The Sandwich Generation: Don't Get Squeezed
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If you have parents over age 65 and children of your own, you are part of the tastefully titled "sandwich generation." It's a generational squeeze that can put a massive strain on your retirement plans if you provide financial support to both your parents and your children at the same time.

Most sandwich generation members are between 40 and 59 years old, the prime years to plan and save for retirement. According to a 2012 Pew Research Center study, 15 percent of people in that age group financially support both a parent and at least one child, up from 12 percent in 2005. The title of the study says it all: "The Sandwich Generation: Rising Financial Burdens for Middle-Aged Americans."

An increasing need to support grown children is fueling the problem: 48 percent of adults aged 40 to 59 supported grown children in 2012, up from 42 percent in 2005. The same period saw a slight increase in the number of those supporting parents financially, from 19 percent to 21 percent.

"If you are caught in this squeeze today or facing it in the next few years, it's important to protect your own retirement savings," said Eric Tashlein, a Certified Financial Planner and principal of Connecticut Capital Management Group. "Get the help you need so that you don't bear the entire burden on your own."

Giving money to parents and children at the same time creates stress, both emotionally and financially. Besides the normal challenges of your life and career, you have to deal with caregiving and caregivers, health-care decisions, providing emotional support and spending time with parents, and making decisions regarding your parents' living circumstances.

The Pew study showed that sandwichers feel more pressed for time, with 31 percent saying they often feel rushed compared with 23 percent of their peers. When asked to describe their financial situation, just 28 percent of people who are supporting both a parent and a child say they are living comfortably, compared with 41 percent of adults who have children and aging parents but are not supporting them financially.

Here are four ways to make sure you take care of your own financial needs while helping family members:

Talk It Over Ahead of Time

If you are still relatively young and see yourself heading toward the squeeze, take action ahead of time. The first step is to discuss the situation with your parents. Explain why you need to understand their financial picture and talk about their desires as they age. Discuss issues such as who will make medical decisions for them and whether they have a will and a living will. Talking about these issues can be uncomfortable, but explaining your sandwich generation dilemma may make it easier.

Put It In Your Financial Plan

One of the first steps in retirement planning is to project your future income needs. If you are heading toward a generational squeeze, include that in your projections. For instance, how likely is it that one of your children may return home after college? Financial advisors told the *Wall Street Journal* it can cost $8,000 to $18,000 a year to support a grown child who returns home, depending on extras such as travel and entertainment. U.S. Census Bureau figures in 2012 showed 22.6 million people aged 18 to 34 were living at home with their parents, about 32 percent of the age group, up from 27 percent a decade earlier. One in four of the parents involved took on debt, 13 percent delayed a major event such as buying a house, and 7% delayed retirement, according to the National Endowment for Financial Education.

Seek Help

You won't be any good to anyone if you burn out. Seek out any help available, starting with other family members. Get your siblings and even your children to contribute. Then explore everything from eldercare attorneys and caregivers to adult daycare options, home meal delivery and respite care. Some organizations that can help you locate resources for the elderly in your area include the U.S. Administration on Aging, which maintains an "Eldercare Locator" at www.eldercare.gov; the National Adult Day Services Association at www.nadsa.org; the U.S. Administration on Aging at www.aoa.gov; the National Council on Aging at www.ncoa.org; and your state, county or city elder services agencies.

Explore Tax Breaks

Some employees offer "dependent-care flexible spending accounts" that allow you to contribute pre-tax funds to pay for the cost of adult daycare or in-home care, if your parent lives with you for more than half the year. You also may claim a "dependent-care credit" on your tax return for a portion of care costs (up to $3,000 per dependent). You can set up a dependent-care FSA through your employer to use pretax funds to pay expenses for a child under 13 or a parent living with you who is unable to care for themselves. Your employer sets aside up to $5,000 a year into the account, and you apply for reimbursement after paying expenses out of pocket. To qualify, your dependent-care expenses must be necessary in order for you to go to work, and can include physical care, in-home care, child or adult daycare, transportation and other needs. If you are in the 28 percent income tax bracket, you could save $280 for every $1,000 you spend on dependent care.