Serving the Sandwich Generation

Advisors caught up in the financial and emotional push-pull of raising kids while caring for parents can offer added empathy and insight to offer a growing cohort of clients.

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Americans responsible for raising their children while also managing the care of their parents have been dubbed the "sandwich generation," a cohort that makes up 23% of the adult population, according to Pew Research Center.

I am one of them. As a financial advisor responsible for my young children and as the son of aging parents and in laws, I have firsthand experience with the complex issues involved in multigenerational planning, which in turn has given me empathy and insight on how best serve "sandwiched" clients.

Here's what I've learned.

Empathize and advise. An advisor to sandwiched clients must be as informed about senior housing, Medicare and decumulation strategies as they are about retirement and college savings and accumulation strategies. But serving such clients means dealing with more than the financial impact of one generation paying for the care of two others; advisors need to understand the emotional and physical impact such efforts can exact.

I have clients with young, active children and two parents who are now legally blind, one of whom can't get around very well. This couple is dealing with a lot of stress. The wife is frustrated that she can't be in 10 places at once and feels guilty that she can't do it all. My job is to be empathetic, understanding the pressures that she and her husband are under while also providing the financial advice that can help them meet these challenges.

Parallel financial plans. When serving the sandwich generation, an advisor must run two financial plans simultaneously—one for the clients and another for their parents or relatives. Even if you are not the advisor of record to the older generation, you still need to help with their bills, investments and insurance in addition to the assistance and guidance you're providing to their adult children.

Suggest that both generations work through bills together, creating spreadsheets to track cash flow and payments. Have a backup in place so bills are not missed. This is helpful for older family members who may not have experienced paying bills or who may be becoming forgetful.

Store documents for both generations in an electronic vault. Prepare to get involved yourself. I often help clients spreadsheet their bills and sign up for automatic payments, when appropriate.

This dual approach can be tricky to navigate, and not just because helping both generations requires more time. I had a client who was spending many thousands of dollars to outfit their declining parent's home with accessibility features including a wheelchair ramp, a chairlift—a $10,000 outlay—and support bars. They were doing this despite the real possibility that the parent might not live long enough to use these features, and might be better served in a senior facility. I reminded my client about the importance of the guardrails we'd built into their financial plan to ensure that they can continue to save for their own retirement while having the funds to take care of the parent.

Communication and transparency. It's essential that advisors meet with both generations as early as possible in the financial planning process. With everyone in the room, discuss what-if scenarios to learn how each generation would handle a parent who is no longer able to live independently. Ser predetermined markers for daily living that can determine the level of care older relatives will need. The more information a family shares with one another, the more effective multigenerational planning will be. Transparency helps everyone make better decisions.

If an advisor is unable to talk with the older generation, have your clients provide you, to the extent possible, with their tax returns, beneficiary designations, long-term care policies, financial statements, last will and testament, living wills, do-not-resuscitate forms, etc. Find out who is managing the coordination of benefits for their parents. If older relatives have their own financial advisor, make sure you're listed as a point of contact with them.

Also try to obtain information about the relative's gifting, distribution and investment strategies. I had an older client who was helping with the finances of her adult child to the point that she was not going to be able to care for herself if she didn't adjust her gift-giving. I reminded the client that she was spending much more than the amount we'd designated for this purpose and suggested she ease up on the house payments for her child.

Beyond Medicare. Have a Medicaid attorney available for consultation. This is especially helpful when adult children are sacrificing their own financial plan to help out mom and dad. Often, they can't afford to do both. Medicaid can pick up some housing and medical costs beyond Medicare costs if a senior can't afford them—but the program's rules are complicated.

I recently worked with a family whose matriarch was running out of money after the death of her husband. We needed to do a deep dive into what she owned because Medicaid limits the amount of assets and income that a senior has in order to qualify for coverage for in-home, assisted living, or nursing home care (those limits differ state by state). The goal was to make sure the matriarch received appropriate care without her kids having to dig into their savings.

The coming challenge. By 2030, about 1 in 5 Americans will be 65 or older, according to the Census Bureau—with those 85 and older projected to grow faster than other segments.This means that succeeding sandwich generations—advisors and clients alike—will be under increased pressure to take care of their parents while taking care of themselves and their children. It's a challenge our industry must rise to meet, and one it needs to be prepared for.