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Important Advice for the 'Sandwich Generation'

If you're between the ages of 35 and 60, you may be feeling a financial pinch from both your growing — or grown — children and your aging parents or in-laws.¹ You may also find yourself juggling your work commitments and the expectations of family members for your time and support. As a member of what's known as the sandwich generation, you're not alone.

Unlike previous generations where children left their homes earlier and more permanently, today, children tend to live at home longer — or move out and return over time, sometimes with their own children in tow. And parents tend to live longer, often spending 25 years or more in retirement. If you're wondering how to keep yourself financially on track in the face of these competing demands, the following strategies may help:

Pay yourself first. Instead of paying your bills and other expenses and then saving what's leftover, automatically route a portion of your paycheck to your 401(k), Roth IRA or other retirement savings account — and encourage your working children to do the same. This ensures you're regularly investing in your future financial security. And because of the power of compound interest, the sooner you or your children start this habit, the better their chances are of accruing wealth. Immediate needs and expenses can loom large; establishing a routine of saving regularly can help provide financial stability in later years.

Talk openly about finances. Discuss the basic tenets of sound money management with your children to help them develop good saving and spending habits at an early age. According to the *Parents & Finances* study published by Ameriprise Financial, 70% of parents involve their children in family financial decisions to help instill values and principles.² Helping children understand the role that money plays in your family can allow them to grasp where they can contribute within the family finances. On the flip side, it's equally important to talk with your parents about their plan for meeting their financial obligations in the years ahead. This includes knowing what — if any — plans and financial resources they have, should they become ill or incapacitated.

Make sure financial and legal documents are up to date. Whether it's you, your parents or your children, it's important to determine whether you'll need a Durable Power of Attorney, a Healthcare Proxy, a Living Will and a Last Will and Testament. It's also key to review and update beneficiary designations on investments and insurance policies because they may outweigh what is stated in a will. In addition, it's wise to keep a list of your financial accounts and passwords — and know where your parents and children keep theirs — in case one of you needs to step in for another. And don't forget to keep these documents in a safe and secure place.

Discuss long-term care insurance. One of the greatest challenges when it comes to planning for retirement is trying to predict future healthcare expenses. In-home health care costs or a lengthy nursing home stay can be very costly. If you or your parents don't already have long-term care insurance, it may be wise to look into it to see if it fits with your family's goals and options. Talk with

siblings or other trusted family members about what a possible care plan could look like for your parents and for yourself. While conversations around long-term care can be tough to initiate, it's often easier to bring everyone together while you and your parents are still healthy and in good mental capacity.

Explore resources to help offset costs. If your children are attending college, research the scholarship opportunities or work-study programs that may be available to them. Also, find out whether your parents qualify for any federal, state or local benefits for their care. This knowledge can help all of you make better and more informed decisions about budgeting, school choices, loan options and other financial choices that need to be made.

Set limits. If you have the desire and financial resources to support adult family members, it's important to balance your generosity with ensuring you have enough money to last through retirement – and support your family's own financial independence. Be clear with your children and parents about how much financial support you are realistically able to provide. If you choose to give them money, establish whether it's a loan that needs to be repaid or a gift that does not. When loaning money, document the conditions of the loan in writing and have both parties sign and date the agreement so that there are no misunderstandings.

Managing the responsibility that comes with being a member of the sandwich generation can be difficult. For help understanding how to plan for your future while caring for those who matter most to you, consult a reputable financial advisor. An advisor can help you create a financial strategy that makes sense for your unique situation.

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