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Retirees caught in generation squeeze

Many retiring baby boomers are facing a generation squeeze where they still have elderly parents to worry about as well as children who are financially dependent on them, says Mr Phil Galagher, head of wealth management at Equity Trustees Limited.

“Social changes in the last couple of decades mean that retiring baby boomers may end up being the new “Sandwich Generation”, still financially responsible for children and/or parents.

“When the term “Sandwich Generation” was first used in the 1980s, it referred to couples in their 40s and 50s who were responsible for their parents and with dependent children still living at home.

“But with the elderly living longer, and children staying at home and remaining dependent on parental support for longer, the sandwich generation can now include pre-retirees and early retirees as well as the middle-aged.

“As people are living longer, it is not uncommon for people in their early to mid 60s to have parents in their 80s to worry about as well as children in their 20s or early 30s who are still at home or studying.

“There are more Australians with tertiary education than ever before, and more people are living with their parents for longer.

“Another recent social phenomenon is retirees with dependent children, either from second marriages or because they were late starting families.

“If a couple is having children in their late 30s, or even early 40s, it is likely that they will retire when their children need support during tertiary education.

“All these trends mean that retirees are increasingly likely to have dependent children living at home and requiring significant support.

“When children live at home there is nearly always a level of dependency through not paying rent or contributing adequately to the family housekeeping budget.

“As a result of children still living at home, retirees may also be trapped into staying in the family home and not having the freedom of downsizing to release equity and live in an easier-to-care for home.

“These issues are a relatively new phenomenon, but increasingly need to be taken into account in retirement planning,” he said.

Mr Galagher said that retirees with aged parents is also an increasingly common scenario.

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“For those with aged parents it may be a peace of mind issue that can be satisfied with seeking quality care and a separate financial plan for the parents that best utilises their own wealth and assets.

“But even if retirees’ parents are financially secure, there can still be health and lifestyle concerns.”

Mr Galagher said that parents should start involving their children in their retirement planning sooner rather than later.

“With children still at home, early planning and communication can help so that offspring appreciate how their parents’ needs and aspirations will affect them.

“While planning is always the key, early communication and discussion plays a major role so that all family members can understand the others’ point of view and desires,” he said.

About Equity Trustees: *Equity Trustees is a publicly listed company that provides a range of financial services to corporate and private clients. Its businesses include private client wealth management, funds management, responsible entity appointments, and corporate and personal superannuation.*

The company manages over \$4 billion in its funds management, private client and superannuation businesses and has more than \$19 billion under responsible entity administration. Equity Trustees employs over 180 people in its Melbourne, Sydney and Brisbane offices.

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