

## **The Big Squeeze**

**by Leslie Rosenberg, contributing writer**

Popularly known as baby boomers, Americans born between 1946 and 1964 have earned a new name from financial planners: the "sandwich generation." That's because many of them find themselves squeezed on one side by their children's college needs, and on the other by their parents' healthcare expenses. Add to the mix their own retirement obligations, and what you get is a major financial-planning challenge.

Traditional long-term financial planning only had to focus on two main goals: saving for a child's college education and saving for retirement. But with average life expectancy approaching 80, many Americans are incurring the added expense of caring for an elderly parent.

According to the American Association of Retired Persons (AARP), 22 percent of Americans between the ages of 45 and 55 support their parents by contributing to housing, home care, medical and pharmaceutical expenses, and travel and clothing costs. In addition, 25 million unmarried adults between the ages of 19 and 39 live with their parents, often bringing their own spouse and children with them. The key to meeting these unexpected expenses while still maintaining a reasonable standard of living involves a combination of advanced preparation and setting priorities for the entire family.

Most important, you need to plan for your own financial security, says Ross Levin, CFP, president of Accredited Investors, Inc., a wealth management firm in Edina, Minnesota. That may sound selfish, but if you can't make ends meet for yourself, you're of little help to the rest of your family. Smart moves include making the maximum allowable contribution to your employer's retirement plan and your IRA, and setting up automatic payroll deposits to save toward other long-term goals.

"The good news is that changes to estate planning regulations have made asset transference easier, and some of the new tools for planning, like 529 plans to save for college, are the best I've ever seen," Levin says.

If you do decide to help provide financing for your parents, long-term care insurance is essential to safeguard against future eldercare expenses, says Jody Rorick, a CPA based in Lincroft, New Jersey, who specializes in personal financial services for the elderly.

"You can save your whole life for college and retirement, and then see your retirement savings wiped out if you have the need for round-the-clock care," notes Rorick, who purchased long-term care policies for herself and her 80-year-old mother. Because premiums go up the older you are, and coverage options may become limited, she advises all her clients to purchase long-term care insurance for themselves and their parents as early as possible.

Rorick also recommends helping elderly parents assess their financial situation and cut back on certain expenses to make sure they'll have enough money for medical care later. For example, it may be more cost-effective for a parent to move into a smaller apartment or assisted living facility rather than pay for the upkeep of a full-sized home.

"Medicaid is an option for people who lose all their money, but it may not be an option you want your parents to have," says Rorick. Curbing spending early on can leave them with more choices later in life.

Inevitably, everyone—not just your parents—will have to make sacrifices.

"Parents make the mistake of thinking they have to spend a lot of money on their kids, but that's not a good idea," says Rorick, who set an allowance for her two daughters and adheres to a fixed budget for her household. "Maybe your kids will have to go to state universities or get scholarships—they'll have to contribute too." By

shifting family priorities and cutting spending across the board, you can make sure that every generation is well cared for, now and in the years to come.

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