Ameriprise Financial

Money Across Generations II℠ study

Family First

Abstract

In 2007, Ameriprise Financial commissioned research that looked across three generations of Americans — baby boomers, their children and their parents — to gain a deeper understanding of how each group perceives, talks about and deals with money and financial issues. The *Money Across Generations*® study revealed that many families are having insufficient discussions about their financial needs and goals. The findings also suggested that boomers need to take a more realistic look at how the generous financial support they provide others may be throwing their retirement plans off track.

Today, following the recession that rocked Wall Street and Main Streets across the U.S., many American families are faced with a very different financial reality than they were five years ago. The *Money Across Generations II*℠ study replicates the original survey to demonstrate how the financial needs and attitudes of each generation have evolved. This subsequent report specifically examines the types of financial support baby boomers are providing their adult children and aging parents, and how this may be sabotaging their future financial security.

Understanding each other's needs and views could help generations of families better prepare for retirement and ensure they are supporting each other in a more meaningful and financially viable manner.

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Introduction

Five years ago, Ameriprise Financial commissioned a study to uncover the family financial ties that bind baby boomers to their parents and their children. The *Money Across Generations®* study looked across three generations — from the central vantage point of boomers — to gain a deeper understanding of how each group perceives, talks about and deals with money and financial issues.

To better understand how the recession and subsequent sluggish recovery have impacted these family money dynamics and consumer sentiment, Ameriprise Financial recently conducted a second series of interviews. While the economic environment has changed significantly since the original study was conducted, the findings suggest that money remains a family affair, with financial goals, concerns and support traversing the generations.

For boomers, who have either reached or are nearing retirement, these generational money matters can lead to difficult decisions with significant and long-lasting consequences. Likewise, the ability of their children and parents to achieve and maintain a secure financial future may also hang in the balance.

This second report from the *Money Across Generations II®* study:

- Examines the ways in which boomers are providing financial support to their adult children and aging parents
- Reveals a lack of awareness regarding how this support may be impacting boomers' ability to meet their retirement goals
- Explores Americans' views on providing financial support to family members

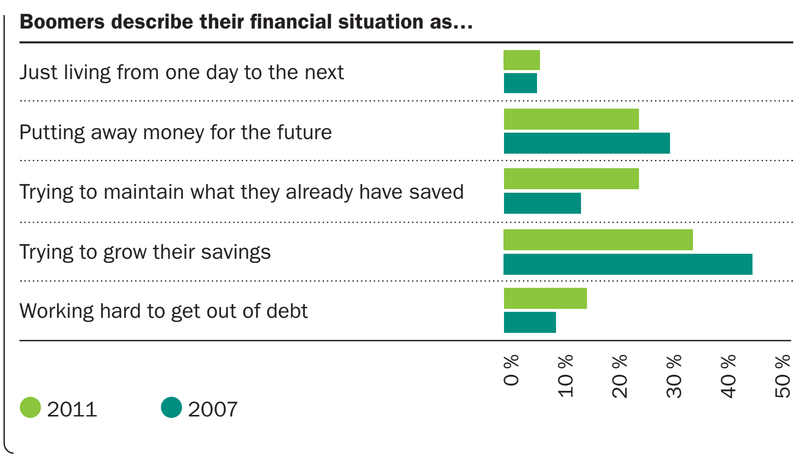
Boomers' attitudes on saving and spending have changed dramatically

Every day, approximately 10,000 baby boomers reach the traditional retirement age of 65.[1] While some have already achieved this important milestone, most are currently in the pre-retirement stage, a period which presents a "last chance" to set aside funds for retirement.

Despite this, only one-third of boomers say they are trying to grow their savings, a significant decline from 2007 when 44% claimed to be doing so. Those who say they are putting away money for the future has also dropped significantly (24% vs. 30%). Their focus appears to have shifted to maintaining their current savings, a response given by one-quarter (24%) of those surveyed, a substantial increase since 2007 (12%).

Boomers' children are also feeling the financial strain. One-in-five (20%) say they are living from one day to the next, compared to 12% in 2007. An equal number (21%) say they are working hard to get out of debt; just over one-quarter (28%) report trying to grow their savings, and even fewer report putting money away for the future (17%).

Boomers' attitudes about spending also appear to have changed. Once labeled the "consumer generation," more than one-third (35%) feel now is a good time to wait on buying the things they want and need, a significant increase from 2007 (28%). Their parents' buying habits demonstrate a similar (though not statistically significant) pattern, while their children's show little change since the recession.



[1] Pew Research Center, December 2010

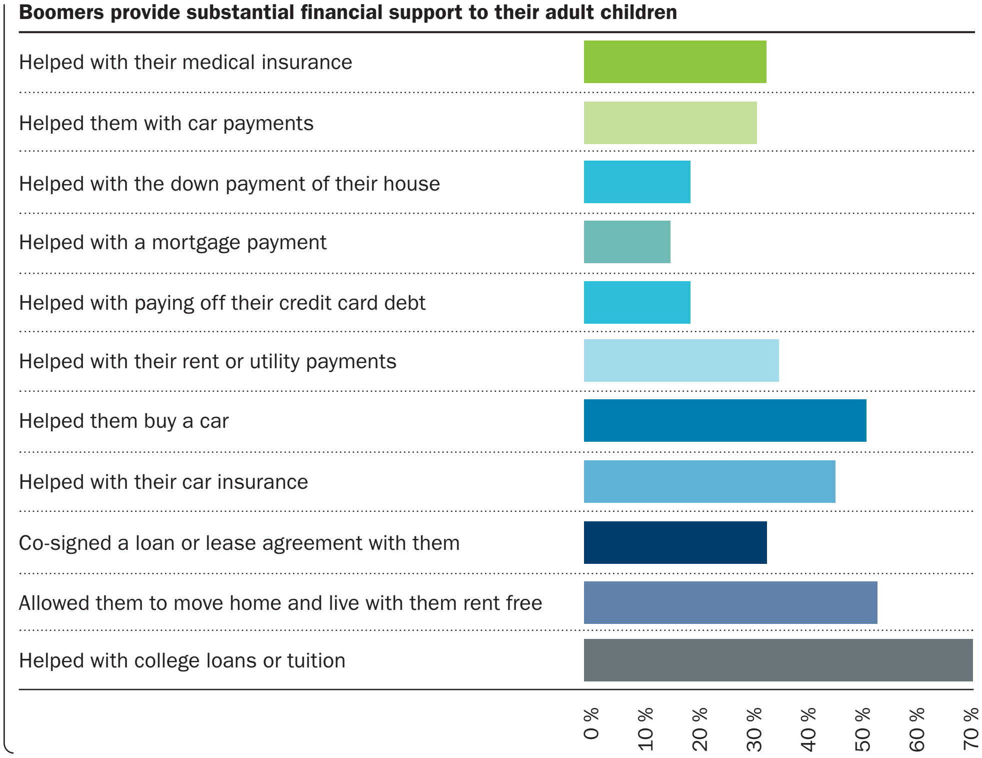
Boomers provide a significant amount of financial support to family members

Boomers may be less likely to make major purchases than they were five years ago, but that doesn't mean any excess income is making its way into their retirement accounts. Instead, many find themselves providing financial support to family members.

More than half of boomers (58%) report providing assistance to their parents, including helping them with daily tasks like cooking, cleaning, laundry and transportation (40%) and performing maintenance on their home (37%). Financial support tends to include purchasing groceries (22%) or paying medical (15%) and utility bills (14%).

When it comes to their children, boomers are even more generous. Nearly all boomers surveyed (93%) say they have provided some form of financial support to their adult children. A majority have helped them pay for college tuition or loans (71%), allowed them to move home and live rent-free (55%) or helped them buy a car (53%). Many are also helping their kids pay for car and health insurance, as well as cover basic expenses like rent, utility and car payments.

Boomers provide substantial financial support to their adult children



Boomers fail to recognize how helping family may be impacting their own financial goals

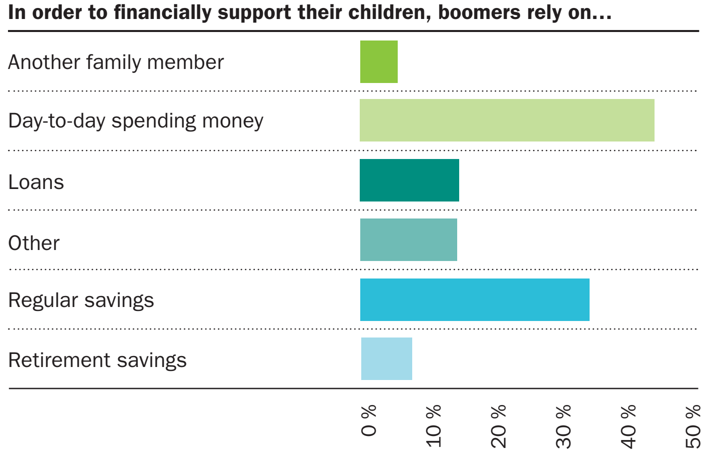
Where are boomers coming up with the extra cash they dole out to their parents and children? Most say they rely on either their day-to-day spending money or their regular savings.

It's encouraging that only a small number admit to pulling money from their retirement savings to help family members, but many fail to recognize that they may still be sacrificing their own financial security. Only 10% of boomers admit that helping their parents has slowed down their retirement savings; one-third (34%) feel the same about the support they've provided their adult children.

What a majority of boomers are overlooking is that by diverting funds from their retirement savings, or by failing to take advantage of catch-up contributions, they may fall short of their own goals. The effect can be far-reaching. If boomers are unable to fully fund their retirement, their children may later be faced with providing them with financial support — a cycle that can continue for generations.

Boomers are faced with difficult decisions when their family members require help. More than two-thirds (68%) say they would continue to contribute to their retirement savings instead of helping a child buy a car or pay off credit card debt. But when it comes to health care for their elders, more than half (57%) say they would help a parent pay for long-term care insurance in lieu of contributing to their own retirement savings.

In order to financially support their children, boomers rely on…



Few regret providing financial support to family members, but some questions linger

Despite uncertainty about meeting their own financial goals, a majority of boomers (86%) say that if they had to do it again, they would still support their adult children financially. Some (20%) even express guilt about not being able to provide financial assistance to their adult children who currently need it.

Boomers may be willing to help, but some question their adult children's ability to manage their own finances. Nearly half (47%) say they worry that their children do not understand what it takes financially to prepare for retirement, and 35% express concern that their children have not learned responsibility when it comes to money.

If asked, boomers' children may partially blame their parents for their lack of financial savvy. More than half say that while growing up, their parents rarely or never talked to them about how they budgeted the family's money (56%) or the importance of saving for retirement (52%). And while a majority say that their parents' approach to spending and saving was fairly balanced, 30% feel their boomer parents' attitude toward money was "live for today." Only one-in-ten (11%) feel their parents conveyed an attitude that encouraged preparing for the unexpected.

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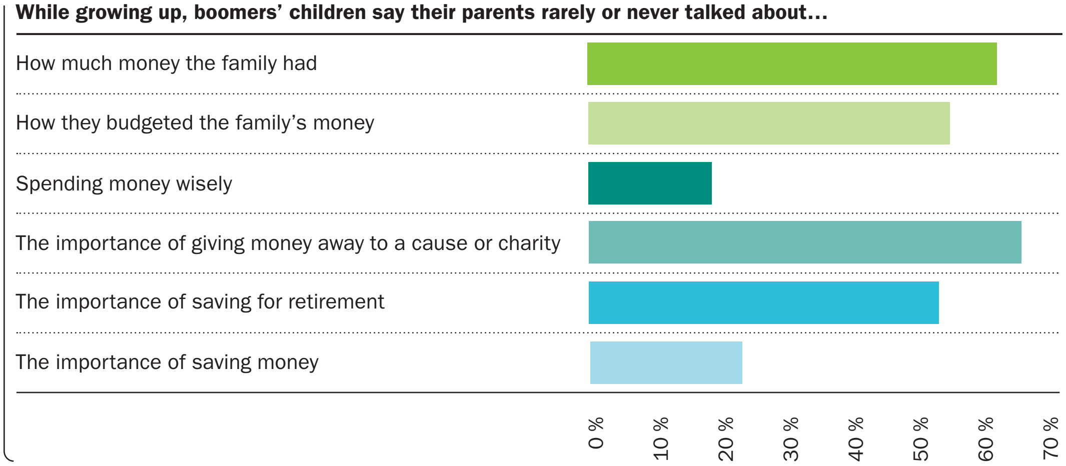

Conclusion

The ties that bind a family together can be very strong — often powerful enough for people to put the needs of their children and parents above their own. This is admirable, but in some cases it can lead to poor financial decisions that may take years, if not decades, to resolve.

Boomers often find themselves in a difficult position, sandwiched between two generations that both require their help. They may be faced with the prospect of an unemployed adult child moving home — while at the same time watching their parents' health decline rapidly, along with their savings. The trade-offs are often very difficult and even painful. In these situations it is important that families have open and honest conversations about both the emotional and the financial aspects of saving for the future and providing financial support.

Money has often been viewed as a taboo topic — something that isn't appropriate to discuss around the dinner table or in the living room. But today Americans are living longer, spending more time in retirement and facing financial burdens previous generations could not foresee. As a result, money is increasingly a family issue.

As more boomers cross the retirement threshold, and their children approach important milestones of their own, it's more important than ever for Americans to recognize how the decisions they make today may impact their long-term financial security. In some cases, the best way to care for future generations may be by putting your own financial needs first.

Methodology

Working with GfK Roper Public Affairs, a leading global marketing research and consulting firm, Ameriprise Financial launched a national telephone survey in November and December of 2011.

- The sampling frame for the landline portion of this study was a random digit dialing system that includes all telephone households in the U.S. — both listed and unlisted. Sample targeting boomers was sorted by the estimated household income of the phone exchanges to increase the likelihood of finding a boomer household with sufficient investable assets to qualify for the study. The study's sample was drawn from these frames using probability selection procedures.
- The sampling frame for the cell phone portion of this study was a list of known cell phone exchanges. These numbers were then dialed randomly. Respondents were then screened for age (and if a boomer, self-reported age of 47-65, additionally screened for investable assets) to determine eligibility for the study.
- Interviews were conducted among 1,006 affluent baby boomers — those with $100,000 or more investable assets; 300 parents of baby boomers; and 300 children of baby boomers at least 18 years old.
- Survey data were weighted to MRI Fall 2011 statistics, the data source with the most reliable data for households with cell phones.
- The margin of error is +/– three percentage points for the affluent boomers segment and +/– six percentage points for the parents and children of boomers segments.

About Ameriprise Financial

At Ameriprise Financial, we have been helping people feel more confident about their financial future for over 115 years. With outstanding asset management, advisory and insurance capabilities and a nationwide network of 10,000 financial advisors, we have the strength and expertise to serve the full range of individual and institutional investors' financial needs. For more information, or to find an Ameriprise financial advisor, visit ameriprise.com.

About GfK

GfK is one of the world's largest research companies, with more than 11,000 experts working to discover new insights into the way people live, think and shop, in over 100 markets, every day. GfK is constantly innovating and using the latest technologies and the smartest methodologies to give its clients the clearest understanding of the most important people in the world: their customers. In 2010, GfK's sales amounted to EUR 1.29 billion. To find out more, visit www.gfk.com or follow GfK on Twitter: www.twitter.com/gfk_group

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