2018
State of the American Family Study
Insights from Sandwich Generation Families
The Sandwich Generation.

With an aging elder population and young adults struggling to achieve independence, many burdens are borne by the middle-aged adults in between. This sandwich generation faces the difficult challenge of addressing their own financial needs while caring for their aging parents/in-laws and supporting their own children.
Massachusetts Mutual Life Insurance Company (MassMutual) has focused on families since our founding and 1851, so we like to know what they are thinking and feeling. In 2018, we 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 specific social groups and market segments, including people in the sandwich generation.

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

In addition to survey insights, you’ll find helpful ideas and specific actions that can help you turn your American Dream into reality.
Overview of the Sandwich Generation

Caring for older and younger generations

Members of the sandwich generation are responsible for two other generations. This creates emotional and financial stress. Providing food, shelter, activities and a college education for your children is quite expensive. The cost of caring for your aging parents/in-laws also can be significant, with elder care, medical care and household items to consider. If your parents/in-laws have financial assets, you may be responsible for managing them. You have to be planning for your own financial future, too.
Impact of culture
Half of sandwich generation families are multicultural and nearly 1 in 4 are Hispanic. This reflects strong cultural values that influence their broader concept of family.

Impact at home
Half of sandwich generation families feel their kids benefit from having parents/in-laws in their home because they contribute stability, safety, wisdom and fun. A third say it adds to their family's emotional and financial stress.

50% of sandwich generation families agree that their kids benefit from having parents/in-laws in their home

27% of sandwich generation families say that it adds emotional and financial stress to my family
Accumulated wealth

Sandwich generation families have significantly more retirement and investable assets than non-sandwich generation families. They tend to be more confident making financial decisions and are better prepared for an emergency. When it comes to finances, they look for convenient solutions.

Sandwich Generation families have **significantly more ACCUMULATED WEALTH**

<table>
<thead>
<tr>
<th></th>
<th>Average Wealth</th>
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<tbody>
<tr>
<td>Sandwich Generation</td>
<td>$526K</td>
</tr>
<tr>
<td>Non-Sandwich Generation</td>
<td>$349K</td>
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</tbody>
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Work/Home balance

Not surprisingly, sandwich generation families struggle to find balance between work and home.

Sandwich Generation families are more likely to **STRUGGLE to find BALANCE between WORK AND HOME**

- **31%** vs. **22%**

But they find ways to help **ACHIEVE BETTER BALANCE**

- **45%** work a **FLEXIBLE SCHEDULE**
- **35%** GET HELP with **HOUSEHOLD CHORES** from family
- **30%** WORK from **HOME**
- **17%** GET HELP with **CHILD CARE** from family other than parents/in-laws
The Sandwich Generation and the American Dream

Families in the sandwich generation define the American Dream in much the same way as non-sandwich generation families. Almost 80% say financial security is at the heart of it. However, sandwich generation families feel more confident overall in being able to achieve their version of the American Dream. Their confidence results from being well-organized financially. Seventy-two percent of sandwich generation families prioritize having a comprehensive financial plan in place.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Sandwich Generation Families</th>
<th>Non-Sandwich Generation Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving financial security for myself &amp; family</td>
<td>52%</td>
<td>43%</td>
</tr>
<tr>
<td>Financial independence</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Not living paycheck to paycheck</td>
<td>57%</td>
<td>50%</td>
</tr>
<tr>
<td>The ability to retire at age I want</td>
<td>45%</td>
<td>32%</td>
</tr>
<tr>
<td>Paying for higher education for my children</td>
<td>59%</td>
<td>42%</td>
</tr>
<tr>
<td>Owning/Starting a business</td>
<td>54%</td>
<td>39%</td>
</tr>
<tr>
<td>Saving the maximum possible amount of money</td>
<td>70%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Sandwich Generation families are more confident in achieving THE AMERICAN DREAM.
Financial Security/Independence

For most families, the heart of the American Dream is financial security. Families in the sandwich generation view financial security in terms of certain priorities which tend to emphasize putting family first.
The 2018 study reveals their most common financial priorities:

- Having an emergency fund
- Ensuring a stable source of income for family if something unexpected happens
- Not becoming a financial burden to my family
- Developing a comprehensive financial plan
- Paying down debt

These priorities are influenced by the sandwich generation’s broader concept of family and by their heightened sensitivity to the financial shortfalls of their extended family. Let’s look at each of these priorities.
Having an emergency fund

Sandwich generation families tend to have larger nest eggs and more ready cash than non-sandwich generation families. This can be helpful because more people depend on them. It can be crucial in the event of a financial emergency. Whether you suddenly face an unexpected car or home repair, a serious disability that keeps you from work, or even a layoff from work, having a financial cushion can help you weather the storm without endangering your long-term financial health.

What you can do

Set aside at least 3 to 6 months of salary in case of a financial emergency. If you haven’t set aside this much already, start saving. Open a separate savings account and add to it every paycheck. Use automatic deposit so you don’t forget.

Ensuring a stable income for family if something unexpected happens

You can’t control the unexpected but you can be prepared if it happens. Seventy-eight percent of sandwich generation families prioritize having a stable source of income should the unexpected happen.

For most people, their single most valuable asset is their ability to earn an income, so 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? What about costs involved in caring for your parents/in-laws?

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.
Not becoming a financial burden to my family

Compared to non-sandwich generation families, sandwich generation families place a higher priority on “not becoming a financial burden for my family.” Personal experience caring for their aging parents/in-laws often influences their way of thinking.

Sandwich Generation families place a higher priority on “not becoming a financial burden to my family.”

74% vs. 66%
- Sandwich Generation
- Non-Sandwich Generation

If you’ve had this kind of experience, or if you know someone who has, then you understand how quickly the costs of caring for aging loved ones can add up. Health care services provided at home or extended stays in skilled nursing facilities may not be covered by health insurance, and assets can be drained quickly paying these costs. You want to provide for your parents/in-laws, but you don’t want to put your own financial security at risk. And you don’t want to be a financial burden to your own children someday.

What you can do

Now, while you are healthy is the time to plan for your future caregiving needs. Ask yourself these questions: Who will take care of me? Will I be able to stay home? How will I pay for care if I need it? Insurance that provides long term care benefits can help relieve the emotional and financial strains that often accompany the need for care. The benefits that you may receive can help you get the care that you need and allow you to focus on spending quality time with your family and friends. Seek guidance from a professional who has experience with long-term care.
Developing a comprehensive financial plan

Families in the sandwich generation are more knowledgeable, confident and proactive about their finances than non-sandwich generation families. Being in their 40s or 50s, they have worked long enough to advance in a career. Along the way, this has presented them opportunities to make financial decisions, such as buying life insurance or contributing to an employer-sponsored retirement plan.

The digital revolution has made financial information widely available and sandwich generation families like to do their own research. As a group, they have become well-educated financial consumers. They also own more financial products across a wider range than non-sandwich generation families.

Over 84% of sandwich generation families feel confident in their day-to-day or short-term financial decisions. Their confidence lags a bit (68%) when planning for the long-term, but they are much more confident in their long-term financial decisions than non-sandwich generation families.

More **KNOWLEDGEABLE AND PROACTIVE** about finances:

- **Sandwich Generation Families**  
  - Educating children on finances: 58%  
  - Research and make decisions about insurance and investments: 49%  
  - Confident in self-selecting investment options: 43%  
  - Leverage investment company websites for info and advice: 37%  
  - Interested in investing online: 40%

- **Non-Sandwich Generation Families**  
  - Educating children on finances: 42%  
  - Research and make decisions about insurance and investments: 35%  
  - Confident in self-selecting investment options: 27%  
  - Leverage investment company websites for info and advice: 26%  
  - Interested in investing online: 16%
Sandwich Generation are likely to own more financial products:

- **Sandwich Generation Families**
- **Non-Sandwich Generation Families**

<table>
<thead>
<tr>
<th>Product</th>
<th>Sandwich Generation</th>
<th>Non-Sandwich Generation</th>
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<tbody>
<tr>
<td><strong>Health Savings Account</strong></td>
<td>38%</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Disability Income Insurance</strong></td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Permanent Life Insurance</strong></td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Annuities</strong></td>
<td>17%</td>
<td>8%</td>
</tr>
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Feeling confident in both **short** and **long-term** financial decision-making:

- **Short-term**: 84%
- **Long-term**: 68%
What you can do

- Think carefully before leaving your job to care for parents/in-laws. You can lose income, benefits and career opportunities that may be hard or impossible to replace.
- Identify care giving options, such as free or low-cost services, that enable you to maintain your earning potential.
- Learn the limitations of public benefit options including Medicare and Medicaid. Review any supplemental health insurance so you know what is covered and what isn’t.
- Consider opening your home to your parents/in-laws. This can reduce costs, add convenience and improve family experience.
- Ask your parents/in-laws to use their assets to cover costs involved in providing care, even if it’s provided by you or in your home.
- To learn more and evaluate your specific options, seek advice from a professional geriatric care manager.

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.
Paying down debt

The high cost of caring for aging parents/in-laws means that taking on some debt may be the only realistic option for many families in the sandwich generation. The study found that sandwich generation families carry multiple types of debt, such as a mortgage, car loans and credit card, but the total amount of debt they carry is significantly less than non-sandwich generation families.

Most families consider a mortgage and student loans as “good debt” because these loans help them achieve elements of the American Dream. Even a car loan (or a lease, which spreads the cost of using a car over time) can be good debt if you need a car to work. 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 Sandwich Generation Families with debt, GOOD DEBT outweighs BAD DEBT

$34,340 STUDENT LOAN DEBT
$174,170 MORTGAGE DEBT
$8,470 CREDIT CARD DEBT

70% of American families are prioritizing PAYING DOWN DEBT

What you can do

Join the 70% of American families that prioritize paying down debt. Pay off the loans with the highest interest rates first. 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.
Being financially prepared for retirement is a key priority and concern for American families, and even more important for families in the sandwich generation. Despite their concern about saving for retirement, they do a better job figuring out how much they need to retire than non-sandwich generation families. They are also more likely to develop a retirement saving plan and stick to it.

Enjoying a Comfortable Retirement
Retirement can impact sandwich generation families at multiple levels. For example, you may consider taking on the role of caregiver for your aging parents/in-laws. You may even think about leaving your job or reducing your hours to do so. Before you decide, determine the impact on your retirement. If you must reduce hours or leave your job to care for parents/in-laws, the amount you can save in your employer-sponsored retirement plan could be reduced. Your employer’s matching contribution could be reduced or eliminated. You will need to make up for any resulting reduction in your future retirement income.

Sandwich Generation families are more confident FOR RETIREMENT than Non-Sandwich Generation Families:

- **62%**
  - Know **HOW MUCH** they need

- **42%**
  - Confident in **FINANCIAL PREPARATION**

- **39%**
  - Have a **PLAN**

- **25%**
  - STICK TO the **PLAN**
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 20 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.
- Ask your aging parents/in-laws to pay you for caregiving services you provide. Use that money to fund a retirement account.
Sixty-eight percent of sandwich generation families view their children’s education as an important financial priority. That makes sense because a college degree helps in establishing a career and achieving financial security. And even though college costs have increased over 50%¹ in the past 10 years, families are willing to borrow to fund higher education.

Over the last five years, the percentage of debt from student loans doubled, from 11% to 22% for all American families. Nearly 22% or 1 in 5 of Sandwich Generation families have student loan debt with an average of $34,340. Almost 60% of sandwich generation families expressed confidence they will be able to pay for college for their children. The study also reveals that a family’s cultural background can impact its approach to paying for college.

Please refer to our College Planning and Savings Study on MassMutual.com for more information and guidance on planning for your child’s education.

The average amount of student loan debt per Sandwich Generation family is $34,340.

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

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\(^3\), 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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\(^3\) 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.