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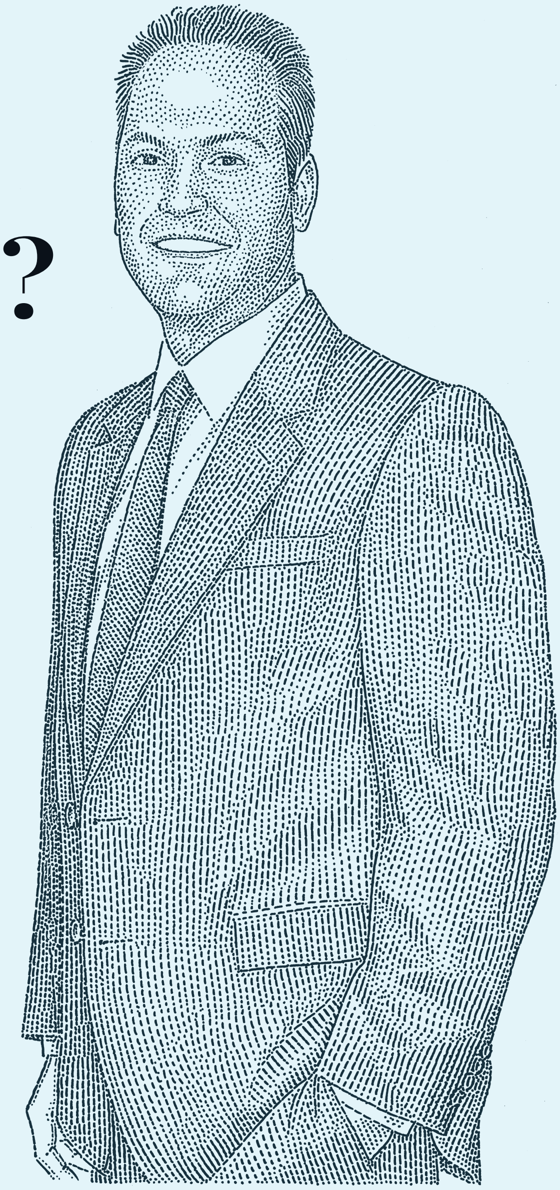
What, exactly, is "the sandwich"?

BY VINCE A. DILEVA, MS, CFP®, AIF®



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Much has been written about the baby boomers and millennials. But, what about the middle-aged group in their 40s and 50s who have a parent over age 65 and are raising children or supporting an adult child?

Members of that population cohort are caught between taking care of their children and taking care of their parents. That's why they are the "Sandwich Generation."

According to the Pew Research Center, nearly 47 percent of adults in their 40s and 50s are in this category, and they need to plan for their own retirement, their children's college education expenses and the assistance their aging parents may potentially need.

Clearly, then, these people are "stuck in the middle" and face many challenges. If this describes you, here are a few suggestions you can use to tackle the situation.

First, it is important that you have a plan in all three areas (retirement, children's education, aging parents' care). The better prepared you are, the better the outcome will be. Start working on your retirement plan first. Here, the problem is that, for some reason, middle-aged parents put a higher emphasis on saving for college versus their own retirement.

That's not wise. Instead, have a plan as to what you should save to enable you to live comfortably in retirement. Make sure you set aside the maximum you can in your 401(k) and/or other retirement plan. Consider buying a rental property to create passive cash flow during your retirement years. This is the time to plan for your future.

> "A lot of the people in the 'sandwich' generation feel the need and pressure to do everything for everyone."

However, since high college education expenses are the nearest issue on the horizon, it's usually the one most on parents' minds. How much should you save for college? Where is the best place to save money for college and not limit the impact on your child's ability to get loans, grants or other financial aid?

In fact, doing your own retirement planning first actually helps here, as money inside qualified retirement accounts is not included in the needs analysis formula, so funding your retirement account will not negatively impact your FAFSA and college aid profile.

In terms of vehicles to save for college expenses, 529 plans are the most popular. You do not want to put money into UTMA, UGMA or Coverdale savings plans, as these will have a bigger negative impact on your qualifying for financial aid.

On the issue of caring for your parents, it's a good idea to get all your finances out in the open. This is often a very difficult discussion since most adults feel they can take care of themselves and do not want to give up control. But you need to make sure you understand where all the assets are and how you can help manage your parents' household, whether that entails paying bills or coordinating other daily activities.

You also need to consider getting power of attorney authorization for your parents' financial assets as well as a Health Care Power document. If your parents are on the younger side, you may want to discuss long-term care insurance and other planning options for the years to come.

A lot of the people in the "sandwich" generation feel the need and pressure to do everything for everyone. And we all know that that is impossible to do. Instead, you need to balance your own life, work, health, family, friends and social activities to keep yourself happy.

Then, outside of the monetary issues people need to deal with, there is also the emotion and stress that can arise as you try to manage everything at once. You will get pulled in different directions by both sides of your family. But, if you have a plan and are prepared, you will be better equipped to deal with the challenge. ●

ABOUT US

VINCE A. DILEVA HAS BEEN IN THE FINANCIAL SERVICES INDUSTRY FOR 19 YEARS. HE JOINED SIGNATURE ESTATE & INVESTMENT ADVISORS LLC IN 1997 AS THE FIRM WAS FIRST OPENING ITS DOORS. In less than 10 years, SEIA reached its $1 billion in assets under management milestone, and the following year, Mr. DiLeva was named a senior partner. Mr. DiLeva is a Certified Financial Planner™ professional and holds an MS degree in financial services. He specializes in investment management and overall wealth-management strategies for affluent individuals and corporations. Mr. DiLeva lives in Redondo Beach, Calif., with his wife and three children. ●

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