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## Honorable Mention

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By Kerry Pechter      Thu, May 30, 2019

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*Generational views of retirement differ: TIAA; Stress on the Bank of Mom and Dad: Legal & General Group.*

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### **Generational views of retirement differ: TIAA**

The one-in-four Americans (27%) who lack confidence in their parents' financial security in retirement are likely to lack confidence in their own retirement security, according to a new survey from TIAA. They are half as likely to feel confident about their own retirement as people who are confident in their parents' retirement (36% vs. 72%).

More than half of respondents (57%) said that their parents' financial planning for retirement affected their own. Almost half (44%) avoiding taking on significant debt, and 38% said they spend more conservatively and limit their spending on non-essentials.

The TIAA survey shows that Generation X and baby boomers are significantly less optimistic than Millennials about their parents' financial outlook. Just over one-third of Gen X adults (35%) and only one in four baby boomers (26%) described their parents' financial outlook as very good or excellent, compared to more than half (52%) of Millennials.

Only 47% of Gen X and 34% of baby boomers say they are confident in their parents' current or future financial security, compared to 60% of Millennials. While nearly four in ten Gen X (39%) and baby boomers (35%) don't find their parents' approach to saving and investing to be "admirable and one to emulate," only 25% of Millennials don't.

Among the one-in-five adults who are confident in their retired parents' long-term financial security, 21% indicate that they have some or a lot of concern about their parents running out of money during retirement.

People may overestimate their parents' preparedness for retirement. Seven in ten Millennials rate their parents' financial outlook as good to excellent (72%). But among the Gen X and boomers who are the same age as Millennials' parents, only 57% and 58%, respectively, rate their own financial outlook as good to excellent.

KRC Research conducted the online survey from February 19-21, 2019 of 1,003 adults, ages 18 and older living in the United States. Results have been weighted to be demographically representative of the U.S. population based on age, sex, geographic region, race and

education.

### **Stress on the ‘Bank of Mom and Dad’**

Of the \$41 billion lent by the Bank of Mom and Dad to help younger generations buy a first home in the US in 2018, 54% came out of their retirement savings, according to new research sponsored by Legal & General Group.

The recently released study found that 29% of U.S. parents and grandparents surveyed have provided financial assistance to children and grandchildren purchasing property. However, 15% believe they are financially worse off as a result; and 14% also said they feel their financial future is less secure.

In addition, seven percent of these Bank-of-Mom-and-Dad lenders postponed retirement after helping family or friends get onto the housing ladder, 39% of these by more than three years.

The number of ‘lenders’ accepting a lower standard of living was higher among those in the Mid-Atlantic states, with over a quarter of respondents from this region also feeling less financially secure. Despite this, BoMaD lenders still help younger family members navigate the property market with savings or, as 15% of respondents reported, taking out loans to do so.

Other sources of funding that BoMaD lenders have used, or would consider using to assist family members, include raiding either their IRAs or their 401(k)s (8% each). Seven percent refinanced their homes, and 6% downsized to a smaller property themselves. Five percent came out of retirement to help their kids toward a lifestyle they may have come to expect growing up in the relatively greater affluence of previous decades.

The BoMaD study also found that lenders—operating on an emotional basis—were unlikely to take professional advice when helping their kids and grandkids financially. Before gifting or loaning the money, nearly half of respondents (48%) didn’t or wouldn’t seek any professional advice about their choices.

“Whatever the source of funds, only a quarter of BoMaD lenders sought advice before they helped their kids financially. That number is surprisingly low—as an industry, we should encourage more people to seek advice to make sure helping younger family members won’t leave them short of money in later life or concerned about their own financial future,” L&G’s Nigel Wilson noted.

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