



The Unique Financial Needs for Multigenerational Families

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Financial lives are inherently complex and require thoughtful perspectives and strategies for you and your loved ones. Multigenerational households pose additional challenges to heads of households. A multigenerational household has two or more adults from different generations.¹

More than 60 million Americans live in multigenerational households, comprising 19% of the population.² Living in a household with family members of different generations increased during the Great Recession (2007-2012), and the trend continues.³

Multigenerational families are formed for a variety of reasons with 44% of people living in these settings for financial reasons.⁴ If you live with or are responsible for more than one generation of family members, you may want to address the following financial details.

What financial needs do they have?

Multigenerational families' needs are vast and varied, but they commonly include caregiving responsibilities. Adult children may be caring for their aging parents and their own children, and grandchildren may even be caring for their grandparents or vice versa.

1. Combined Living

When you have more than one generation living in a home, you have to take into account each group's financial needs. If you have both your aging parents and your children in the same household, you may need to address:

- **The financial responsibilities of raising children.** For a middle-income couple raising a child born in 2015, you can expect to spend \$233,610 until they reach 17 years old—and from there you still have to account for college. The average annual cost for raising a child is between \$12,350 and \$14,000.⁵
- **The financial responsibilities of living in multigenerational homes.** Families may have to change their living arrangements in order to care for multiple generations in one household. According to one study, 44% of new home shoppers want to buy a home that allows them to live with their aging parents.⁶ In addition, a family's net worth can drop by 1% when living in multigenerational families, which may seem small but can be significant on one's financial life.⁷

2. Caregiving Costs

Family caregivers have financial obligations beyond the typical household's. Each year, they individually spend an average of around \$7,000 on out-of-pocket caregiving costs, averaging almost 20% of their annual income.⁸ The financial burden can put a strain on families. A recent study found that seniors who live in multigenerational households are

more likely to be economically disadvantaged.⁹ As a result, they may have to rely more deeply on their adult children's finances to support their needs.

In addition, serving as a family caregiver can deplete personal incomes and retirement funds. Women caregivers can lose a total of \$324,044 in combined wages, Social Security benefits, and pensions throughout their lives, and men can lose \$283,716.¹⁰ These lost assets put even further financial strain on families.

3. Life Insurance Coverage

Multigenerational families should also consider how their life insurance needs change. While life insurance isn't the only type of coverage you'll need to revisit to ensure it fits your unique needs now, the protection is an important part of your financial wellness. With multiple dependents in the household, the risk is higher for multigenerational families should the family's caregiver or provider pass away. Ensuring you adequately cover all gaps so your family remains in sound financial standing is even more important.

This analysis is just a snapshot of the responsibilities, challenges, and obligations multigenerational families need to consider when planning for their financial lives. Of course, your unique needs will help guide you in determining the best individual strategies and protections for you. If you would like to discuss your options, please feel free to contact us. We're ready to help you make the most of your financial opportunities.

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¹ <http://www.pewresearch.org/fact-tank/2016/08/11/a-record-60-6-million-americans-live-in-multigenerational-households/>

² <http://www.pewresearch.org/fact-tank/2016/08/11/a-record-60-6-million-americans-live-in-multigenerational-households/>

³ <https://www.nytimes.com/2016/08/12/your-money/multigenerational-households-financial-advice.html>

⁴ http://www.allianzusa.com/lovetofamilymoney/downloads/ENT-1677%28110416%29_LFM_white_paperFINAL.pdf

⁵ <http://money.cnn.com/2017/01/09/pf/cost-of-raising-a-child-2015/>

⁶ <http://www.cnn.com/2016/07/20/figuring-finances-of-your-multi-gen-household-needs-to-be-a-family-affair.html>

⁷ http://crr.bc.edu/wp-content/uploads/2016/09/wp_2016-10.pdf

⁸ http://www.aarp.org/content/dam/aarp/research/surveys_statistics/lrc/2016/family-caregiving-cost-1pgr-res-lrc.pdf

⁹ http://crr.bc.edu/wp-content/uploads/2016/09/wp_2016-10.pdf

¹⁰ <https://www.bmo.com/privatebank/pdf/Q1-2015-Wealth-Institute-Report-Financial-Concerns-of-Women.pdf>