2018
State of the American Family Study
Insights from LGBTQ Families
The American Dream.

Traditionally, the American Dream has meant that anyone can achieve a happy way of living by working hard and becoming successful.

But today, 1 in 3 American families believe the American Dream is disappearing. LGBTQ families are even less optimistic, as nearly 40% feel the American dream is disappearing.

Definition of Family

For LGBTQ families, the definition of what makes a family is somewhat broader and more likely to include very close friends.
Massachusetts Mutual Life Insurance Company (MassMutual) has focused on families since our founding in 1851, so we like to know what they are thinking and feeling. LGBTQ families are very much part of this story. The 2015 Obergefell marriage equality decision shifted the landscape dramatically, and today LGBTQ¹ households have a more solid foundation to build on for their future.

In 2018, MassMutual commissioned the fourth wave of a nationally representative survey of American families to understand how they work to achieve their version of the American Dream. We reached into the nation’s great cultural and economic diversity through individual market segments, different social groups and evolving family structures, including same-sex couples raising their own dependents.

The 2018 State of the American Family study reveals that today’s families believe the American Dream involves three main priorities:

1. Achieving financial security/independence
2. Enjoying a comfortable retirement
3. Helping their children get an education

This Executive Summary reviews the key findings about LGBTQ families and their attitudes towards finances. In addition to the study insights, you’ll find helpful ideas and specific actions than can help you turn your American Dream into reality.

What you can do

Families are taking steps to secure their financial future and dreams, but clearly, more can be done to keep the American Dream alive. The top financial regret across all consumer groups is ‘not starting early enough.’ So get started!

¹ We have identified this key demographic known by the initials LGBTQ, which popularly represents the diverse lesbian, gay, bisexual, and/or transgender, queer and questioning community. This expression is intended to signify the many Americans today who self-identify as something other than heterosexual or cisgender. To be clear, in our data collection most of the adults we reached (those who head families and are part of a same-sex couple) identify overwhelmingly as gay, lesbian or bisexual. This study does not include sufficient numbers of transgender adults to present a representative sub-sample, nor were respondents required to identify as queer or questioning.
For most families, the heart of the American Dream is financial security. 79% of LGBTQ families define the American Dream as financial security for myself and my family. But only 36% of LGBTQ families are confident they can achieve this.

Achieving Financial Security/Independence
LGBTQ families tend to view financial security in terms of certain priorities.

The study reveals their top financial priorities are:

- Being financially prepared for the unexpected
- Having an emergency fund
- Paying down debt
- Not becoming a burden to my family
- Feeling confident in both short and long-term financial decision-making

Let’s look at each of these priorities.
Being financially prepared for the unexpected

You can’t control the unexpected, but you can be prepared if it happens. About three-fourths of LGBTQ families prioritize having a stable source of income should the unexpected happen.

Don’t forget to consider what would happen if you got sick or injured and were unable to work? Where would you get the money to pay for expenses like food, clothing, utilities and the mortgage? For most people, their single most valuable asset is their ability to earn an income.

What you can do

Prepare for the unexpected by protecting your family with appropriate amounts of life insurance and disability income insurance. Life insurance can provide a measure of security for your family should the unthinkable happen. And disability income insurance replaces a portion of lost income when you’re sick or injured and cannot work, helping your family stay financially secure. Be sure to check out your employer’s benefit plan, it may offer these coverages at group rates that may be more affordable.

Having an emergency fund

No matter the emergency, having a financial cushion can help you weather the storm without endangering your long-term financial health. But when it comes to financial emergencies, LGBTQ families tend to have smaller nest eggs and less ready cash. Thirty-seven percent of LGBTQ families have less than one month’s expenses saved for an emergency.

What you can do

Open a separate savings account designated for your emergency fund and add to it every paycheck. Use automatic deposit so you don’t forget. As a rule of thumb, target 3-6 months of salary for your financial cushion.
Paying down debt
While it’s preferable to pay for purchases without borrowing, that’s not always realistic. For example, few families can buy a home or car, or pay for college, without taking out loans. Most families consider a mortgage and student loans as “good debt” because these loans help them achieve elements of the American Dream.

LGBTQ families are more likely to have higher credit card balances. Credit card debt is often considered “bad debt” because interest cost is generally high. It’s smart to pay down credit card debt first because these loans cost you the most money.

For LGBTQ families with debt, GOOD DEBT outweighs BAD DEBT

$73,668 STUDENT LOAN DEBT
$12,065 CREDIT CARD DEBT
$198,498 MORTGAGE DEBT

71% of LGBTQ families are prioritizing PAYING DOWN DEBT

What you can do
Join the 71% of LGBTQ families that prioritize paying down debt. Create a debt management plan that is right for you.

- **First,** understand your debt, the interest rates, if it’s fixed or variable and the terms of payment.
- **Next,** classify the debt; is it good or bad debt?
- **Lastly,** prioritize how you would like to pay the debt off. Think of it in terms of the most damaging to the least damaging. It’s a good idea to pay off the loans with the highest interest rates first, the smallest balances or the highest minimums. Focus on the debts that can help build your credit. If you can make extra payments or pay more than the minimum, do so. This will reduce the total cost of the loan. Even paying a little bit extra each month can make a big difference in reducing your debt.
Not becoming a burden to my family

Americans are living longer and health care costs continue to rise. Taken together, these factors contribute to the concern of LGBTQ families that they don’t become a financial burden to their family.

**What you can do**

Prepare for rising health care costs. You may want to research options to pay for long-term care so you can remain financially independent of your adult children as you age.

Feeling confident in both short-term and long-term financial decision-making

Over 80% of LGBTQ families feel confident in their day-to-day or short-term financial decisions, but more than half say they lack confidence when it comes to planning for the long-term. They know they should save more, but prioritize day-to-day expenses over saving for the longer term.

No matter the makeup of your American family, it’s important to prepare for long-term expenses while taking care of short-term expenses and paying down debt. By clearly defining your goals, formulating a plan and sticking with it, you can provide for the ones you love and achieve the American Dream on your own terms.

**What you can do**

**Focus on the short-term:**
- Develop a budget to account for all income and every expense.
- Set a goal to reduce household expenses. Every dollar saved equals a dollar earned.
- Create an emergency fund with a goal to set aside 3 to 6 months of salary. Make automatic deposits from each paycheck.

**Plan for the long-term:**
- Develop a plan to pay down your debt within 20 years (excluding your mortgage).
- Save money so you can pay for college with minimal student debt, however, don’t sacrifice your retirement savings to pay for college.
- Build a retirement nest egg with a goal of 15 times your annual income.
OTHER IMPORTANT FINANCIAL PRIORITIES

Estate planning
When considering their estates, LGBTQ families are less likely to plan the transfer of wealth to another generation or to leave an estate. However, as same-sex couples marry in greater numbers, and perhaps raise more children, this trend may shift. You have worked hard to build your legacy for your family. It makes sense to protect it and to ensure that your wishes will be adhered to.

What you can do
Create a Will to ensure that your wishes regarding your children and assets are carried out. A Will gives you the opportunity to appoint a guardian for your children and an executor to manage your estate. It also can clarify estate planning goals that minimize taxes. A Will is an important legal document, so consult with an attorney when preparing yours.

Desire to Travel
LGBTQ families express more desire for travel, with 59% making vacations a saving and spending priority. Coupled with higher than average levels of debt in LGBTQ families, this can pose challenges to short- and long-term savings.

What you can do
Open a separate savings account designated for travel expenses and add to it every paycheck. This deposit should come from what is left AFTER you have contributed to your retirement savings, college savings and emergency fund.
Enjoying a Comfortable Retirement

When you’re building a career and growing a family, it can be hard to envision your own retirement. But the top financial regret of LGBTQ families is not starting to save early enough. And since Americans are living longer, they will require more retirement savings to cover general living costs and increased medical expenses as they age.
The study indicates that LGBTQ families have a wide array of concerns when it comes to planning for their retirement. Almost half of LGBTQ families worry about outliving their retirement savings. Thirty-six percent are struggling to get by and feel overwhelmed by the size of the nest egg they will need to retire. Only one quarter say they are confident that they are doing a good job preparing financially for retirement.

**LGBTQ families and RETIREMENT PLANNING**

- **44%** of LGBTQ families are confident they will **RETIRE AT THE INTENDED AGE**
- Yet **36%** say, “I should be doing more to save for the future but right now I’m just **STRUGGLING TO GET BY**.”
- And **only 28%** have **DEVELOPED A PLAN** for retirement savings and are **STICKING TO IT**

**What you can do**

**PLAN AHEAD:**
- Decide what age you want to retire.
- Envision where you’ll live and what you’ll do.
- Predict how long your retirement will last (figure at least 30 years).
- Look closely at your actual expenses now and predict the expenses you will have during retirement. Factor in the impact of inflation on your expenses in retirement.
- Determine your sources of income in retirement, including predictable sources such as pensions and social security, and variable sources that may depend on the market, like your 401(k).

**START SAVING:**
- Take advantage of your employer’s retirement plan matching contribution. If you don’t, you are giving up free money for your future.
- Make your employer’s maximum match percentage equal to the minimum percentage you contribute. Contribute more if you can.
- Target 15 times your annual income for your retirement nest egg.
Helping Their Children Get an Education

Over half of LGBTQ families make paying for their children’s college education a financial priority. College costs have increased over 50% in the past 10 years\(^2\) and only 37% of LGBTQ families are confident in their ability to pay for it.

Over the last five years, the percentage of debt from student loans doubled, from 11% to 22% for all American families. Nearly a third of LGBTQ families have student loan debt with an average in excess of $70k. Please refer to our College Planning and Savings Study on MassMutual.com for more information and guidance on planning for your child’s education.

What you can do:

- Educate yourself about college costs, including tuition, room & board, books, fees and travel. These costs have increased over 50% over last 10 years and will likely continue to increase faster than overall inflation.
- Create a plan for how you will pay for college. Every family will have different needs, resources, time frames and personal approaches.
- Identify sources of money to pay for college:
  - Current income
  - Savings, such as 529 plans, Coverdell Education Savings Accounts, and bank accounts
  - Government loans, private loans, and permanent life insurance loans
  - Financial aid, grants and work-study
  - Scholarships: There are thousands of scholarships offered by private corporations, organizations, foundations and individuals. Also, check your local community and civic organizations for scholarship opportunities.
- A simple way to reduce the cost of college is for your children to attend community college for 2 years, and then transfer to a 4-year school to complete their Bachelor’s degree. Many schools work cooperatively so the transition from community college to 4-year school is smooth.

3 Compared to our 2013 State of the American Family Study, among those with household incomes $75k, dependent(s) under age 18.
Next Steps

No matter the makeup of your American family, it’s important to prepare for long-term expenses while taking care of short-term expenses and paying down debt. By clearly defining your goals, formulating a plan and sticking with it, you can provide for the ones you love and achieve the American Dream on your own terms.

So what’s next? Since you’re actively looking for ways to take greater control of your financial future, consider taking these action steps.

SAVE FOR RETIREMENT. The amount of income needed to maintain a standard of living in retirement varies from person to person and family to family. Think about your current and future expenses to see if you are saving enough right now. If you’re not, or if you’re not sure, talk with a financial professional.

PLAN FOR YOUR CHILDREN’S EDUCATION. Here’s a way to start saving: when an item drops out of your monthly budget, like the cost of daycare when your preschooler enters kindergarten or a car payment when you pay off the loan, redirect some of those funds into college savings.

SECURE YOUR FAMILY’S FUTURE. Life insurance provides financial protection if the worst were to happen. Some policies also accumulate cash value, which is a living benefit you can use for extra retirement income, funding your child’s education or financial emergencies.

PROTECT YOUR INCOME. Make sure you have a plan in place should you become too sick or injured to work. Disability income insurance can help you meet those financial obligations.

PREPARE FOR RISING HEALTH CARE COSTS. You may want to research options to pay for long-term care so you can remain financially independent of your adult children as you age.

TEACH THE NEXT GENERATION ABOUT FINANCES. Involving your children in discussions of family budgeting and monthly bills can help them understand what is involved in managing money. Playing family board games that involve a money component can help younger kids learn about money in a fun way.

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4 Access to cash values through borrowing or partial surrenders will reduce the policy’s cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.
MassMutual is a strong and stable resource that can help you secure your financial future.

To connect with a MassMutual representative near you, visit massmutual.com today.
Live Mutual

It’s in our nature to take care of the people who make life worth living, so we instinctively protect them physically and emotionally. Making plans to secure their futures should feel no different. While the world would have us strive for independence, the truth is when we depend on one another — when we live mutual — we aren’t just more secure. Life is happier and more fulfilling.

Living mutual has always been at the core of human existence, and it’s the principle that’s guided MassMutual since our founding in 1851. It’s not a concept we invented, but one we champion for the simple reason that people today take it for granted.

To connect with a MassMutual financial professional near you, visit massmutual.com today. Together, you can take the right steps in creating a personal financial strategy that supports the American Dream for your family.

Methodology

The State of the American Family survey was conducted for MassMutual by Isobar between January 19th and February 7th, 2018 via a 20-minute online questionnaire. The survey comprised 3,235 total interviews with Americans. The vast majority of these interviews (2,730) were conducted with men and women aged 25-64, with household incomes equal to or greater than $50,000 and with dependents under age 26 for whom they are financially responsible. Respondents had to contribute at least 40% to decisions regarding financial matters in their household to qualify. Results were weighted to the March 2017 Annual Social and Economic Supplement (ASEC) of the Current Population Survey for age, income, gender, ethnicity, region, and weighted to the 2016 American Community Survey Public Use Microdata Sample for same sex married/partnered couples, to be representative of American families in this age and income bracket. This study includes trending data for the previous survey wave conducted in 2013. The sampling margin of error for the 2018 study is +/- 1.88 percentage points at the 95% confidence level when looking at the results for the 2,730 interviews at a total level.