightlines Project: 10 Years in the Making. *The Sightlines Project.* *http://longevity.stanford.edu/2017/09/20/the-sightlines-project-10-years-in-the-making/* (accessed March 18, 2019).

2 Carney, Maria T., Janice Fujiwara, Brian E. Emmert Jr., Tara Liberman, and Barbara Paris. 2016. Elder Orphans Hiding in Plain Sight: A Growing Vulnerable Population. *Current Gerontology and Geriatrics Research,* article ID 4723250, *http://dx.doi.org/10.1155/2016/4723250.* The authors are affiliated with Long Island Jewish Medical Center and Maimonides Medical Center. This paper takes a somewhat medical perspective and includes a literature search.

3 DePaulo, Bella. 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.* The article cites research conducted by Dr. Maria Torroella Carney.

4 Merrill Lynch. 2018. The Journey of Caregiving: Honor, Responsibility and Financial Complexity, Life Stage series, in partnership with Age Wave. *http://agewave.com/what-we-do/landmark-research-and-consulting/research-studies/the-journey-of-caregiving/.* This report provides some examples of the journey.

people other than family took care of someone over a long period, unpaid, but they inherited the house of the person they cared for once that person died.

It is estimated that the number of people living alone with limited support will increase in the future.[5] People aging in the coming years are in cohorts that had fewer children, were less likely to marry and married later than today's elderly. Divorce has also been on the rise.

One of the issues seen is that physicians who care for elder orphans in their offices, a hospital or the emergency room may not recognize the situation or identify the special risks related to working with elder orphans. Also, the elder orphan may not have identified a support system.

Some elder orphans have designated people to make decisions for them when they can no longer make them, but others have not chosen anyone, or they may have chosen someone but not set up the appropriate paperwork. It is particularly troublesome when elder orphans without designated decision-makers develop dementia. At that point, the courts may be asked to appoint guardians.

People are in very different situations economically. Those with substantial assets can choose and appoint professional care and financial managers to look after their situations. Those without assets are in a more difficult situation. Specialized housing that includes support services makes sense for people without support who can't manage on their own. Such housing also frequently offers the possibility of social interaction and may include a variety of activities to encourage and support interaction.

Loneliness

Loneliness is one of the potential challenges facing elder orphans. Loneliness is not limited to elder orphans, but it is probably more common among this group. Loneliness and isolation has several potential effects:

- It can lead to depression.
- It can negatively affect physical and mental health.
- It makes seniors more vulnerable to elder abuse.
- It makes it more likely that long-term care will be needed.

Caregivers are also at risk for loneliness and depression.[6]

Support Needed by Older Americans

People may need support because of physical frailty, loss of mobility, problems with sight and/or hearing, loss of memory and cognitive decline. These challenges can come about because of gradual change or sudden events. Cognitive decline makes a very large difference. If a person can't hear, that also makes everything more difficult. The same person may have one or several of these problems. Society of Actuaries research indicates that individuals age 85 and over are likely to need some type of help. The need for help often increases over time.

The types of support needed can include help with managing health care and use of medications, managing finances, financial support, life decisions, food and eating, household management, transportation, dressing, toileting and bathing. Some types of help require a lot of knowledge about the individual and trust of the helper, and others require an immediate response but not much personal interaction and knowledge. The elder orphan has particularly serious challenges with regard to those functions that require a lot of personal knowledge and trust. Table 1 provides some examples of support needed for health care.

5 Carney, et al. Elder Orphans Hiding in Plain Sight.

6 Stevenson, Sarah. 20 Facts About Senior Isolation That Will Stun You. *A Place for Mom* Senior Living Blog, May 5, 2017, *https://www.aplaceformom.com/blog/10-17-14-facts-about-senior-isolation/.*

Table 1 Examples of Potential Assistance With Health Care

Task	What May be Involved
Help with decisions about care	In most cases, individuals make their own decisions. In others, they need help and the caregiver may be in the middle. The individual should designate the person they want to help them and execute a health care power of attorney making that preference known. The person providing support should seek to understand the philosophy of the person they are helping. Sometimes there are many options and developing the options may be a challenge. Getting a second opinion may be part of this journey.
Participate in visits to doctors and other health providers and/or arrange for visiting nurse and physical therapy if needed	This can include making appointments, attending appointments with the patient, keeping track of medical history and providing information to doctors and others, asking questions, listening to what is needed and helping with carrying out orders. Emergency care may need to be secured as well. This becomes a huge task during a period of major illness and can be a huge responsibility during hospitalization. This requires the helper to have a lot of knowledge about the person and to be trusted.
Help with medications	This includes both help with daily use of medications in various forms, and with filling and refilling prescriptions, and with informing others about prescriptions when needed.
Observe symptoms and act if there is a problem	Sometimes the individual will not notice or point out a problem. The caregiver may need to call attention to the problem and secure help. This can require negotiation.

Spouses or adult children heavily involved with parents may well help with all of these functions. They may help personally or share responsibility with others. Some of these functions require a lot of knowledge and trust. For elder orphans, finding someone who will perform some of these functions can be a major challenge. Individuals who can manage their own care, hear, keep track of their history, make decisions, identify what medications need to be ordered, and so on, can get help with specific tasks if needed from friends or paid caregivers. Individuals who can't do these things may wish to engage a social worker or case manager. In extreme cases, courts will appoint a guardian.

Understanding Elder Orphans

A Facebook group of older orphans[7] was recently surveyed to learn about their situation.[8] Over 500 members of the group responded to the survey.

By age, 14% of the respondents were in their 50s, 61% were in their 60s, 21% were in their 70s and 1% was over age 80.[9] Nearly all of the respondents were female. Of the respondents, 39% were divorced and living alone, 34% were never married, 18% were widowed and living alone, and the rest had other arrangements. If the group were older, it is likely there would be more widows.

7 The Elder Orphans Facebook group was founded by Carol Marak, an aging alone spokesperson and writer for Next Avenue and SeniorCare.com.

8 Preliminary results of SeniorCare.com's Study: Understanding Older Adults That are Aging Alone are available at *https://www.seniorcare.com/featured/aging-alone-study/* (accessed March 18, 2019).

9 Percentages may not add due to rounding.

Table 2 SeniorCare.com Study Results

State of Mind and Support System	
Have no help in a crisis	35%
Are sad	45%
Are lonely	52%
Have a medium level of stress	40%
Have no help with bills, financial decisions	78%
Health Situation	
Lack a living will or health care power of attorney	43%
Have 3 or more chronic conditions	26%
Take 5 or more medications	31%
Have no help with medical decisions	55%
Have not identified a would-be caregiver	70%
Fears and Risks	
Had a risk of being homeless	19%
Fear they'll lose their home	26%
Access to Transportation	
Have access to reliable public transportation	50%

Data from *SeniorCare.com*, Understanding Older Adults That are Aging Alone, *https://www.seniorcare.com/featured/aging-alone-study/*.

The survey described their situation and state of mind. Some key statistics from the results can be found in Table 2.

The Society of Actuaries has conducted research with retirees retired 15 years or more and with individuals age 85 and over and adult children of people age 85 and over. The SOA research indicates that many people over age 85 need a substantial amount of help and get significant help from their families. That study does not provide insights into what people without family support do to get similar help. The SeniorCare.com study provides insights into the types of arrangements respondents have made and the gaps in those arrangements but not into the help people actually get once they need it. Further work is needed to understand how people manage.

Financial Management Issues

Once people start experiencing cognitive decline, there are various problems with financial management. The Society of Actuaries recently conducted a conversation on cognitive decline.[10] Signs of cognitive decline were unpaid bills, failure to open and deal with mail, not balancing checkbooks, and so on. The elder orphan without a trusted person to help if this happens is in a potentially difficult situation.

Guardianship

In situations where there is no structure to support someone in cognitive decline or who needs help for other reasons, there is a system in place of courts appointing guardians to take over the affairs of the person who is unable to manage. While the guardian is legally required to act in the interest of the person they are overseeing, there have been numerous examples cited in the press providing evidence that a guardian exploited the person they were supposed to help.[11] I have no data to indicate how often this goes wrong.

Conclusions

As they plan for and manage retirement, elder orphans should be aware of a number of areas where they may reach different solutions from people with available family members. Some key points are:

- Elder orphans need more financial resources than those who have family to provide a great deal of help.
- There are different situations depending on personal level of independence.
  - 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 support need the help and also need someone to supervise their situation. This is particularly difficult.
- Long-term care insurance can be particularly valuable to elder orphans.

10 See Rappaport, Anna. 2018. A Conversation on Dementia and Cognitive Decline. Society of Actuaries. *https://www.soa.org/research-reports/2018/cognitive-conversation/*. This publication is a compilation of selected quotes from an online conversation among Society of Actuaries members of their personal and professional experience in dealing with these matters. The information is anecdotal but provides many insights.

11 See Sugar, Sam. 2018. Guardians and the Elderly: *The Perfect Crime*. Garden City Park, NY: Square One Publishers, for a discussion of what can go wrong.

- Elder orphans who have experienced cognitive decline have a particularly difficult situation.
- Widows, particularly those widowed at high ages, may be in a worse position than people who were single for a long time. Some widows were caregivers for a long period before widowhood. Individuals who were single for a long time may have a better social and support network.
- When an elder orphan needs help, there are often good reasons for moving into senior housing that embeds an appropriate amount of help.
- Moving to senior housing does not remove the need to have a health care power of attorney and support for decisions, help with going to the doctor, and so on.
- It is important to carefully select the people who are chosen to help. Failure to select them leaves the elder orphan vulnerable to having a court-appointed guardian if they are unable to make decisions and to function.
- Building a support network before help is needed is very important. Age-friendly communities offer a good environment for creating opportunities to meet people and for supporting networks.
- Health care providers who are dealing with elder orphans when there is a serious illness need to understand their situation and support system in order to work out a treatment plan that has a reasonable chance of working.
- Investigate whether nieces and nephews or siblings can be a source of help.

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

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How Family Dynamics Influence Retirement Security

Gregory Ward

The 2018 Retirement Confidence Survey conducted by the Employee Benefit Research Institute (EBRI) found that nearly two-thirds (64%) of American workers feel confident in their ability to retire comfortably, continuing an upward trend that began in 2011.[1] This increase may reflect the value of efforts to improve retirement security through enhancements to retirement plan design, but plan design alone may not be enough to help the other 36% of the population realize a secure retirement.

Many factors, including family structure and dynamics, contribute to one's ability to save and prepare for a comfortable retirement. In their 2018 Life Events Research report, Financial Finesse found that married employees exhibited higher levels of retirement preparedness, but those with minor children exhibited lower levels of retirement preparedness.[2] Similarly, their 2017 special report on financial wellness programs for a diverse workforce found that retirement preparedness was lower for certain racial and ethnic employees based in part on the relationship between family members.[3] By understanding the influence of family dynamics on retirement preparedness, employers can help improve the retirement security of working Americans writ large.

The Influence of Marriage on Retirement Preparedness

The 2018 report found that married employees were 39% more likely to indicate being on track for retirement (31% vs. 22%). This difference may be the result of better cash flow and debt management. Married employees were 12% more likely to have a handle on cash flow (76% vs. 68%), and 17% more likely to be comfortable with debt (61% vs. 52%). See Table 1.

Table 1 The Financial Behavior of Married Employees

Question	Married	Not Married
I am on track for retirement	31%	22%
I have a handle on cash flow	76%	68%
I am comfortable with my debt	61%	52%

Source: Financial Finesse. 2018 Life Events Research: How Planning for Life's Milestones Improves Employee Financial Wellness. February 2018. *https://ffinesse.box.com/v/2018LifeEventsFullReport.*

There may be several reasons why financial wellness, and specifically retirement preparedness, is higher among married employees. For starters, marriage can provide an economy of scale whereby expenses are shared in a dual-income household, allowing for more funds to be dedicated to saving for retirement. Also, happily married couples who figure out how to successfully manage their finances and capitalize on the benefits that come with splitting fixed expenses like housing, food and utilities also tend to garner higher wages, and change jobs less frequently than their single counterparts.[4] This reduces the likelihood of plan leakage and increases the amounts available to earmark for retirement.

One potential disadvantage to marriage is the risk of divorce. Aside from the emotional toll, it can have a

1 Employee Benefit Research Institute (EBRI). 2018 Retirement Confidence Survey. April 24, 2018. *https://www.ebri.org/docs/default-source/rcs/1_2018rcs_report_v5mgachecked.pdf?sfvrsn=e2e9302f_2.*

2 Financial Finesse. 2018 Life Events Research: How Planning for Life's Milestones Improves Employee Financial Wellness. February 2018. *https://ffinesse.box.com/v/2018LifeEventsFullReport.* Certain unpublished data has been included in this essay.

3 Financial Finesse. 2017. Special Report: Optimizing Financial Wellness Programs for a Diverse Workforce. May. *https://ffinesse.box.com/v/2017-Diverse-Workforce-Report.*

4 Ahituv, Avner, and Robert Lerman. 2007. How do Marital Status, Work Effort, and Wage Rates Interact? *Demography* 44, no. 3:623–47.

financial one as well. By most estimates, the cost of a divorce is $15,000 or more per person, depending on whether it is amicable or contested.[5] This can have a ripple effect, draining current financial resources, splitting retirement assets, and putting financial strain on single-income households, especially when kids are involved.

The cost can be felt by employers as well. According to one study, the projected cost of an average employee making $20/hour getting divorced is over $8,000.[6] Since financial stress is often cited as a leading cause of divorce, it makes sense for employers to look for ways to reduce the financial stress of their workforce. Not only will this reduce the likelihood of divorce, but it will also increase the retirement preparedness of the workforce.

The Influence of Minor Children on Retirement Preparedness

The presence of minor children reduced the likelihood of an employee being on track for retirement, although not by much. According to the 2018 Life Events Research report,[7] 26% of employees with minor children said they were on track for retirement, compared to 29% of those without minor children. However, this number dropped to 18% when employees with kids were unmarried. See Table 2 for a breakdown of the numbers.

Table 2 Percentage of Respondents Who Reported Being on Track for Retirement

	No Kids	Kids	Magnitude of Decline in Retirement Preparedness
Overall	29%	26%	–11%
Married	34%	29%	–16%
Unmarried	24%	18%	–25%

Source: Financial Finesse. 2018 Life Events Research: How Planning for Life's Milestones Improves Employee Financial Wellness. February 2018. *https://ffinesse.box.com/v/2018LifeEventsFullReport.*

For some, just having children can be costly. The average cost of a standard delivery is around $10,000, but that number can increase to $30,000 when you include pre- and post-natal care.[8] For couples that experience infertility, the costs are even greater.

In her work on the subject, researcher Alexandra Stanczyk notes a decline in financial well-being following childbirth. She attributes the decline to several factors, including increased demands on financial resources, changes in income and potentially heightened risk of economic insecurity.[9]

According to the latest figures from the U.S. Department of Agriculture, the cost of raising a child is pegged at over $230,000.[10] That's a hefty price tag, especially when

5 Thumbtack. How Much Does a Divorce Cost? Sept. 19, 2018. *https://www.thumbtack.com/p/divorce-cost* (accessed March 30, 2019).

6 Turvey, Matthew D., and David H. Olson. 2006. Marriage & Family Wellness: Corporate America's Business? Marriage CoMission Research Report. *https://www.prepare-enrich.com/pe/pdf/research/corporate_america_business.pdf.*

7 Financial Finesse. 2018 Life Events Research.

8 Hoffower, Hillary. How Much it Costs to Have a Baby in Every State, Whether you Have Health Insurance or Don't, Business Insider, July 9, 2018. *https://www.businessinsider.com/how-much-does-it-cost-to-have-a-baby-2018-4.*

9 Stanczyk, Alexandra B. The Dynamics of Household Economic Circumstances Around a Birth. *Washington Center for Equitable Growth,* Oct. 4, 2016, *https://equitablegrowth.org/working-papers/income-volatility-around-birth/.*

10 Lino, Mark, Kevin Kuczynski, Nestor Rodriguez and TusaRebessa Schap. 2017. Expenditures on Children by Families, 2015. Center for Nutrition Policy and Promotion. Miscellaneous Report No. 1528-2015. *https://fns-prod.azureedge.net/sites/default/files/crc2015_March2017.pdf*.

Table 3 How Minor Children Influence Retirement Preparedness

Question		No Kids	Kids
I have a handle on cash flow	Overall	78%	66%
	Married	82%	72%
	Unmarried	74%	54%
I have an emergency fund	Overall	56%	43%
	Married	64%	50%
	Unmarried	50%	25%
I pay my bills on time	Overall	92%	85%
	Married	94%	89%
	Unmarried	90%	74%
I am comfortable with my debt	Overall	62%	51%
	Married	68%	56%
	Unmarried	58%	38%

Source: Financial Finesse. 2018 Life Events Research: How Planning for Life's Milestones Improves Employee Financial Wellness. February 2018. *https://ffinesse.box.com/v/2018LifeEventsFullReport.*

employees with minor children are less likely to have a handle on cash flow, have an emergency fund, pay their bills on time or be comfortable with their debt. See Table 3. These financial challenges tend to be exacerbated for unmarried employees with children.

Last, there is the cost of education. The College Board estimates the net price for tuition, fees, and room and board at a four-year public university at just under $15,000 a year.[11] Although many financial planners recommend securing your own retirement before saving for college, many parents end up tapping their retirement savings to offset this cost due to a lack of college planning.

As noted, the financial challenges associated with raising children appear greatest for single parents. This is likely due to the high cost of child care. According to Child Care Aware of America, a single parent may spend up to 37% of their income each year on care for a child under 5.[12] To combat this, single parents should take advantage of any employer-provided benefits, such as on-site child care or dependent care flexible spending accounts, that help offset the cost. If none are available, they may need to reduce or suspend nonessential spending, which may include saving for retirement, until the cost of child care is more affordable.

The retirement security of employees with minor children will remain in jeopardy if they fail to prepare adequately for the costs of being parents. Employers can help by offering health and financial wellness benefits that can offset these costs, enabling saving through payroll deduction, and educating current and future parents on the issues and concerns they will likely face.

The Influence of the Family on Retirement Preparedness

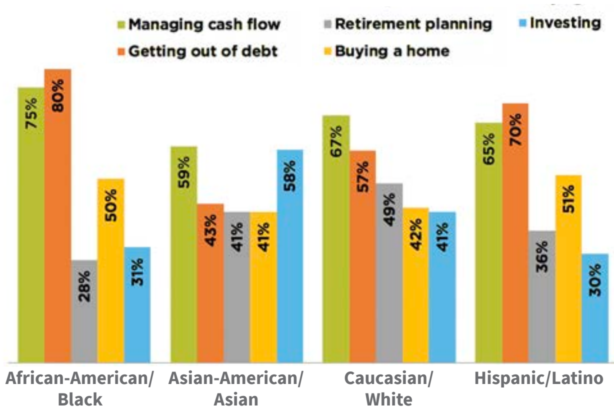
According to the 2017 special report,[13] African-American and Hispanic employees were less likely than Asian-American or Caucasian employees to report being on track for retirement. The study explored factors that may be contributing to the lack of retirement preparedness among these groups and found that the

11 College Board. Average Net Price Over Time for Full-Time Students, by Sector. Accessed March 19, 2019. *https://trends.collegeboard.org/college-pricing/figures-tables/average-net-price-over-time-full-time-students-sector.*

12 Child Care Aware of America. The US and the High Cost of Child Care: A Review of Prices and Proposed Solutions for a Broken System. Accessed March 19, 2019. *http://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare/.*

13 Financial Finesse. Special Report: Optimizing Financial Wellness Programs.

Figure 1 Financial Priorities of Employees Under 30



Source: Financial Finesse. 2017. Special Report: Optimizing Financial Wellness Programs for a Diverse Workforce. May. *https://ffinesse.box.com/v/2017-Diverse-Workforce-Report.*

relationship between family members may be partially to blame for what it calls a "cycle of low financial wellness." This cycle is believed to be part of the reason there is a disparity in 401(k) savings across racial and ethnic groups.[14]

As noted in the Financial Finesse 2017 report, African-American and Hispanic employees under the age of 30 cited getting out of debt as their highest financial priority. See Figure 1. This debt, which likely includes student loans and credit card debt, often creates a financial burden that is carried throughout their career. From their perspective, African-American and Hispanic youth feel that they can't depend on family to help with financial needs.[15] For this reason, they may end up servicing this debt on their own, hampering their ability to save for retirement at a young age.

By the time they start having children, a lack of cash flow and a prevalence of debt make saving for college difficult. Only 16 percent of Hispanic employees and 15 percent of African-American employees age 30 to 44 indicate saving enough to meet future educational goals. The lack of educational funding may result in higher amounts of student loan debt incurred by children of these underfunded households, thus perpetuating the inability to build a retirement nest egg, or to transfer wealth to the next generation.

The inability to save more for retirement at a younger age makes retirement security less likely at an older age. Among employees age 45 to 54 that completed a financial wellness assessment in 2016, African-American and Hispanic employees were more likely to report having taken a retirement plan loan or hardship withdrawal, and less likely to be on track to achieve income replacement goals. See Table 4. This is creating more dependency on family for financial support in retirement.[16]

When it comes to caring for loved ones, the prevalence of caregiving is highest among minority groups.[17] Cultural differences often play a factor in how, when, and to whom, support and care is given. Research suggests that African-American and Hispanic parents

Table 4 Need for a Hardship Loan by Race

Age 45-54	African-American/ Black	Asian-American/ Asian	Caucasian/ white	Hispanic/ Latino
I know I am on target to replace at least 80% of my income	18%	31%	31%	21%
I have taken a retirement plan loan	58%	21%	34%	50%

Source: Financial Finesse. 2017. Special Report: Optimizing Financial Wellness Programs for a Diverse Workforce. May. *https://ffinesse.box.com/v/2017-Diverse-Workforce-Report.*

14 Ariel Education Initiative and Hewitt. 2012. 401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups. An Ariel/Hewitt Study. *http://www.aon.com/attachments/thought-leadership/arielhewitt_401k_study_results.pdf.*

15 Cohen, Cathy, J., Matthew D. Luttig, and Jon C. Rogowski. 2016. Young People Speak Out About the 2016 Campaign and Their Economic Futures. *GenForward: A Survey of the Black Youth Project With the AP-NORC Center for Public Affairs Research.* *http://genforwardsurvey.com/assets/uploads/2016/11/Genforward-Report-Final-3.pdf.*

16 Fingerman, Karen L., Laura E. VanderDrift, Aryn M. Dotterer, Kira S. Birditt, and Steven H. Zarit. 2011. Support to Aging Parents and Grown Children in Black and White Families. *The Gerontologist* 51, no. 4:441–52. *https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3202703/.*

17 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.*

are more likely than Caucasian parents to provide financial support to adult children based on their familial relationship rather than their financial need.[18] Although this may seem compassionate, it could have an unintended consequence. Parents that provide financial support to adult children may themselves require financial support later in life due to inadequate retirement savings. Conversely, parents that place more emphasis on securing their own retirement may do more to help their children enjoy a comfortable retirement by not becoming a financial burden.

Over time, lower retirement plan contributions and greater responsibility for caregiving has contributed to lower net worth for the average African-American and Hispanic household. The Pew Research Center, citing data from the Federal Reserve's 2013 Survey of Consumer Finance, found that the median net worth of Hispanic and African-American households was $13,700 and $11,000, respectively.[19] All of this could mean that African-American and Hispanic families, more than other ethnic groups, might inherit funeral expenses as opposed to wealth, giving no economic boost to the next generation. Without a change in financial behavior, the cycle of low financial wellness may continue, thus perpetuating a lack of retirement security, especially among African-American and Hispanic households.

Employers Offer the Best Chance at Improving Retirement Security

Employers are uniquely positioned to help employees enjoy a comfortable retirement by understanding the influence of family dynamics on retirement preparedness. Employers should offer a financial wellness benefit using best practices to reduce employee financial stress. This will increase the likelihood that employees remain happily married, which has a positive relationship to retirement preparedness. Employers should also offer health and financial wellness benefits that help current and future parents prepare for costs associated with having and raising children. Last, employers must understand the cultural differences that influence family dynamics and develop a financial wellness benefit reflecting that understanding. In so doing, not only will employers improve the retirement security of the current workforce, but also of the workforce to come.

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18 Berry, Brent M. 2001. All the ties that bind: Race, ethnicity and why families support adult children. Population Studies Center Research Report No. 01-487. ***https://www.psc.isr.umich.edu/pubs/abs/1308.***

19 Kochhar, Rakesh, and Richard Fry. Wealth Inequality has Widened Along Racial, Ethnic Lines Since End of Great Recession. *Pew Research Center*, Dec. 12, 2014, ***http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/.***

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

John A. Turner

This essay examines the changing role of families in the U.S. retirement income system. Retirement income support can be provided by families, the individual, government programs, employer-provided pensions and charity. Family support can come from a spouse, a sibling, adult children or another relative.

The paper begins with a historical perspective on the start of Social Security and employer-provided pensions as they may crowd out family contributions or be needed in part due to declining family contributions. The paper then focuses on other changes occurring in the past several decades affecting the role of the family in providing retirement security.

Historical Perspective

Historically, families were the primary source of retirement support. People had large families, in part because children were the "social security" for their parents. In old age, when they were no longer able to take care of themselves, older people relied on their adult children to take care of them, generally living in multigenerational households. With economic development, young people left rural areas and agricultural employment and moved to urban areas for expanded job opportunities, and thus often were geographically separated from their parents. Older adults still are a higher share of the U.S. population in rural areas than in urban areas.[1]

The role of adult children in providing financial security in old age has been partially replaced by Social Security. For at least two reasons, since the start of Social Security, the role of the program in providing retirement income has grown over time. First, coverage was initially limited. In 1937 when Social Security began collecting contributions, 56% of the workforce was covered. By 1981, 90% of wage and salary workers were covered.[2] Currently, 96% of the workforce is covered by Social Security.[3]

Second, initially Social Security provided benefits to a relatively small percentage of the group of workers it covered because a relatively small percentage survived to retirement age. In 1940, when benefits were first provided, the benefit eligibility age was 65. From U.S. life tables for 1910, for the cohort age 18 that year, at age 65, 54% would still be alive.[4] Thus, Social Security started out as a longevity insurance benefit program that a relatively small percentage of the cohort of workers received. Now most workers survive to age 62 to be eligible to receive benefits.

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

Demographics

Changing demographics have also affected the role of families in providing retirement income security. Changes in marriage and childbearing have reshaped the American family over the past half century.

1 Livingston, Gretchen. Family Life is Changing in Different Ways Across Urban, Suburban and Rural Communities in the U.S. *Pew Research Center Fact Tank,* June 19, 2018, ***http://www.pewresearch.org/fact-tank/2018/06/19/family-life-is-changing-in-different-ways-across-urban-suburban-and-rural-communities-in-the-u-s/.***

2 Nelson, William J., Jr. 1985. Employment Covered Under the Social Security Program, 1935–84. *Notes and Brief Reports, Social Security Bulletin* 48, no. 4:33–39. ***https://www.ssa.gov/policy/docs/ssb/v48n4/v48n4p33.pdf.***

3 Frankel, Matthew. Here's Your Full Social Security Retirement Age—And What it Means to You. *Yahoo Finance,* May 7, 2018, ***https://finance.yahoo.com/news/full-social-security-retirement-age-101700786.html.***

4 Glover, James W. 1921. United States Life Tables: 1890, 1901, 1910, and 1901–1910. U.S. Bureau of the Census, U.S. Government Printing Office. ***http://www.cdc.gov/nchs/data/lifetables/life1890-1910.pdf.***

BIRTH RATES

Starting in the mid-1960s with the end of the baby boom, falling birthrates and the resulting smaller families have diminished the role of families in providing retirement security. A replacement fertility rate of 2.1 is enough to renew the population. During the baby boom, the total fertility rate—the number of births women on average are expected to have—peaked at 3.8.[5] In 2017, this rate dropped to 1.8.[6] In 1976, 35% of mothers age 40 to 44 had one or two children, while 65% had three or more.[7] In 2016, 62% of mothers age 40 to 44 had given birth to one or two children, while just 38% had three or more.[8] Data on childlessness first became available in the 1970s. In 1976, 10% of women age 40 to 44 were childless. In 2016, 14% of women age 40 to 44 were childless (had never given birth),[9] so the rate of childlessness is slightly higher now than in the mid-1970s.

With more families having a single child, when that child is retired, he or she will not have the support of siblings. In the past, for example, sometimes older sisters who were single lived together. That is less likely to occur with the decrease in family size.

MARITAL STATUS

Marriage and divorce are central to the structure of families. In 2012, by age 45, 19% of men and 14% of women had never married, compared to 1960 when 7% of men and 6% of women age 45 had never married.[10] Over the period 2011–15, 55% of the population age 65 and older were married, 26% were widowed, 14% were divorced or separated, and 5% were never married.[11] Divorce rates differ across occupations, with actuaries having the lowest divorce rate, even lower than clergy.[12]

Between 1986 and 2009, the percentage of women age 55 and older never married increased slightly, from 4.8% to 5.8%, a change that is not statistically significant, but the percentage for black women that age rose dramatically, from 3.5% to 13.0%.[13] Thus, many older people are not living with a spouse and may need aid at some point from other family members.

Living Arrangements

The relationship between parents and children is changing in ways that may affect their relationship when the parents are retired. One of the largest shifts in family structure is that 34% of children are living with an unmarried parent—up from 9% in 1960. In most cases, these unmarried parents are single. In addition, 5% of children are not living with either parent, most of them living with a grandparent. Also, the share of children born outside of marriage has risen to 41%, up from 5% in 1960.[14]

A survey from the 1990s found that about 6% of grandchildren and 10% of grandparents live in grandparent-grandchild households at any point in time.[15] In 2009, 17% of Americans lived in multigenerational households, living in homes with

5 Encyclopedia Britannica, s.v. Baby Boom, accessed March 19, 2019, *https://www.britannica.com/science/baby-boom.*

6 Belluz, Julia. The Historically Low Birth Rate, Explained in Three Charts. *Vox*, May 22, 2018, *https://www.vox.com/science-and-health/2018/5/22/17376536/fertility-rate-united-states-births-women.*

7 Bialik, Kristen. Middle Children Have Become Rarer, But a Growing Share of Americans Now Say Three or More are Ideal. *Pew Research Center Fact Tank,* Aug. 9, 2018, *http://www.pewresearch.org/fact-tank/2018/08/09/middle-children-have-become-rarer-but-a-growing-share-of-americans-now-say-three-or-more-kids-are-ideal/.*

8 Statista. Percentage of Childless Women in the United States in 2016 by Age. Accessed March 19, 2019. *https://www.statista.com/statistics/241535/percentage-of-childless-women-in-the-us-by-age/.*

9 Livingston, Gretchen. Childlessness. *Pew Research Center,* May 7, 2015, *http://www.pewsocialtrends.org/2015/05/07/childlessness/.*

10 Wang, Wendy, and Kim Parker. Record Share of Americans Have Never Married. *Pew Research Center,* Sept. 24, 2014, *http://www.pewsocialtrends.org/2014/09/24/record-share-of-americans-have-never-married/.*

11 Johnson, James H., Jr., and Stephen J. Appold. U.S. Older Adults: Demographics, Living Arrangements, and Barriers to Aging in Place. *Kenan Institute of Private Enterprise,* May 30, 2017, *http://www.kenaninstitute.unc.edu/wp-content/uploads/2017/06/AgingInPlace_06092017.pdf.*

12 Leadem, Rose. 10 Jobs with the Highest Divorce Rates—And 10 with the Lowest. *Business Insider,* Oct. 31, 2017, *https://www.businessinsider.com/10-jobs-with-the-highest-divorce-rates-and-10-with-the-lowest-2017-10.*

13 Kreider, Rose M., and Renee Ellis. 2011. Number, Timing, and Duration of Marriages and Divorces: 2009. U.S. Census Bureau, C*urrent Population Reports,* P70-125, May. *https://www.census.gov/prod/2011pubs/p70-125.pdf.*

14 Livingston, Gretchen. Fewer than Half of U.S. Kids Live in "Traditional" Families. *Pew Research Center Fact Tank*, Dec. 22, 2014, *http://www.pewresearch.org/fact-tank/2014/12/22/less-than-half-of-u-s-kids-today-live-in-a-traditional-family/.*

15 Pebley, Anne R., and Laura L. Rudkin. 1999. Grandparents Caring for Grandchildren: What Do We Know? *Journal of Family Issues* 20, no. 2:218–42.

either grandparents and grandchildren, or with two or more adult generations. In 2016, 20% of Americans lived in multigenerational homes.[16] This trend may reflect the aging of the baby boom generation.

In interpreting the various statistics, it is helpful to keep in mind that as of 2011–15, the population age 65 and older was 56% female. Most people age 65 and older (57%) live independently. By comparison, 27% live in a household with a caretaker, while 2% live in an institution, and 14% live in a household as a caregiver. The median age of those living in an institution is 82.[17]

Care in the home provided by a spouse or a child is the most common form of long-term care. About 73% of all long-term care is provided in the home, typically by caregivers who receive no pay,[18] an option unavailable to people who are single or childless.

Intergenerational Cash Transfers

According to data from the Health and Retirement Study,[19] about 5% of older households report receiving cash transfers from younger family members. Even for those age 85 and older, the average amount received is small—less than $500 per year. By contrast, 38 to 45% of older households make cash transfers to younger family members.[20]

This is an area, however, where the results of studies vary considerably, and further work is needed to resolve the differences. Another survey indicates that 28% of adults with at least one parent age 65 or older report providing financial support to that parent in the past 12 months.[21] Thus, the data from the receivers and from the givers differ considerably, perhaps because the gifts are more salient to the givers.

Family Caregiving Responsibilities

Roughly 38% of Americans age 65 or older report having some physical problem that constrains their ability to engage in various activities.[22] Among American workers, 23% report having taken leave from work to care for a family member with a serious health condition. For workers who have taken family leave in the past two years, 38% of women and 34% of men cared for a sick parent.[23] In a survey, 14% of adults with at least one parent age 65 or older said they helped with personal care within the past year.[24]

Families provide other forms of nonfinancial support to older parents. Among adults with at least one parent age 65 or older, 58% said that they helped with errands, housework or home repairs within the past year.[25]

International Comparisons Provide Perspective

For perspective, it is interesting to see how the U.S. compares with other countries. Compared to Germany (18%) and Italy (20%), U.S. older adults (28%) are more likely to receive financial help from their adult children. Again compared to Germany (68% and 13%) and Italy (70% and 26%), U.S. older adults are less likely to receive help with errands, housework or home repairs (58%) and also less likely to receive help with personal care (14%).[26] A possible explanation for the higher percentage in the U.S. receiving financial transfers may

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16 Glover. United States Life Tables.

17 Johnson and Appold. U.S. Older Adults.

18 Day, Thomas. Living Arrangements for Aging Seniors. *National Care Planning Council,* March 25, 2014, *https://www.longtermcarelink.net/article-2014-3-25.htm.*

19 The Health and Retirement Study (HRS) is a longitudinal project sponsored by the National Institute on Aging and the Social Security Administration (grant number NIA U01AG009740) and is conducted by the University of Michigan. It has provided data on aging in the United States since 1990. Its website is *http://hrsonline.isr.umich.edu/.*

20 Banerjee, Sudipto. 2015. Inter-Family Cash Transfers in Older American Households. Employee Benefit Research Institute, *EBRI Issue Brief* No. 415, June 18. *https://www.ebri.org/content/intra-family-cash-transfers-in-older-american-households-3236.*

21 Parker, Kim, and Juliana Menasce Horowitz. Family Support in Graying Societies: How Americans, Germans and Italians are Coping with an Aging Population. *Pew Research Center*, May 21, 2015, *http://www.pewsocialtrends.org/2015/05/21/family-support-in-graying-societies/.*

22 Johnson and Appold. U.S. Older Adults.

23 Parker, Kim. About One-in-Four U.S. Workers Have Taken Leave to Care for a Seriously Ill Family Member. *Pew Research Center Fact Tank*, March 30, 2017, *http://www.pewresearch.org/fact-tank/2017/03/30/about-one-in-four-u-s-workers-have-taken-leave-to-care-for-a-seriously-ill-family-member/.*

24 Parker and Horowitz. Family Support in Graying Societies.

25 Ibid.

26 Ibid.

be the lower generosity of the Social Security system, while a possible explanation of the lower percentage receiving nonfinancial assistance may be that because of the much larger size of the U.S., older adults often live further away from their adult children than in Germany and Italy.

Other family responsibilities may play a role in the extent of assistance provided to an older parent. In the U.S., parents sandwiched between generations are more likely to say helping an adult child is stressful than those who have provided financial help to an adult child but are not part of the sandwich generation. This is not the case in Germany and Italy.[27]

Culture and political philosophy affect the role of families in assisting older parents. Compared with Americans (24%), twice as many Germans (48%) and even more Italians (58%) think the government should bear the greatest responsibility for people's economic well-being in old age. By contrast, in the U.S., 30% say that families (31% say themselves) should bear the greatest responsibility for the well-being of older people, compared to 9% saying family and 28% saying self of Germans and 20% family and 4% self of Italians.[28]

Conclusions

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

Family support can come from a spouse, a sibling, adult children or other relatives. Because of space limitations, this paper focuses on family support from adult children, though briefly touching on other aspects of family support. Also because of space limitations, the paper focuses on national statistics, with relatively little focus on different economic or demographic groups. Currently, the role of adult children in providing retirement security in the United States is more about time than money. Cash transfers from younger family members to older members occur infrequently. It is far more common that younger family members and older members live in the same household, that younger family members care for a seriously ill parent, or that they assist with errands, housework, home repairs or personal care.

International comparisons provide another perspective. Compared with Germany and Italy, older Americans are more likely to receive financial help from their adult children, perhaps because U.S. Social Security is less generous than social security in Germany and Italy. However, older Americans are less likely to receive nonfinancial help.

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27 Ibid.

28 Ibid.

Beneficiary Forms in an Era of Expanding Family Structure

Linda Koco

It's not the same old, same old with beneficiary designation forms. The forms have been changing over recent decades, actually expanding in the information sought and the information and education provided. This includes beneficiary forms in insurance, banking, brokerage and employee benefit plans, among others.

The shift is interesting by itself, but made even more so by another expansion that seems to have occurred during roughly the same period. This is the expansion of the American family structure from the nuclear family that dominated the American scene during much of the second half of the 20th century to the slow but steady rise in nontraditional families or new American families.

The two trends are not causally related, but they do have interplay. That has meaning for financially oriented businesses, which may see in the trends the groundwork for more expansion in beneficiary forms in the future. This paper looks at what has happened in this area and what enhancements could lie ahead in light of the expansion in family structures.

First, some words about family structure. The Census Bureau defines a "family household" as one maintained by a householder who is in a family (i.e., at least one is a person related to the householder by birth, marriage or adoption), and includes unrelated subfamily members and/or secondary individuals who may be residing there.[1] By that measure, family could include the traditional nuclear family (two parents and children born to or adopted by them) as well as household groupings such as single parent, stepparent and grandparent.

Broader depictions of family have arisen too in everyday conversation. These include cohabiting partners, community living groups or "tribes," skill-based teams at work, married but childless, and solo/elder orphans living in "framily" (friends and family) settings. The people who speak of these groupings aren't talking bloodline or law, but they are talking feelings, expectations and sometimes kinship-style support: "These are my people. They're not relatives, but they're mine."

In a 2015 whitepaper, researchers for Allianz Life Insurance Company of North America identified additional "modern family types." These include, among others: multigenerational; same-sex couples married or unmarried with or without children; parent/s age 40+ with very young children; and boomerang (parents with an adult child who has returned to live with the family).[2]

At first blush, it may seem that beneficiary designation forms have nothing to do with the expanded concept of family. After all, Americans have always been able to include names of nonkin individuals as well as traditional family relatives on the forms, whether as primary or secondary beneficiaries. In addition, they could always name charities and other institutions as beneficiaries too.

The National Association of Insurance Commissioners (NAIC) put any doubts about that to rest 10 years ago. The organization issued a statement saying, among other things: "You can name your spouse, domestic partner, children, grandchildren, relatives, friends, charities, businesses, trusts or your estate as your beneficiary."[3]

1 U.S Census Bureau. Current Population Survey (CPS): Subject Definitions, s.v. Family, accessed Nov. 19, 2018, *https://www.census.gov/programs-surveys/cps/technical-documentation/subject-definitions.html#family.*

2 Allianz Life Insurance Company of North America. 2014. Changing Family Dynamics Create New Financial Needs: How the Evolution of the American Family is Creating New Challenges—and Revealing New Opportunities—for the Financial Services Industry Study. LoveFamilyMoney Study. *http://www.allianzusa.com/lovefamilymoney/downloads/ENT-1677%20(110416)%20LFM%20white%20paperFINAL.pdf.*

3 National Association of Insurance Commissioners (NAIC). 2008. Reviewing Your Policy Important to Securing Your Family's Future. *Consumer Alert*, September. *https://www.naic.org/documents/consumer_alert_life_insurance_review.htm.*

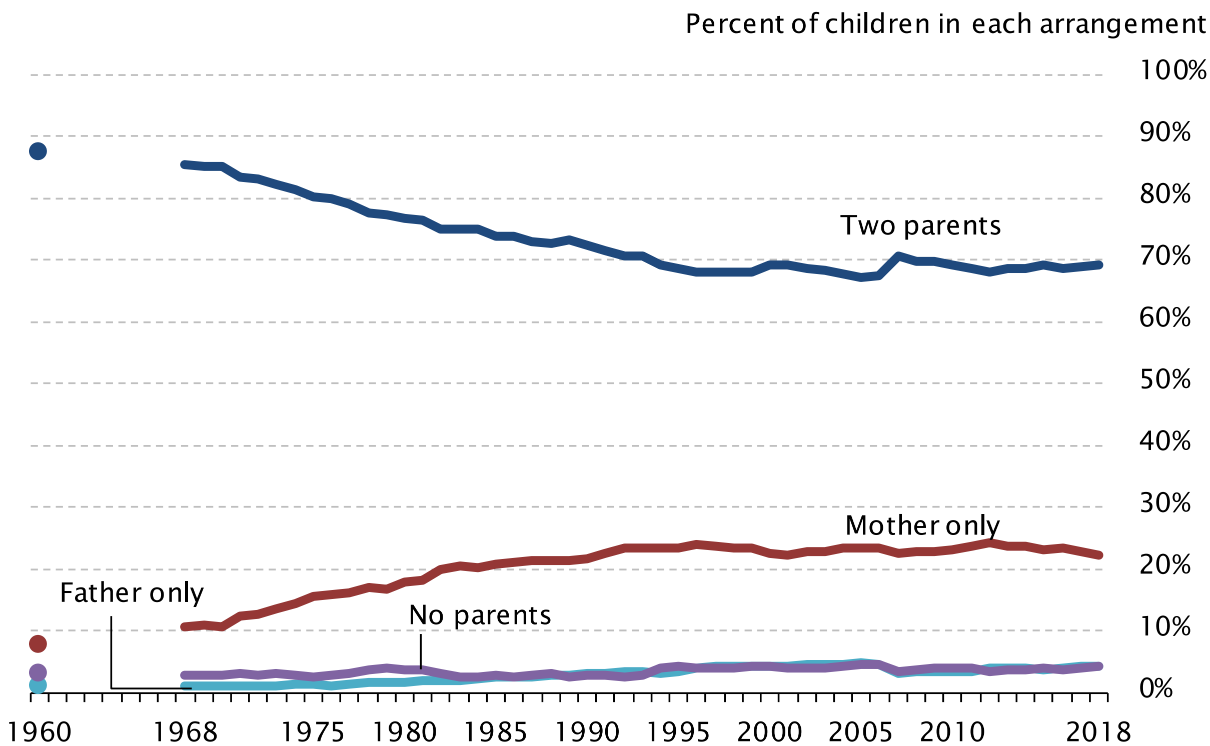
Confusion

Some people remain confused, however. They say they've heard that nonrelatives who are named on a beneficiary form "will never collect." Others aren't sure how to fill out the forms "the right way" so this won't happen. Still others don't know how to decide whom to name. Some don't know they can write down several people, and on it goes. These comments bubble up in private conversations, financial seminars, community gatherings and general buzz. Though not quantified by consumer polls, many people expressing this confusion seem to be individuals in nonnuclear families.

To some extent, such assumptions may be expected. The nuclear family was by far the most dominant type of family for much of the second half of the 20th century. In 1960, according to the U.S Census Bureau, the proportion of children younger than age 18 living with two parents (i.e., a nuclear family) was roughly 87 percent in 1960 (see Figure 1).[4] It is not a stretch to see that nuclear family ideation could, and probably has, influenced people reared during that era. In some cases, this influence can be powerful enough to cause even those now living in nontraditional family structures to focus on naming only bloodline or adopted beneficiaries.

A final factor that may be contributing to consumer confusion is the beneficiary forms themselves. Some are simplified forms that typically ask for the primary beneficiary's name, relationship, mailing address,

Figure 1 Living Arrangements of Children: 1960–Present



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

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

4 U.S. Census Bureau. *Current Population Survey*. Accessed Nov. 18, 2018. *https://www.census.gov/content/dam/Census/library/visualizations/time-series/demo/families-and-households/ch-1.pdf.*

phone number and maybe a contingent beneficiary, but they tend not to include definitions or relevant education or information about filling out the forms. In today's market, simplified forms like this might go to applicants for small face amount life policies (mail order policies), a young adult's first bank savings account or other basic products.

The problem is, the lack of informative content does little to enlighten people who live in nontraditional family settings but who still believe they must enter names of bloodline or adopted relatives for the beneficiary question. They could always ask around or do some research to learn if that is so, but how many will bother? This author has met people who walk away rather than check it out.

Innovative Response

Some leading insurance/financial/banking/benefits concerns have taken a different tact. The beneficiary forms they provide include fairly extensive beneficiary materials, including expanded forms plus accompanying educational information.

It is difficult to say that expanding family structures "caused" these firms to move in this direction. Many socio/economic trends influence design. However, it is noteworthy that the expansion has occurred even as the proportion of nuclear families has declined and the proportion of nontraditional family structures has risen. Figure 1 from the U.S. Census Bureau shows that dramatic shift.

How have beneficiary forms changed during this expansion? Some examples follow. They point to a decided effort to provide consumers with more education on the forms and on beneficiaries in general.

OFFER A SEPARATE GUIDE TO UNDERSTANDING FORMS

These are educational sheets or brochures, usually available online. They tell what beneficiary designations are for, include some definitions, and point out that people can have multiple beneficiaries, primary and contingent, whether related by blood or not. A few list things to think about before writing down names. Some indicate whether and how to make changes.

Who benefits: Just about everybody who is not well versed in financial forms could benefit, whether the product is insurance, banking, securities or employer-based. Some people may want to write names of not only relatives but also certain close others, and perhaps charities too. They may be wondering how to go about doing that in a fair, equitable and legal way. A guide like this could help.

PROVIDE EXAMPLES

In addition to listing steps for filling out the form, a few firms include an example or two of how a form might look when filled out properly (using fictional names, etc.). A few explain why it could be filled out that way,

Who benefits: Again, just about everyone with questions could benefit, especially if they are in a nontraditional family structure and trying to figure out what is allowed and what is not.

PUT THE BENEFICIARY SECTION IN A TABLE

People can write the name of one primary beneficiary on each line, with the necessary identification and contact information in the adjacent boxes, including amount of bequest. In another section, or a similar table, the person can write the name of contingent beneficiaries if desired and their associated contact information.

Who benefits: People who like orderly presentations will appreciate seeing a form like this. The table format helps organize thinking, as opposed to forms that simply list name, address, relationship, and so on, down the page. Also, the lines for entry of several names sends a subtle message that yes, you can have more than one or two primary beneficiaries and contingent beneficiaries if you want.

INCLUDE INSTRUCTIONS ABOUT MARITAL STATUS

This educational section typically has a few short sentences that include some pointers about each status—married, divorced, unmarried, engaged to marry or widowed.

Who benefits: Many times, people are in transitional or expanded family structures for a period in their lives—while waiting to marry, divorce, and so on. Such individuals could find that such a section clarifies issues or brings to the fore some points not previously considered.

INCLUDE A REMINDER SECTION

A lot of forms today remind the person to

- Add a separate sheet if he or she wants to add more beneficiaries
- Change beneficiaries should divorce, remarriage or other major changes occur that make this advisable
- Update contact information of primary beneficiaries who relocate
- Check to be sure that listed beneficiaries are in sync with one's will or other legal instruments, especially when updates have been made
- Be sure, in qualified benefit plans, that the chosen beneficiary names are in accord with legal requirements

Who benefits: The reminders make clear this not a set-it-and-forget-it form and that it is smart to check the named beneficiaries periodically. At time of bereavement, the updated forms should make things easier for all parties concerned.

INCLUDE BENEFICIARY'S SOCIAL SECURITY NUMBER

A number of financial institutions are requesting this information as one more detail to help identify and locate the beneficiary when the time comes.

Who benefits: Providers say this information can help them speed the process of locating and verifying, which can be important for beneficiaries. However, as discussed later, not everyone wants to enter this information so firms need to research their options here carefully.

What's Next?

Some potential areas for future enhancements include:

- **Include a list of categories of people and institutions that can be named as beneficiaries.** NAIC's list could be a start. These lists can easily fit the parameters of the simplified beneficiary forms still in use today as well as of more extensive forms. The list helps reinforce the message that beneficiary options are wide, not narrow, and can include relatives but also others. Reviewing the list may spur people to evaluate what they really want to accomplish.
- **Provide access to online information about beneficiary forms.** This applies to firms and institutions that continue to use simplified forms. Some firms may not want to "clutter" those simple forms with explanations. Providing an online link to an information page would not add clutter and could help interested consumers who have computer access. Call center and email support can also add valuable help.
- **Emphasize the value of choosing beneficiaries carefully.** People living in nontraditional families may need to be encouraged to consider everyone in their sometimes very broad, or surrogate, family network. Who may have the greatest need? Who will put a bequest to good use? Who might have no need for money at all?
- **Consider asking for the Social Security numbers of human beneficiaries.** This can be a sensitive area. Although the information can help financial firms confirm identity and speed delivery, some people resist. They may not have the numbers of loved ones, regardless of family structure but especially in nontraditional families. Some do have the numbers but are reluctant to give them out due to privacy concerns. Others hesitate to request the number from a loved one because they do not want to disclose beneficiary status. Some who do request

A Team Approach Helps

Some upgrade ideas may raise legal, compliance or process issues that designers have not anticipated. For that reason, most developers recommend seeking input from legal and other experts early in the design process.

the number get a firm "no" plus some ruffled feelings. Others get a flat "yes, and I will phone it to the company tomorrow" but the call never occurs. A possible workaround: Ask for the beneficiaries' Social Security numbers, but don't make it mandatory. Also, request a working email address.

Final Thoughts

Adult orphans have beneficiary issues too. As people age, nuclear family members often predecease them, become disabled or are otherwise absent.

Some elders who are "orphaned" this way create or enter support networks with friends, neighbors and community groups. Some now term these support networks framilies, meaning friends who function as family. Some even name framily members as their powers of attorney and include them in, yes, their beneficiary designation forms.

Nonkin networks like this are not a new phenomenon. Throughout American history, people who are not related by bloodline or law have banded together to help one another, and even live together, like family. The framily is a modern-day expansion of that. Insurers, banks, brokerages, employers and other financial providers might want to stay abreast of this development along with other family structure trends. This may help determine how best to reshape their beneficiary forms in new and relevant ways.

In sum, family structures are less rigid than some people may think. They evolve due to a myriad of trends. The job of the financial sector is to keep up with the trends and anticipate how to respond effectively to needs as they arise.

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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]

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.

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Retiree Medical Insurance Management Perspectives From an Independent Retiree Resource Center

Laureen Riley Feinman

The purpose of this paper is to identify and discuss issues affecting a retiree's ability to successfully navigate medical insurance choices. This perspective is from experience running a full-time nonprofit retirement center founded and operated by volunteer retirees.

> *The boy's voice on the phone wavered slightly with uncertainty, then he pressed on politely with more determination. "Thank you, Ma'am. I heard you could maybe help my grandma. She's real sick now and has all these bills and could really use some help and she used to work for the company and someone told my uncle and he said maybe you could help. She can't drive no more, she is too sick, but I can bring her."*
>
> *"How old are you? Can you drive? Aren't you in school?"*
>
> *"I'm 16 and I can drive, and I'm home schooled and can come when you want when she's feeling OK with her breathing."*
>
> *I called her. After the phone rang a while, a weary voice finally answered, and went from wary to very excited.*
>
> *"He's such a blessing, such a blessing. I didn't know he would really call you. Yes, whatever he says, he is such a wonderful boy. We can come."*
>
> *The boy drove his grandmother in and helped her walk and get settled in the office. He had obviously spent hours sorting through piles of bills for her in case we could help. His grandma said, "I tried to put in claims a few times a few years ago, but they just got rejected and I just gave up."*
>
> *After we registered his grandmother online, we could see she had over $16,000 in her health reimbursement account (HRA) that she had never been able to access. Meanwhile, during four years, her hospital and doctor bills piled up unpaid and earning interest while she was skimping on her own medications. We helped her process her claims, paying old hospital bills right then.*

The Retiree Resource Center (RRC) has seen more than 50 people who have never been able to access their retiree medical accounts and many have been suffering heavy financial burdens.

Other retirees have been sent checks never shown as cashed, those uncashed funds then sent by the claims administrator to the state per abandoned property regulations, and in all practicality, lost for many retirees. Still others had their insurance cancelled when they were too ill to pay the premiums or unable to sift through the mounds of paper to determine what was really important.

Are these retirees outliers? Or do they represent a significant portion of senior citizens who have not been able to successfully integrate into this country's retiree medical system?

Companies have often completely outsourced their retiree programs to third parties whose communications are limited to online and telephone prompt systems with no face-to-face contact. How do these systems meet the needs of retirees who often have their own health issues?

- About 25% of adults age 65 to 74 and 50% of those 75 and older have disabling hearing loss.[1]
- Half of seniors have some home internet access but use decreases by age.[2]
- Cognitive issues increase with age: One in three seniors die with Alzheimer's or related dementia.[3]

Evolution of the RRC Service Model

The RRC was established in 2014 by an independent retiree group of a large company that outsourced its retiree Blue Cross group medical insurance in January 2013. The post-65 retiree medical plan became an HRA requiring retirees to purchase their insurance—Medigap, Medicare Part D or Medicare Advantage plans (MAP)—through the company-designated broker to be eligible for the company's annual stipend. Claims are submitted to a third-party claims administrator for reimbursement. All transactions must now be done by semi-automated telephone or online.

Continuing service issues during that transition caused the retiree association to expand and formalize their initial informal retiree assistance efforts. They knew many of their fellow retirees as intelligent and responsible, and had not foreseen the magnitude of the problems with new complex retirement insurance processes. The RRC recruited a professional manager experienced with large retiree medical insurance plans, and also found a suitable location for offices inside a city government building with parking, reception, meeting rooms, secure internet cloud facilities and state Medicare specialists and elder care services on site for consultation and referral.

About 15,000 retiree, spouses and surviving spouses became eligible for the HRA benefit, and new entrants age in regularly. Benefit eligibility has ended for new hires.

Company information provision for the post-65 program is mostly limited to outsource vendor mailings. The company retiree meetings for employees have been scheduled three to four times a year on the secure site. Some of those meetings were scheduled for employees' lunch periods and when that happened, over 50% of the attendees left after the first part of the presentation to return to work. Some employees do not attend because they do not want management to know they are considering retirement. Others underestimate the importance of the information they will need to successfully navigate the retirement process, or count on securing the information in an individual meeting or on the company internet.

Retired employees who will be turning 65 and become eligible for the new program do not have access to the meetings. Spouses and other family members are also not permitted to attend. It's estimated that less than 20% of eligible retirees turning age 65 attend the company meetings.

The RRC began its own monthly age-in training meetings in February 2015 and participation has been excellent in the 48 meetings held to date. The company has become increasingly supportive and has shared informative videos used in the RRC meetings.

RRC services are provided by about 30 volunteers who retired from the company and have the same

1 National Institute on Deafness and Other Communication Disorders (NIDCD). Quick Statistics About Hearing. Last updated Dec. 15, 2016 (accessed March 30, 2019). *https://www.nidcd.nih.gov/health/statistics/quick-statistics-hearing.*

2 Smith, Aaron. 2014. Older Adults and Technology Use. Pew Research Center report. April 3. *https://www.pewinternet.org/2014/04/03/older-adults-and-technology-use/.*

3 Alzheimer's Association. 2019 Alzheimer's Disease Facts and Figures. Annual report. *https://www.alz.org/media/Documents/alzheimers-facts-and-figures-2019-r.pdf.*

retirement plan benefits. The volunteers are mostly experienced managers who were engineers, scientists and others with advanced degrees; about 20% have Ph.D.s. Most have completed State Health Insurance Assistance Program (SHIP) training along with routine training tailored to other RRC services and computer training to increase their Medicare.gov skills. The volunteer retiree database expert has been integral to the operation because he built an easy-to-use database that eliminated paper files and accurately tracks key data. The state functionaries have seen his database and several of the government offices have subsequently hired him to design similar databases.

RRC Metrics Since Inception

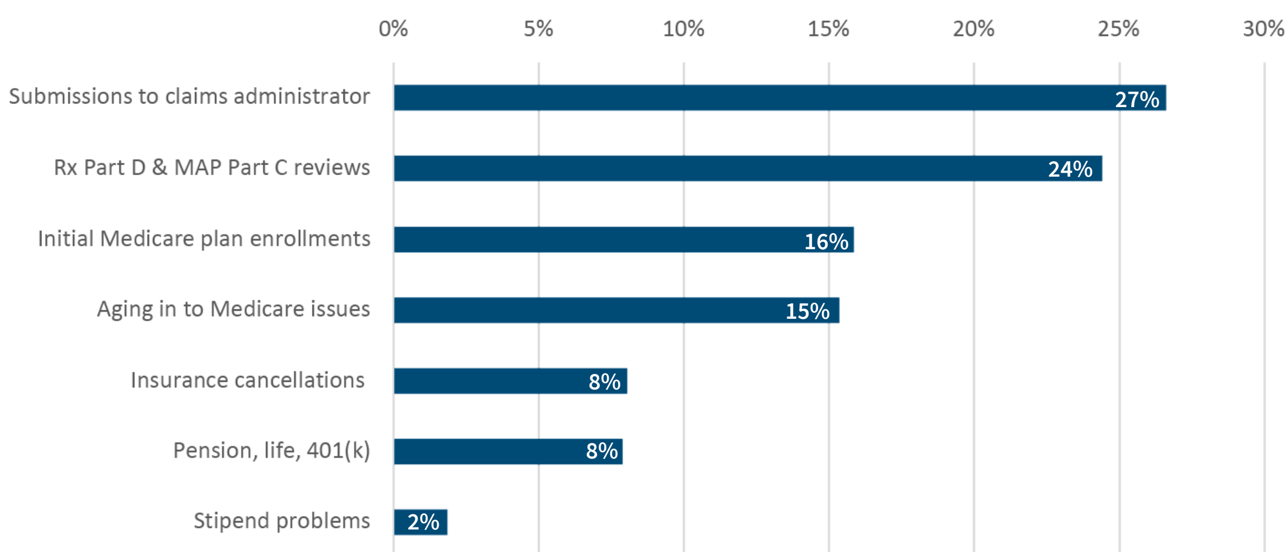
Since the Retiree Resource Center opened through January 2019, more than 2,300 clients have been helped. Some of the other milestones are shown in Table 1. These metrics present an idea of the need for services and the population demographics.

Table 1 RRC Metrics (Sept. 1, 2014, to Jan. 31, 2019)

Clients served	2,388
Office visits	3,693
Phone contacts	5,998
Home visits	65
Age-in training meetings	48
Total attendees	**860**
Third-party reimbursement claims transmitted from RRC	$2,150,129
Rx reviews for 2015–18	1,453
Projected savings from reviews and plan changes using the *Medicare.gov* model with client-specific meds, pharmacies and plans	$1,363,739

The following graphs show the issues discussed during retiree client meetings, the ages of retiree meeting participants, and the gender and breakdown by their status as it relates to the plan participate. Marital status is also included, which can give an indication of potential emotional and financial support. First, Figure 1 breaks down some of the topics.

Figure 1 Client Meeting Issues

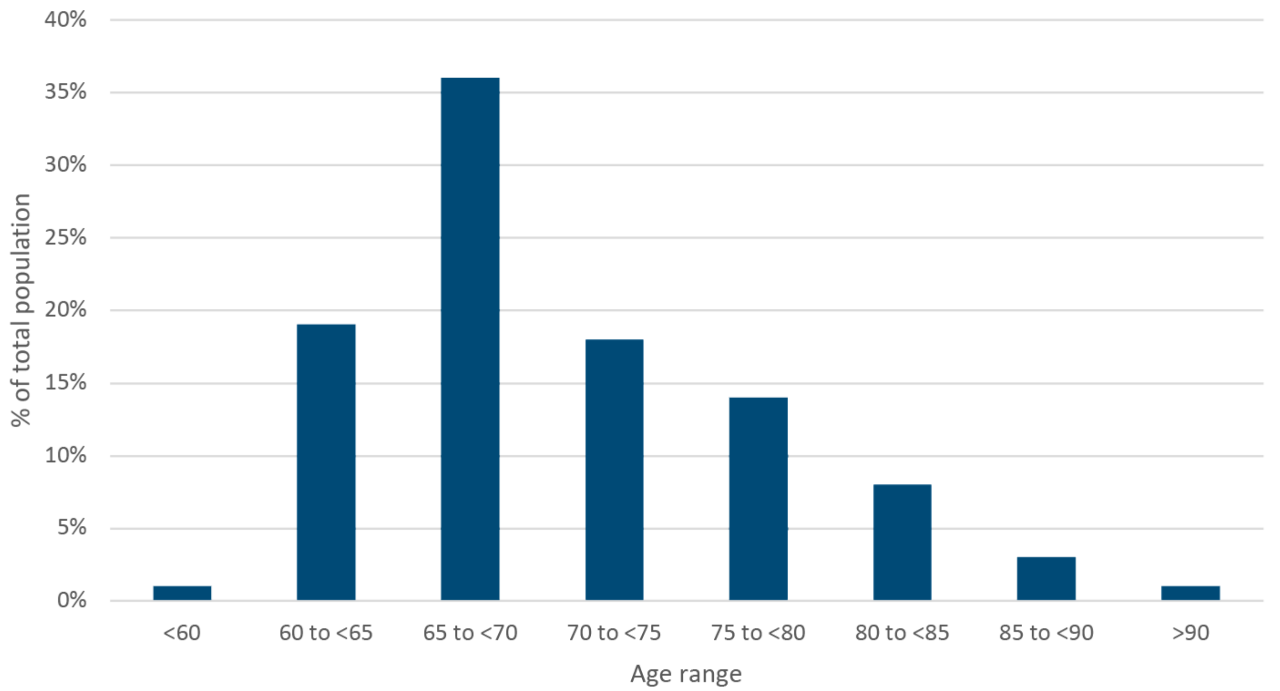


*Source: SRSRA Retiree Resource Center

The age is skewered toward 65 due to the popularity of the age-in training meetings for when the retiree is preparing to enter the post-65 HRA. This can be seen in Figure 2.

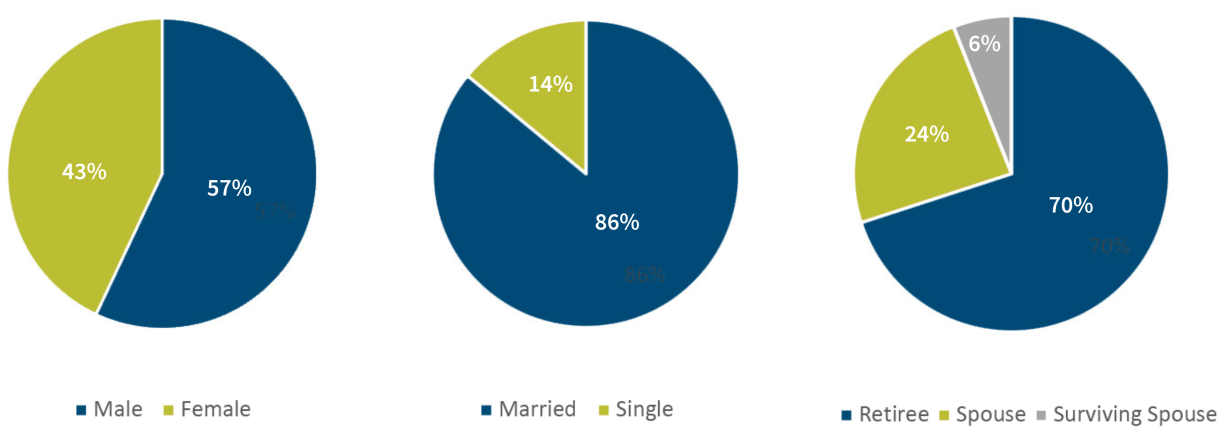
Figure 3 shows the break down by gender, marital status and association to the company.

Figure 2 Age Range at Last Contact Date



Source: SRSRA Retiree Resource Center

Figure 3 Gender, Marital Status and Company Association



Source: SRSRA Retiree Resource Center

Observations and Recommendations

The RRC has learned a great deal about client issues from the nearly 3,700 client meetings conducted to date. The following sections highlight important observations and the bullet points contain recommended steps to ease this transition from work to retirement.

ENCOURAGE FAMILY SUPPORT

Family support is integral. Decisions are often complicated and difficult for people who have always enjoyed the relatively easy decisions of group medical insurance plans. Penalties for late decisions can affect a lifetime, and exit barriers can prevent future changes. Materials are significantly beyond what a person can comfortably absorb, especially when Social Security decisions are included.

- Consistently allow and encourage the spouse, child or friend to participate in all office visits and meetings.
- Make online information available remotely to be accessible by the entire family.
- Encourage the retiree to have medical privacy forms such as HIPAA paperwork in place so family can access information.

SET UP AUTOMATIC PAYMENTS AND DIRECT DEPOSITS

Some retirees are afraid of automatic bank transactions. The actual incidence of bank fraud is small, especially when compared with the adverse consequences of insurance cancellation due to premium nonpayment. RRC experience has shown direct deposits and automated payments offer greater protection to the retiree.

- Strongly encourage retirees to have insurance payments set up automatically so payments continue if the parties become ill or begin suffering from cognitive issues.
- Strongly encourage retirees to establish direct deposit reimbursements to reduce the incidence of uncashed and stolen checks.

REVIEW MEDICARE SUPPLEMENT AND ADVANTAGE PLANS

The government has expended a tremendous effort recently promoting Medicare Advantage plans over Medigap plans. MAPs can be a very good choice for some, but the plans are more difficult to explain and understand, not all types are offered in all areas, and they require more close attention because, unlike Medigap plans, they should be reviewed annually.

- Take the time to explain MAPs including copays, plan limits, network restrictions, Rx coverage and barriers to returning to Medigap plans. Refer questions to licensed agents.
- Verify the doctors and hospitals the retiree believes essential are in the plan network. The plans have such similar names those errors can be easily made.
- Watch for discontinued MAPs to determine if the retiree is going to be automatically put into a plan that will not meet their needs next year.
- Explain the differences in Medigap plan pricing (community based, age-based, etc.) to eliminate the retiree choosing the lowest initial premium cost without understanding future premium pricing considerations.

PROVIDE PART D RX PLAN ANNUAL REVIEWS

The current Part D structure substantially misses the needs of retirees due to a number of reasons, particularly the human resistance to change.

- The Rx plans have to be carefully reviewed EVERY year because drug plans, formularies, copays and networks change often materially, resulting in thousands of dollars in extra out-of-pocket (OOP) expenses for those people not vigilant.

  Almost 70% of the 1,453 Rx reviews conducted from 2015 to 2018 using the Medicare.gov model have resulted in savings by changing from the existing Rx plan. The average annual OOP savings of those 981 plans showing savings has been $1,390. Over four years of annual enrollments, 58 (4%) of plan reviews produced annual OOP savings greater than $5,000.

Careful coaching is required because retirees often do not have the internet access and technical ability to conduct their own online reviews or the hearing ability, patience and cognitive span to use the Medicare or broker telephone review service.

The current Medicare Rx model is particularly faulty because retirees usually benefit from having a single pharmacist on a continuing basis particularly when they take a large number of medications. That relationship can be very important to their medical progress. Yet the current model often requires retirees to change their pharmacy to control costs.

Also, the model uses current medications to make the analysis, which means if the retiree chooses the plan based on premiums alone, and then experiences serious medical issues, their Rx OOP will probably be significantly high. People who begin expensive nonformulary medications early in the plan year will have no financial relief until the following plan year.

EXPLAIN BENEFIT COORDINATION PROBLEMS

The current retiree medical benefit climate fosters duplicate coverage and gaps in coverage with its myriad of benefit coordination issues and ever-changing plan provisions. The RRC sees many employees with duplicate coverage too frightened to cancel unnecessary premiums, or forced into buying coverage they do not need in order to meet stipend requirements for company coverage. Some retirees have maintained this duplicative coverage for many years.

For example, South Carolina's Public Employee Benefit Authority (PEBA) plan allows certain other retiree medical coverage that can be advantageous if it has to be purchased to obtain a stipend, allowing re-entry during its annual open enrollment period. Georgia, on the other hand, has a state retiree MAP that prohibits other coverage and does not allow plan re-entry once coverage is terminated. When you also consider Tricare coverage for military personnel and the various levels of Veterans Administration benefits, and Medicaid and specialized Energy Employee Occupational Illness Compensation Program Act (EEOICPA) occupational disability benefits, benefit coordination can become a nightmare with each party telling the retiree they cannot be responsible for interpreting the other party's coverage. These analyses are very difficult for retirees with no benefit comparison experience.

- Always check for potential benefit coordination issues. Encourage the retiree to obtain a summary plan description (SPD) of the other plan. Prepare specific questions in writing that they should ask the other provider benefit experts. Review potential adverse effects.

DISCUSS STIPEND MANAGEMENT STRATEGIES

Cash flow management skills were largely unnecessary when medical insurance was paid out of active employee paychecks. Now that many retirees have HRAs and have to file for reimbursements, they need to leave enough funds to cover priority expenses throughout the year. Most HRAs allow a number of types of expenses and if the retiree files for them all as soon as the stipend is allocated, there may not be enough money later in the year to cover important premiums. That same situation can occur when approved claims are carried into the new stipend year to be paid then. Some of the largest claims administrators, including the claims administrator for the RRC, do not provide information on their system about the amount of the pending claims that will be paid when the next stipend is allocated. Also, one cannot assume that the retiree is able to control cash flow when an ill or less responsible spouse, or a child with access to the account data, wants to use the stipend funds as soon as possible regardless of later consequences.

- Do not encourage retirees to secure maximum reimbursements as soon as possible and then "invest" the money to meet future payments. Be aware of family dynamics and individual needs and respect wishes to leave some funds in the account.
- Companies could consider more frequent stipend payouts throughout the year to assure adequate money for later premium payments.

PROVIDE LIFE INSURANCE INFORMATION

RRC experience has been that retirees do not always maintain current beneficiaries and often name no contingent beneficiaries should their spouse predecease them. Some do not know the amount of their benefit.

- Show retirees how to access policy information online with the carrier, and print it out for them. Retirees need to know the benefit amount, particularly since many policies have declining benefits based on age, which could impact planning.

STRESS THE IMPORTANCE OF INCLUSION

One of the best practices at the RRC has been to install a second computer screen at each desk facing the retiree so the retiree (and spouse or friend) can follow what is being done. This helps them understand the process, learn to replicate the process when possible, and to note and correct information.

The other participative process is to use the speaker feature with the telephone whenever possible to allow the retiree to hear the entire conversation.

- Encourage active participation with third-party interactions.

ENSURE A SUPPORTIVE PHYSICAL ENVIRONMENT

Retirees are much more likely to experience balance problems, hearing loss and cognitive issues as they age. Be sure your environment is safe for them.

- Use chairs that are designed to more readily bear heavier weight comfortably and not easily tip when sitting down or getting up.
- Use offices with doors whenever possible to dampen distracting noise particularly for conference calls where hearing is difficult, and also to provide privacy.
- Verify your handicapped parking spaces and restrooms are accessible.

Conclusion

Retirees, families, retirement counselors, medical advocates, employers, vendors, advisers, insurers and the government all have important roles and need to more closely coordinate their efforts to address the serious problems in the retiree medical insurance environment today.

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Don't Forget the Role of Families in Lifetime Financial Security

Anna M. Rappaport

As we consider financial wellness, we should be sure to focus on issues that tend to be downplayed or ignored. For many Americans, the extended family plays the role of sharing risk and supplementing (or even taking the place of) personal savings and formal risk management. For other Americans, there are few (and sometimes no) family members available to help.

I want to encourage greater consideration of issues related to family support in retirement planning and other lifetime financial security matters. Some key questions to think about follow.

- What is the role of the family in serving as a financial safety net?
- How can one tell if the family is likely to be supportive?
- What is the role of the family in helping those who have grown old and are now incapable of managing their own affairs?
- How much intergenerational support is there between seniors and younger family members? In what direction?
- Are family financial help and other support roles adequately considered in planning?
- How does it affect financial wellness if the family is not considered?
- Are blended families different? Do they have special issues?
- In couples, what is the impact on the caregiving spouse when the other member of the couple needs support? What later happens to the survivor?
- What should people without family do?
- What are the differences by gender?

We have clues about the answers to some of these questions. Many remain unanswered, however, so there is a need for further research. At a minimum, it would be useful to develop a process to do a family analysis to understand both the possibility of future help and likely future requests for help.

What Seniors Want and Expect

In 2015, the Society of Actuaries conducted focus groups[1] with individuals retired 15 years or more. Two years earlier, focus groups were conducted with more recent retirees. 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 resource to fall back on. My impression is that seniors do not plan on having children help them, and many work hard to avoid it, but at the end of the day, children and other family members typically offer a substantial amount of help.

One of the major topics of the 2015 focus groups and risk survey was shocks and unexpected expenses. One of the most frequently mentioned shocks was children needing help. This was also one of the shocks that was most difficult to manage, possibly because help was needed over a longer time. Many of the participants did not do a good job of planning for the unexpected. Also note that many Americans are not prepared to handle even a modest unexpected expense. The data on family financial help shown in the next section, however, indicates seniors are providing much more financial help to children than vice versa.

1 Greenwald & Associates Inc. 2016. "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.*

What Americans Say About Family and Retirement

"The New American Family" study[2] documented the sense of responsibility Americans feel for aiding family members who need help. This study surveyed adults age 45 to 80 and focused on understanding whether there were differences by family type. It found that half of the respondents with adult children have provided them with financial assistance, and a fourth of respondents expect children to help retired parents in need. The study looked at issues related to blended families and found that couples in first marriages were better off financially. However, the results did not show any clear differences in support between first marriages and blended families. Big differences in support were found between couples and single individuals.

Merrill Lynch in partnership with Age Wave conducted a survey[3] of the link between retirement and family issues. They found strong links and introduced the idea of a **family bank,** defined as the household that family members most often turn to for help. Of respondents age 50+, 56% held the belief that there is a family bank in their family. That study indicated 62% of people age 50+ are providing financial assistance to family members. It can be one time, ongoing or something in between. The families providing such support are generally not factoring it 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 families help people in more than one group.

Among the individuals who were age 50+ and provided family financial support, the average amount of family help in the last five years was $14,900, and this varied by the individual's amount of investable assets.

Respondents age 50+ who had provided family support in the last five years were asked for what reason: 80% said it was the right thing to do, 50% said they thought it was a family obligation, and 15% said they had been helped in the past. The age 50+ pre-retiree respondents also indicated they would be willing to make "retirement sacrifices" to financially support family members: 60% said they would be willing to retire later/work longer, 40% said they would be willing to work after retirement, and 36% said they would be willing to have a less comfortable lifestyle in retirement.

The Merrill Lynch study states, "Unfortunately, very few people have prepared financially for potential family events and challenges." The study indicates 88% have not budgeted or prepared for providing financial support to others and 91% have not prepared for caring for an aging parent or relative.

Society of Actuaries post-retirement risk research is generally compatible with these findings and has consistently shown that many people do not plan for the longer term. When these results are looked at together, it seems likely that, in many cases, the implications of potential future family support are not carefully considered.

Financial Transfers

There is more research on family transfers. The Employee Benefit Research Institute (EBRI) discusses family transfers in a 2015 *Issue Brief*.[4] This is an analysis of Health and Retirement Study[5] longitudinal data. The EBRI report shows that 38% to 45% of older households make cash transfers to younger family members vs. 4% to 5% of older households that receive transfers from younger family members. The cause of the transfers is not identified. The older households are age 50+ and analysis covers 1998 to 2010.

2 MetLife Mature Market Institute, "The New American Family: The MetLife Study of Family Structure and Financial Well-Being," study in partnership with the Society of Actuaries' Committee on Post-Retirement Needs and Risks, September 2012, *https://www.benefitsandretirementconsultantsllc.com/img/~www.benefitsandretirementconsultantsllc.com/soa%20american%20family%20study.pdf.*

3 Merrill Lynch, "Family & Retirement: The Elephant in the Room," study in partnership with Age Wave, 2016, *https://mlaem.fs.ml.com/content/dam/ML/Articles/pdf/family-and-retirement-elephant-in-the-room.pdf.*

4 Banerjee, Sudipto. "Intra-Family Cash Transfers in Older American Households," *EBRI Issue Brief* 415 (June 18, 2015), *https://www.ebri.org/content/intra-family-cash-transfers-in-older-american-households-3236.*

5 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.

Table 1 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

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.

Source: Sudipto Banerjee, "Intra-Family Cash Transfers in Older American Households," *EBRI Issue Brief* 415 (June 2015).

Table 1 shows the percentage of households making transfers to children and grandchildren and the amount of transfers by age group in 2010.

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

The 2015 SOA post-retirement risk research, both surveys and focus groups, reinforced these results. One of the major shocks and unexpected expenses experienced by the respondents was transfers of assets to children (and presumably grandchildren). The focus groups indicate the shocks were primarily in response to some sort of "problem"—a child had a major illness, lost their job, got a divorce and so on. These payments were one of the shocks that had a lasting impact and were often not dealt with well. My impression is the parents believed it was very important to help children when there was a need even if they could not really afford it.

The Family and Long-Term Care

The transfers discussed earlier do not include the value of help provided by family members, or the reduction in earnings or retirement savings experienced when help is provided. The vast majority of long-term care is provided informally at home, very often by women. The price to the caregiver of providing care is extremely high, but, in many cases, it may not be recognized. One study 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.[6] 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 having been depleted due to her husband's care needs.

The Merrill Lynch study asked respondents age 50+ about their top choice for receiving long-term care, if needed. The majority, 86%, indicated their top choice was in their own home, 10% in an assisted living facility, 2% in a family member's home and 2% in a nursing home.

The SOA conducted in-depth interviews with caregivers of people retired 15 years or more and needing long-term care.[7] These interviews reinforced the huge impact of providing care on the caregiver.

Divorce and Retirement Security

The SOA focus groups found divorce after retirement was one of the shocks retirees could not recover from easily. The Merrill Lynch study points to the increase in **gray divorce,** or divorce among older adults. That report states that 14% of people age 50+ who were once married are now divorced and single, up from 2% in 1960.

Many studies show that couples are much better off than singles in retirement and widows are often better off than divorced individuals. It seems likely that most families do not have enough resources to provide adequately for both parties after divorce, and retirement security is often not at the top of the list of items to be considered in divorce. My view is that women are less likely to remarry after divorce, and if they spent earlier years more focused on the family than on financial security, they may pay a heavy price after divorce.

Special Issues Later in Life

Children are particularly likely to be called on to help as parents age. The chances of cognitive and physical decline are greater at the high ages. Research underway with later-in-life individuals (85+) shows not only informal support being provided, but a major role for family members in helping their elders manage their finances day-to-day. Interviews with people in assisted

6 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).

7 See Greenwald and Associates, "Post-Retirement Experiences of People Retired for 15 Years or More."

living and in their 90s showed that children were playing a heavy role in helping their parents manage their finances. This work needs to be supplemented by more extensive research.

Even when children are not providing hands-on care, they may be called on to help in different ways. When couples are both present, one may be able to help the other, although some couples also need additional help. Single individuals including widows are more likely to need help. Widows are heavily represented in the 85+ population. Research is needed about how people without family members are getting similar help, and what role neighbors, churches and so on are playing.

Consequences of Failure

Many, but certainly not all, people will step up to help family members when help is needed. While some may plan to do this, it appears that such help is more often provided without pre-planning.

Of the families who have become the family bank, some will have adequate resources, and there is no particular impact on their retirement security. But for many others, giving family help may drain their resources and leave them in a worse or even very difficult situation for retirement. This is potentially a huge problem for people who are involved in long-term caregiving requiring them to give up a job or reduce hours, and for people involved in long-term family support. For people not planning long term, the consequences of some of these decisions may not show up until much later.

A Family Analysis

A family analysis should 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. Help can be with management of medical care, shopping, errands, household chores, household management, hands-on care, financial management and/or financial help. If people need to move because of diminished capacity, they may need help moving and/or cleaning out their earlier residences.

Conclusion

Over people's lives, help from family members can be an important source of support. Many people may also need/want help from family. Data from several sources indicates that many more older adults provide financial help to younger members of the family than vice versa. Data was not provided about caregiving, but most likely younger family members offer more caregiving and household assistance to older family members. (This discussion does not consider raising children.)

People without families need some of the help that family members offer. They have the challenge of finding help or figuring out how they will manage.

Planning usually does not take into account the potential for family help across generations. Nor does it take into account the added challenges for those without family. Financial wellness programs should help people to understand and focus on issues of importance, and give them information to help them address these issues. I recommend providing information on family as part of such programs as well as information on considering other support. These issues have become increasingly important as employers reduce their support for employees. Communication between family members is critical to success and the wellness programs can stress that issue.

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Retirement Security and Blended Families

Anna M. Rappaport

There are a wide variety of family structures in the United States and some people have no family. Many couples are in second or later marriages for at least one of the partners, and many children are part of blended families. Same-sex marriages are increasingly accepted. Society of Actuaries research about retirees age 85 and over provides a lot of detail about how adult children help older family members. It appears that adult children commonly step in when parents need help, but they do not usually plan for such activities. I believe that, in addition to partners helping each other and children helping parents, people may help siblings and aunts and uncles. Society of Actuaries (SOA) research did not explore such help. The SOA research provides some insights but leaves open important questions with regard to blended families:

- 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? When are they likely to help?

In this essay, I will explore blended families and how they may be different in retirement.

Views of Responsibility in Blended Families

In the Society of Actuaries study Financial Perspectives on Aging and Retirement Across the Generations,[1] individuals in five generations are asked for their views on family obligations. In all the generations, there is a strong sense of obligation across generations. However, two questions were asked about whether there was a different obligation to stepchildren than natural born children, and about whether there was a different obligation to stepparents than your own parents.

When presented with the statement "Parents should not differentiate between stepchildren and 'natural born' children in the help they offer," about two-thirds of the respondents agreed across all of the generations. The highest percentage was 69% of the millennials, and the lowest was 60% of the early and late boomers. In contrast to this, only half of the respondents agreed that "Stepchildren have the same obligation to their stepparents as 'natural born' children." Again there was not very much difference between the generations. This is in contrast to 80% of the respondents who agreed with the statement "Adult children should make it a priority to help with tasks parents are no longer able to do." Note that the Society of Actuaries questions on blended families did not distinguish between the circumstance when both partners are alive vs. when one partner has died. Some children may not continue the relationship with the surviving partner of their deceased parent.

In a Pew Research Center report on stepfamilies,[2] respondents were asked whether they have a stronger sense of obligation to their biological family members than to stepkin. About 85% of the respondents said they feel very obligated to a biological parent, and 56% said they feel very obligated to a stepparent. Almost 80% said they feel very obligated to a grown child and 62% said they feel very obligated to a grown stepchild. This is generally consistent with the findings in the Society of Actuaries (SOA) research.

It should be remembered that stepparents can have a large range of relationships with stepchildren. Some of these relationships were formed when the children were very young and the stepparents had a major role in raising them. Other relationships are formed when the children were adults but they continue over many years. Still others are formed when the relationship

1 Greenwald and Associates Inc. 2018. Financial Perspectives on Aging and Retirement Across the Generations. Society of Actuaries Study. ***https://www.soa.org/Files/resources/research-report/2018/financial-perspectives-aging.pdf.***

2 Pew Research Center. A Portrait of Stepfamilies. *Social and Demographic Trends*, Jan. 13, 2011, ***http://www.pewsocialtrends.org/2011/01/13/a-portrait-of-stepfamilies/.***

began much later in life, and then there may not be much connection with the children. The parent of the stepchild may form the new relationship after divorce or widowhood, and there may be difficulties early in the relationship in some cases. Some of these difficulties are ultimately resolved, but others persist.

Based on my experience, that of people I know, and reading on the topic, I conclude that:

- Where children are very young when the families join together, there is a greater chance that both parents will form good and enduring relationships with all of the children.
- When children are a little older when families join together, it often does not go that smoothly. Sometimes both sets of children feel that the other partners' children get treated better.
- If the children do not see themselves as treated equitably, that can lead to trouble, regardless of whether the family is blended. It can be challenging when two households join together in a limited space and each family is accustomed to somewhat different household practices.
- When couples form later in life, the adult children may well see the new partner as competition for a potential inheritance.
- There is a huge variation in the relationships of parents and adult children. Where there are multiple children, some may feel that others are favored (and they may be). This is true regardless of whether there is a blended family, but more likely with a blended family.
- In some blended families, children are always "his children" and "her children." I know one couple where both partners believe the other person's children get preferred treatment, and there is friction between each partner and the other person's children.

I did not specifically find outside research on stepparents and help in retirement, but I found an article on stepmothers and estate fights.[3] The author says that about 50% of the active disputed-estate litigated cases involve differences between stepmothers and their stepchildren. This article also claims that only about 20% of adult stepchildren feel close to their stepmoms and that short-term marriages are more likely to lead to disputes. I know of one very nice person whose adult child had not spoken to her for years since she divorced his father and remarried. I know of other situations where there was trouble early on but later it healed.

Some Real-Life Stories

I personally know of three families where the father had remarried but there was trouble when health problems began at high ages. In two of them, the stepmother left once care was needed. In these cases, the children managed the care of their fathers and the fathers ultimately went to a nursing home and a memory care facility. In the third situation, the parent and the stepmother both developed problems and there were struggles about how the care would be paid for and managed. The stepmother refused to have her assets pay for her care. The couple split and the stepmother was taken to live with her daughter, who took over managing her mother's situation. The father's situation was managed by his children. Legal help was required in the third case.

I also found websites[4] for widowed individuals and the conversations indicated situations where stepparents relationships with their stepchildren ended with the death of their natural parent. Two quotes offer examples:

> It's different with stepparents. We don't share one drop of blood. Our only familial link is our spouse, and when he's gone, then what? I guess it depends on what kind of relationship you've established over the years. If you have developed a close-knit family, you will remain in each other's lives. If not, you may drift apart. In my case, we'll see, but I fear it's going to be the latter.[5]

3 Hackard, Michael. Stepmothers: The Cause of So Many Estate Fights. *Next Avenue,* Jan. 23, 2018, *https://www.nextavenue.org/stepmothers-cause-many-estate-fights/.* Hackard is the author of *The Wolf at the Door: Undue Influence and Elder Financial Abuse* (Mather, CA: Hackard Global Media LLC, 2017).

4 Two examples of such websites where there are conversations or blogs are *Childless by Marriage, https://childlessbymarriageblog.com/*, and *Soaring Spirits International: Widowed Village, http://widowedvillage.org/.*

5 Lick, Sue Fagalde. What Am I to my Stepchildren Now That my Husband has Died? *Childless by Marriage* (blog), June 6, 2011, *https://childlessbymarriageblog.com/2011/06/06/what-am-i-to-my-stepchildren-now-that-my-husband-has-died/.*

> I tragically lost my beloved husband of 20 years in 2010. My adult stepdaughter (who was 9 years old when we married) came to me just days after we removed our precious loved one from life support inquiring about his will. I was devastated; I just lost my husband and was in no way prepared for her inquiry. I was in shock and she is asking me about his will, just days after we lost him. Stumbling for the words, I, delicately as possible, explained to her that at this point in time as she was an established adult, secure with a home and career, her father and I left everything for each other and that she would receive what was coming to her when I was no longer living. I have no biological children, having always wanted a family I have treated her as my own; I love her. We have been emotionally supportive as we love her and were generous, paying for her $80K+ college education 10 years ago. Immediately after she asked about the will our relationship became very strained (over two years ago) and then just days later she would not speak to me, my family nor my husband's family. . . . It has been more challenging than I could have ever conceived to lose the love of my life but then to add this too. . . . I've lost my husband and my stepdaughter; I've lost my family.[6]

The Blended Family Today

The Pew Research Center provides insights into how common blended families are in the U.S.[7] The Pew survey indicated that 42% of adults have at least one step relative. About 30% have a step or half-sibling, 18% have a living stepparent and 13% have a stepchild. There was a wide variation in the results by age. Of those age 18 to 29, 52% had at least one step relative, 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 to 29 having a stepparent.

Another Pew study provides insights into how families have changed over time and what families in the U.S. looked like recently.[8] 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.

Dealing With Multiple Children

There are challenges in dealing with multiple children, whether the family is blended or not. Where there are several children, it is not unusual for one to have more problems than the others. Parents can easily be faced with the question of treating adult children equally vs. helping one child in need. My parent's philosophy was to help children and grandchildren when it was possible to have a positive impact on their lives. They looked at need before equality but preserved equality in their estate plans. But equality becomes tricky when the family is blended and both have children. Suppose Partner A has four children and Partner B has one child. Is it fair that each child should be treated equally? Is it fair that Partner A's children get a share of that Partner B's assets and Partner B's child gets Partner A's assets? Does the answer change if one or two of the children got substantial help while the parents were still alive? Does the answer change if the partners were in very different financial positions when they entered the relationship? Some of the children maintain good relationships with their parents and some do not. Some are more helpful when others in the family need help. How do the parents balance these issues? There are no right answers to these questions.

Blending Families if There are Assets, Debts and/or Children

Regardless of how they start out, many couples will break up and many marriages end in divorce. It is common for people to have multiple serious long-term relationships during their adulthood. When couples get together when they have substantial assets or debts, and/or children, it becomes more important that they reach some agreement about

6 Missing my love, "Anyone experiencing challenges with adult step children?" *Soaring Spirits International: Widowed Village,* Aug. 31, 2012, ***http://widowedvillage.org/forum/topics/anyone-experiencing-challenges-with-adult-step-children.***

7 Pew Research Center. A Portrait of Stepfamilies.

8 Pew Research Center. The American Family Today. *Parenting in America*, Dec. 15, 2015, ***https://www.pewsocialtrends.org/2015/12/17/1-the-american-family-today/.***

what belongs to each person and how they will view the children. This is true for opposite- and same-sex couples. Going forward, the members of the couple may be faced with questions of who pays which household bills and what belong to a specific partner vs. the couple. An agreement setting some of this forth is a very good idea.[9]

Family Issues, Cognitive Decline and Paying for Long-Term Care

In a recent Society of Actuaries Committee on Post-Retirement Needs and Risks discussion[10] on cognitive decline and long-term care, older adults expressed concern that their adult children would not them want to spend money for their own long-term care because it could reduce their inheritance. That concern was given as a reason for buying long-term care insurance. The concerns may be particularly important in blended families.

Conclusions

Families are an important part of retirement security for many people. It is unclear whether things will work for blended families in the same way they do for first marriages.

What happens to assets after death and how they are divided between the surviving spouse and children can be a challenge in any family. It is a bigger challenge in a blended family.

Some blended families do a very rational job of sorting out the economics of the family and reach agreement about the treatment of children from both sides. It is smart to do planning for family economics as the relationship is forming. That also sets the stage for dissolving the relationship if it does not work out.

Many children will help their parent and stepparent while the relationship is active. I do not know what the difference is between a situation where their natural parent dies vs. divorces.

Spouses in blended families should be cautious about planning for stepchildren to help them after they are widowed. Women are widowed more often. It seems clear that some stepchildren will discontinue the relationship with their stepparent when the natural parent dies. Some may continue the relationship as before, but others will choose to not help as much. So while some will help, others will not.

When couples with children get divorced, there are issues of equity involving the couple but also the children. The management of the divorce can potentially affect the partners and their children as they form new relationships.

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9 See Allen, Gemma, Michele Lowrance and Terry Savage. 2013. *The New Love Deal: What You Must Know Before Marrying, Moving In, or Moving On!* Chicago: The New Love Deal Inc. for information on how to manage these issues. Lowrance is a family court judge turned mediator, Allen, a family law attorney, and Savage, a financial writer.

10 See Rappaport, Anna. 2018. A Conversation on Dementia and Cognitive Decline. Society of Actuaries. ***https://www.soa.org/research-reports/2018/cognitive-conversation/.***

Family Considerations in Retirement Planning

Zenaida Samaniego

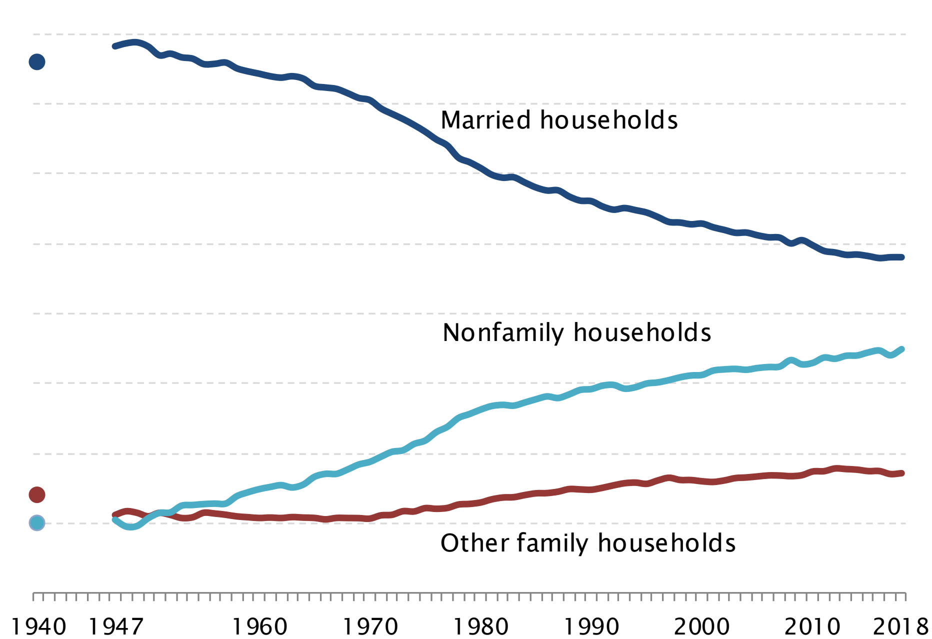
The traditional family is a nuclear unit formed by two married individuals who provide care for their biological offspring. The extended family can include grandparents, aunts, uncles, cousins and others who are blood relations of the nuclear unit.

Nontraditional forms have evolved over time. To date, there has been a rise in the number of single-parent families including never married, divorced or adoptive parents, as well as same-sex marriages including gay, lesbian or bisexual couples that choose to raise children from adoption or other modern-day means.

The evolution of the family structure has been brought about by many social and economic factors, such as new industries and technological advances, as well as equal rights movements led by women, and ethnic and LGBTQ groups. For instance, the increasing number of women entering the workforce has led to a shift from multigenerational households to multiple households with fewer people, a transition from the traditional role of stay-at-home mom caring full time for young children and an elderly parent to working mother in dual-earner families and the rise of day-care centers, nannies and licensed caregivers for the paid care of family members.

With the rise in single parenthood and nonfamily households (as seen in Figures 1 and 2), we also see increasing reliance on social welfare and public assistance programs.

Figure 1 Percent of Households by Type



Source: U.S. Census Bureau. Historical Household Visualizations. Accessed March 29, 2019. *https://www.census.gov/library/visualizations/time-series/demo/households-historical-time-series.html*; U.S. Census Bureau, *Decennial Census*, 1940, and *Current Population Survey*, Annual Social and Economic Supplements, 1947 to 2018.

According to the 2000 U.S. Census,[1] there were over 105 households comprised of 68 percent families (52% married couples, 12% female householders, 4% male householders) and 32% nonfamily households (26% one person, 6% two or more people).

Beyond biological ties and family structure, thoughts of family invariably evoke a sense of nurturing, caring, support and give-and-take. Who constitutes or what is considered a family may be easily defined, but the degree of kinship and closeness among the family members is key to determining how functional (or dysfunctional) is the family, and the level of expectations for care and support within the family. There is the saying: "The family that plays together, stays together."

Research published by the American Society on Aging[2] provides a historical perspective on family caregiving and the important role it has played over the years.

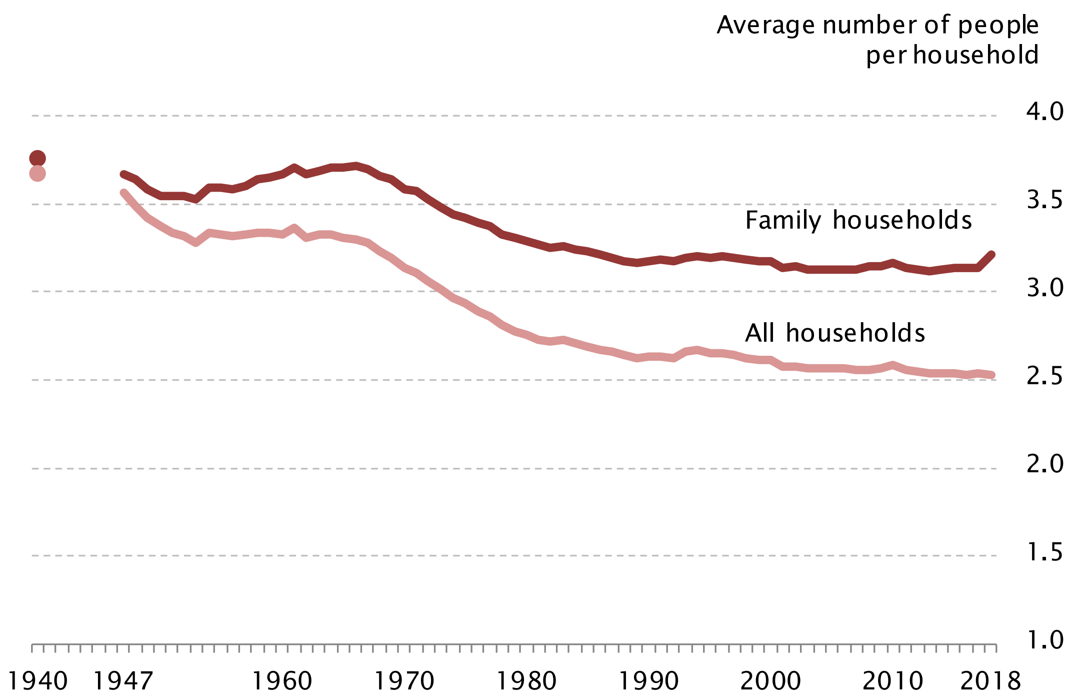
Retirement Experiences

Recent research from the Society of Actuaries based on retirement experiences among individuals age 85 and over confirms that most needed help of some type, primarily from adult children. The findings also show that family help is not usually considered in planning.[3]

When it comes to family caregiving, I am reminded of my personal experiences.

When I was growing up, large families with many children were common. I come from a traditional family of five

Figure 2 Changes in Household Size



Source: U.S. Census Bureau. Historical Household Visualizations. Accessed March 29, 2019. *https://www.census.gov/library/visualizations/time-series/demo/households-historical-time-series.html;* U.S. Census Bureau, *Current Population Survey*, Annual Social and Economic Supplements, 1940 and 1947 to 2018.

1 Simmons, Tavia, and Grace O'Neil. 2001. Households and Families: 2000. U.S. Census Bureau, *Census 2000 Brief*, September. *https://www.census.gov/prod/2001pubs/c2kbr01-8.pdf.*

2 Feinber, Lynn Friss, and Carol Levine. Family Caregiving: Looking to the Future. *American Society of Aging* blog, 2016, *http://www.asaging.org/blog/family-caregiving-looking-future* (accessed March 20, 2019).

3 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/*.

children and countless relations from both my mother's and father's sides. In the Philippine culture, many households could have two or more generations living in one household, with everyone contributing to the caring and support of younger and older family members. This was especially prevalent in the rural areas where farming was the common livelihood. Attaining higher education was viewed by many as key to obtaining competitive skills needed for well-paying jobs in growing urban areas, with the ultimate goal of gaining personal independence and financial stability as well as helping the family move up the social and economic strata. Thus, parents work hard to finance their children's education, while older children who, having completed their own collegiate studies and landed their first jobs, would be expected to help with financial support of the family and education of their younger siblings.

In my own family, the importance of higher education was always instilled in us. I will always remember my father's words: "Education is the single most important legacy that [we] parents can pass on to you, as it can never be lost or taken from you."

Attaining one's college education would often lead to new opportunities for personal growth.

With my family's encouragement, my personal ambitions led me to further my studies in the United States, where I have since worked, lived and now retired. When it was time for our own U.S.-born children to go to college, they knew that we, their parents, were fully committed to their attainment of a college education, which included financial support through college. We also taught our children the importance of hard work and budgeting so they were aware of the limits of our family's resources and could contribute in their own ways to the family's welfare. For example, they learned early on and through college how working in odd jobs can supplement their limited allowances, and that our financial commitment would only apply to four years of college within which they were in turn committed to attain their college diploma. After our children finished college, they did not all start to work right away. One or another would go on a travel adventure or come to live at home for a time. During such periods, we set rules for sharing household expenses and responsibilities until they all invariably moved out. We are proud to say that they have all since been living on their own.

Notwithstanding the financial independence of our children, and the distances that separate our various households, our family remains connected in many ways. In our retirement, my husband and I live far from our adult children and their families. We always reach out to family first when in need of emotional support or mentoring or unbiased opinion. It can be an occasional or scheduled call just to say hello, or visit to help with some babysitting of our grandchildren. We never fail to offer our parental counsel and unsolicited advice, which they appreciate as adding value to their own critical thinking and problem-solving.

Our children look to us as their role models, knowing how hard we strived during our working years not only to support and be there for our family but also to save for our own retirement. In their own financial planning, they are also well aware of the need to budget, make provisions for unforeseen contingencies that may adversely affect one's health and finances (or independent living, in our case), and strive for financial independence now and in retirement by working and saving smartly in their peak earning years.

We always kept our children apprised of our family finances when they were growing up, and continued to do so even now, particularly when we have significant changes to our financial and health situations. They know that we have set up provisions for them in our wills and trusts to help with the college education of their own children. However, our children do not ask or expect any financial support or monetary gifts from us, though they are always appreciative when they receive any. They are fully aware how we are carefully managing our retirement resources so that we do not outlive our assets, or need to rely on them for financial support in our retirement.

The subject of moving closer to our children has often come up. Our usual response is that we hope to live a long life and continue to be independent in our retirement. However, we are comforted by the knowledge that we can depend on one another in times of emergency and crisis, and expect our family to look after our well-being when the time comes.

Most Americans cannot afford the costs of long-term care. In 2012, such costs averaged $41,000 per year for assisted living facilities, over $100,000 per year for a nursing home stay, $66 per day for adult day services and $20 per hour for a licensed non-Medicare certified home health aide. While there are private financing sources for high-income Americans, and public program coverage for eligible, low-income individuals, most in the middle-income strata of the population will need private LTC insurance to be able to afford the costs of LTC. However, fewer than 10 million Americans had private LTCI (in 2010).[4]

Claims against LTCI policies tend to occur at older ages, typically after age 80, for a variety of causes led by Alzheimer's and cancer.[5]

In our own family, I have experienced close-up how family members have responded in such times of need. My mother suffered from dementia in her old age. Fortunately, she lived in the Philippines and a culture where family members were expected to and did care for her. Furthermore, my mom had adequate financial resources for extraordinary medical expenses. My once vibrant sister-in-law was diagnosed with Alzheimer's disease, the most common form of dementia,[6] at the early age of 55 and suffered from steadily deteriorating health until she passed away 10 years later. At the time of her diagnosis, her family had not anticipated but recognized the need for professional help, and luckily had both the resources and capacity for paid home caregivers to help with her care.

There is no definitive evidence of a genetic connection to dementia. Nonetheless, I have learned from our family's caregiving needs and experiences of the risk of needing LTC later in life and thus the value of making provisions for private financing of formal care, through, first, the purchase in our 50s of employer-facilitated offerings of LTCI for my husband and myself during our active employment and, second, targeting additional savings for other unanticipated and catastrophic needs.

I also learned through my place of employment, and professional volunteering and research, the value to one's family of risk protection and insurance coverage in financial planning. For example, we obtain life insurance to protect against loss of family income upon the insured primary earner's death, health insurance to cover individual and family medical and related expenses in case of acute or chronic illness, homeowners' insurance to cover cost of replacement or repair of home and personal property due to destruction and damage from fire and other covered causes, and auto insurance to protect against vehicular loss or harm to others.

Some would argue that paying for insurance is a waste of money if they never file a claim. They miss the point of insurance as protection against risks that may (or may not) happen and having peace of mind and the knowledge that they have a safety net should disaster strike.

In the case of Social Security, a social insurance program for old age or longevity risk protection, those claiming early Social Security may view benefits as income to be spent sooner than later. Waiting to claim until such time that benefits are optimized will supplement diminishing retirement savings should one live to a very ripe old age just when expenses are also increasing.

Summary

The family structure has evolved over time, but the sense of family caregiving and support has remained largely intact in a changing society and changing economic landscape.

The traditional informal care of/by family has faced increasing geographic and economic challenges from

4 Ujvari, Kathleen. 2012. Long-Term Care Insurance: 2012 Update. AARP Public Policy Institute, *Fact Sheet* 261, June. ***https://www.aarp.org/content/dam/aarp/research/public_policy_institute/ltc/2012/ltc-insurance-2012-update-AARP-ppi-ltc.pdf.***

5 American Association for Long-Term Care Insurance. Top Reasons for Long Term Care Insurance Claim: Alzheimer's & Cancer. Aug. 31, 2011, ***http://www.aaltci.org/news/long-term-care-insurance-news/top-reasons-for-long-term-care-insurance-claim-alzheimers-cancer*** (accessed March 22, 2019).

6 Alzheimer's Association. Alzheimer's and Dementia. Accessed March 20, 2019. ***https://alz.org/alzheimer_s_dementia.***

changing family households and sources of family income.

Keeping close family ties and up-to-date communications lead to better expectations and crisis management.

Financial planning and risk protection tools provide important resources in the changing retirement landscape, so that family support can be better managed with less duress and financial burden to affected family caregivers.

Maintaining family values through evolving family structures is key to a healthy society and the economic welfare of the people.

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