



# Multi-Generational Views on Family Financial Obligations

A MetLife Survey of Baby Boomers and Members of Generations X and Y

January 2012

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# Executive Summary

In an effort to better understand Americans' views on financial responsibilities to their family members and how these feelings translate into actions, the MetLife Mature Market Institute commissioned independent research firm Mathew Greenwald & Associates to conduct a multi-generational survey of Baby Boomers and members of both Generation X and Generation Y.

The online survey of 2,123 Americans ages 21 to 65, conducted from June 29 to July 20, 2011, examined the level of financial responsibility respondents feel in a variety of family roles, including as a spouse, as a parent, as a child, and even as a grandparent. The study explored peoples' feelings of financial obligation to family on a variety of issues, such as paying for a child's college education, helping adult children who are struggling, or caring for aging parents and grandparents. The research explored how, if at all, these "obligations" have been factored into financial planning through the use of wills, trusts and inheritances, life insurance, and other financial products.

For the purposes of this study, the generations were defined as:

- **Generation Y:** Ages 21 to 34 in 2011 (born 1977 to 1990)
- **Generation X:** Ages 35 to 46 in 2011 (born 1965 to 1976)
- **Baby Boomer Generation:** Ages 47 to 65 in 2011 (born 1946 to 1964)

In addition to the online survey, and to add depth to the understanding of these familial relationships and the responsibilities that they imply, the study incorporated a qualitative research component. A total of seven interviews were conducted with parent-child pairs representing all three generations. These interviews explored the financial responsibility that these family members felt toward helping each other in a variety of situations, and probed on reasons for providing or not providing financial assistance or gifts in specific circumstances.

## Key Findings

- A sense of strong responsibility and obligation is widely felt by respondents across the generations for the following scenarios:
  - Saving enough for retirement to avoid having to ask family members for assistance
  - Having a parent live with them if they need help due to a major health or financial issue

- Making sure a spouse or child would have enough money if a financial provider dies unexpectedly
  - Helping to pay for a child’s college education
  - Providing strong and consistent emotional and non-financial support and contact
- Fewer Americans feel a sense of responsibility for helping adult children pay for a house, providing an inheritance, or giving financial assistance to an adult child that gets into financial difficulty. For most, family is only responsible for providing financial support to adult children in severe circumstances.
  - Respondents across all generations place a strong value on being financially independent in old age and “not being a burden on their children.” At the same time, they universally feel a strong sense of responsibility to protect an elderly parent who is not as independent as they themselves strive to be.
  - There is evidence that Baby Boomers feel a somewhat lower level of financial responsibility for the next generation than Gen Xers and Gen Yers. Gen Yers appear to show the most responsibility. This could be indicative of the specific life stage Gen Yers are in with responsibilities for young children facing them at present, rather than a generational difference per se between them and the Boomer cohort.
  - Even though most Americans feel a responsibility to ensure that their spouses or children “have enough money” if they were to die unexpectedly, one in eight has no life insurance, with almost half (45%) acknowledging they should have this coverage. Of those with insurance, 41% admit they do not have enough coverage or aren’t sure.
  - Twenty-one percent of Gen Xers and 29% of Gen Yers feel a responsibility to have enough life insurance to support their spouses for four years or less, whereas only 13% of Boomers choose a period as short.
  - The idea of “purposeful giving” appears to have some resonance among grandparents in the study, meaning they prefer to provide grandchildren with gifts that support education, training or traditional forms of financial protection for the grandchild, especially if they are young.

# Major Findings

## Feelings of Obligation Based on Familial Role

Providing financial support for family members — between parent and child, adult child and aging parent, or skipping generations in any combination — may be done out of a sense of responsibility or obligation. However, this research suggests that Americans' desire to give is strong, but not limitless, and the money provided as a gift or for help with specific financial issues, or any other type of non-financial assistance, tends to be seen as a reflection of caring and love between family members, rather than as a familial mandate or unspoken contract.

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*I think now our responsibility toward one another is to make sure we are there for the big events, as well as we try to see each other. We try to make sure that whenever we can, we see each other. Whatever's going on, I talk to them pretty much every day. Mom, I'm cooking lamb, what do I do with this thing? — Gen Y Female*

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*Now I feel like my responsibility is to be there for them, to offer advice if it's needed. I don't feel like the same role is appropriate for me that I played as a father when they were younger. They are all adults. I feel like they have solid grounding and have made good decisions. I feel like my role is to see that they're okay, and if I can be of help to them, I will offer that. — Gen X Male*

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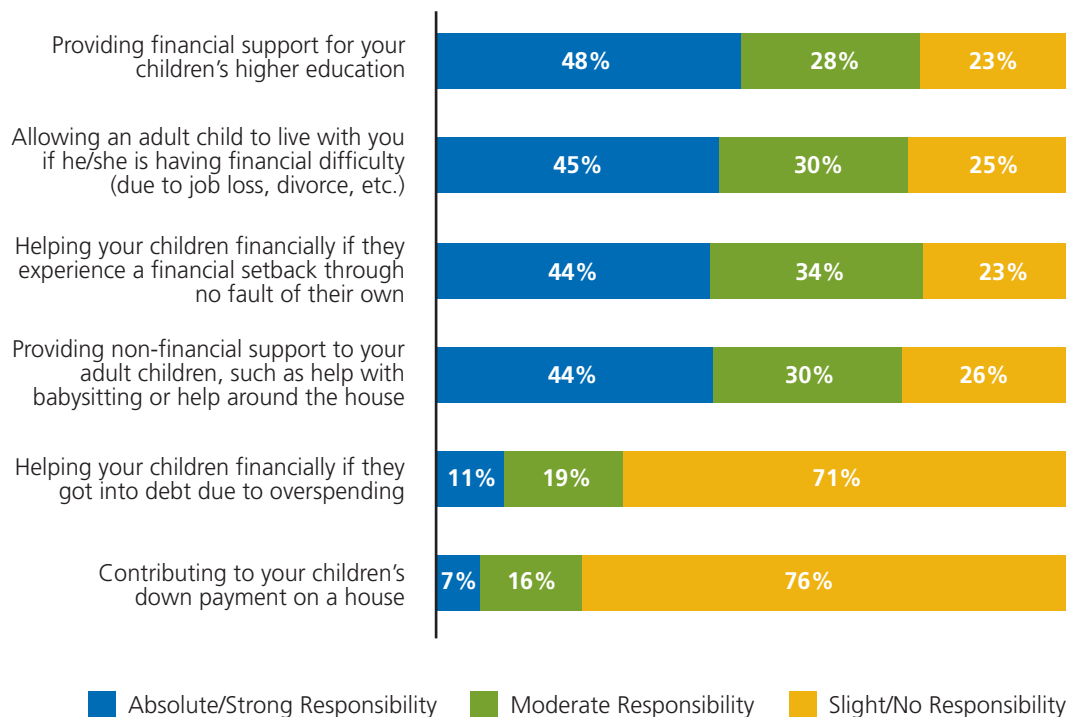
## Desire to Give More to Children and Grandchildren

While more Baby Boomers feel financially secure than respondents in the other generations, at 61% versus 47% of Gen Xers and 49% of Gen Yers, the desire to give more to children and grandchildren is felt universally across all generations.

In fact, although they may feel less financially able, younger Americans — 85% of Gen Yers — are more likely than Baby Boomers (77%) to say they wish they could do more for their children, financially speaking. In total, four out of five Americans (79%) indicate a desire to give more financially to the next generation.

Respondents were asked to rate the level of personal responsibility they feel toward various familial roles. Figure 1 shows respondents' feelings of responsibility on ways parents should help their children.

**Figure 1: Personal Family Responsibility: What Parents Should Help Their Children With**



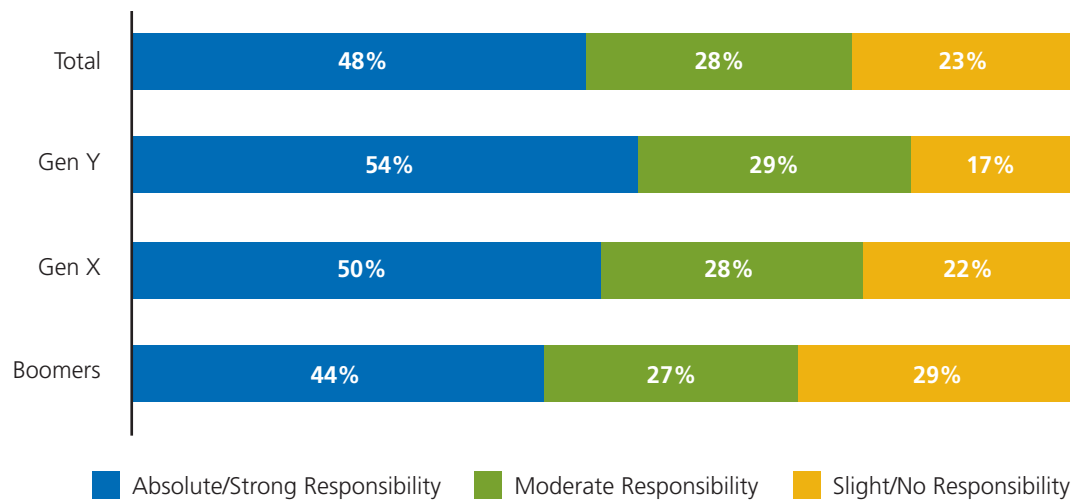
*Q: Each individual has his or her own sense of what family members should do for one another. How much of a family responsibility do you personally feel about each of the following?*

### Helping Children Pay for College Is Top Priority for Parents

Parents' desire to help their children succeed in life extends to a variety of situations, but none compare to the heightened sense of responsibility parents feel when it comes to helping their children receive a college education. Nine out of 10 Americans (90%) believe a parent has at least a slight responsibility to provide financial support for their children's higher education, including half (48%) who feel this is a strong or absolute responsibility (see Figure 2). In fact, more than half (52%) suggest the minimum amount they would contribute to their child's education is \$10,000 per year or more.

Interestingly, it appears the number of Americans receiving financial help from their parents to pay for college is increasing with each generation. Just one-third of Baby Boomers (35%) report receiving money from their parents to pay for college, while nearly half of the younger Gen Yers (46%) say their parents have contributed to their higher education costs.

**Figure 2: Personal Family Responsibility: Providing Financial Support for Children’s Higher Education**



*Q: Each individual has his or her own sense of what family members should do for one another. How much of a family responsibility do you personally feel about each of the following?*

Members of Gen Y (54%) and Gen X (50%) are more likely than Baby Boomers (44%) to feel contributing to a child’s college education is high on the list of parental responsibilities. In actuality, although Boomers were less likely to receive this type of help from their parents, three-quarters (74%) report that they have since provided financial assistance with college to their own children. Combined with the Gen Xers’ and Yers’ sense of obligation, it seems helping pay for college is a family value that is on the rise.

In discussing parents’ financial responsibility when it comes to education expenses, parents in the interviews say they want to help their children as much as they can. Even with this important goal, however, parents have limits. Parents specify that if their child wants to attend a particularly expensive college, for example an out-of-state or private school, they might ask the child to contribute to at least some portion of the costs.



When asked when their financial responsibilities to their children ends, parents generally say it lasts until the children are finished with college. Several note that their willingness to financially support their children after the age of 18 is dependent upon the child attending college. Interestingly, if their children choose not to attend college, parents say they will still assist their child, but also would expect the child to be working.

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*As much as I want to give them anything they want, you have to draw a line. If we're not financially able to give them those big colleges. I'm not going to lose everything I own for them to go to college, when they can get an education at a different college that's going to cost [less]. — Gen Y Female*

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*As far as paying for college, I would pay as much as I can, reasonably... We would probably look into how much we can come up with on our own, out of our money. Then, how much is he going to contribute? How much can we get in grants? How much is available in student loans? If it is going to be a crippling amount of student loans — which I think is a huge issue in this country — that's when my dad or my wife's parents would come into play. — Gen X Male*

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*I believe it is my responsibility to help my kids all through college, unless they don't go. Then, of course, I will still help until I think they can be self-sufficient, or if they don't want my help anymore. — Gen X Male*

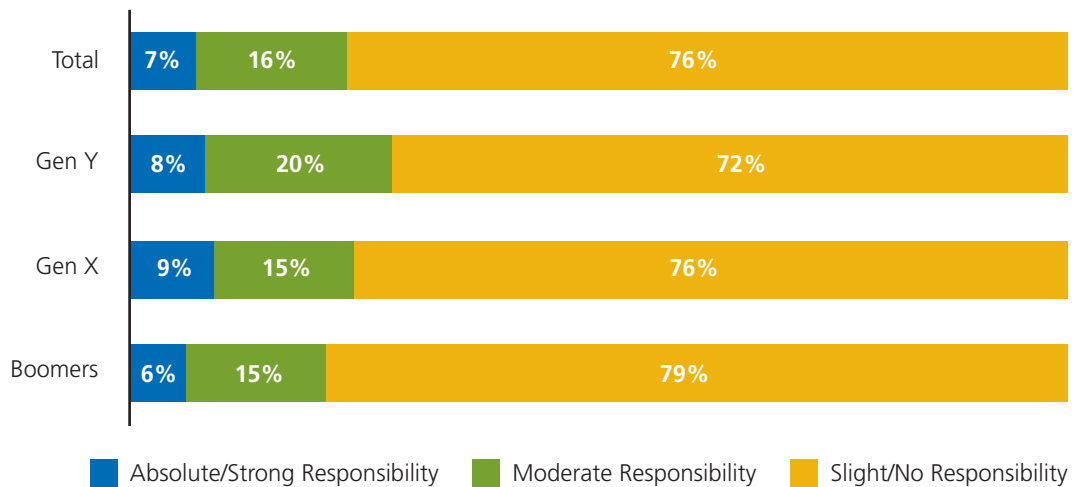
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### Helping Adult Children Purchase a Home

Most do not believe parents have a fiscal responsibility to help their adult children buy a home, but they do think parents should help with things like helping around the house or baby sitting. Housing and home ownership are hot topics in today's public discourse, especially given the inflation of housing prices over the past decade that was followed by a dramatic drop in home values.

Nevertheless, Americans don't see home ownership as a cross-generational family financial responsibility. Half of Americans in this survey (52%) suggest that a parent has no responsibility at all to help their children by contributing to the down payment on a house. Baby Boomers (56%) are especially likely to believe this, compared to Gen Yers (47%), who are more likely to be just entering the housing market (44% of Gen Yers rent, compared to 11% of Boomers). Less than 10% in each generation feel a strong or absolute responsibility to contribute to a down payment (see Figure 3).

**Figure 3: Personal Family Responsibility: Contributing to Children's Down Payment on a House**



*Q: Each individual has his or her own sense of what family members should do for one another. How much of a family responsibility do you personally feel about each of the following?*

Among the relatively few parents who feel they have at least a moderate responsibility to help with a down payment, half say they would contribute under \$10,000 for that purpose. Still, few adult children have received that kind of money for a house; just 13% of all respondents report that a parent gave them money toward their down payment. Likewise, just 12% of Baby Boomer parents say they have provided money to an adult child to help them buy a home.

Similar to their opinions on helping children with education expenses, several parents and their children agree that if a child is in trouble and needs money, they would want to help as much as possible, provided the child is making a concerted effort to improve his/her situation. Parents want to know that their money is going to be used for a good cause — to help their children improve their lives, and not to further support a bad habit. Some interviewees say that as long as their child's money trouble is not their fault, or was not a result of making bad decisions, they would be willing to help their children. Again, parents want to know that their child is asking for help for a good cause, and they want to teach their children that there are no handouts. Further, a few parents explain that their willingness to help their children out of a bind comes from a place of caring and love, not out of obligation or responsibility.

### **Caring for Family in Need**

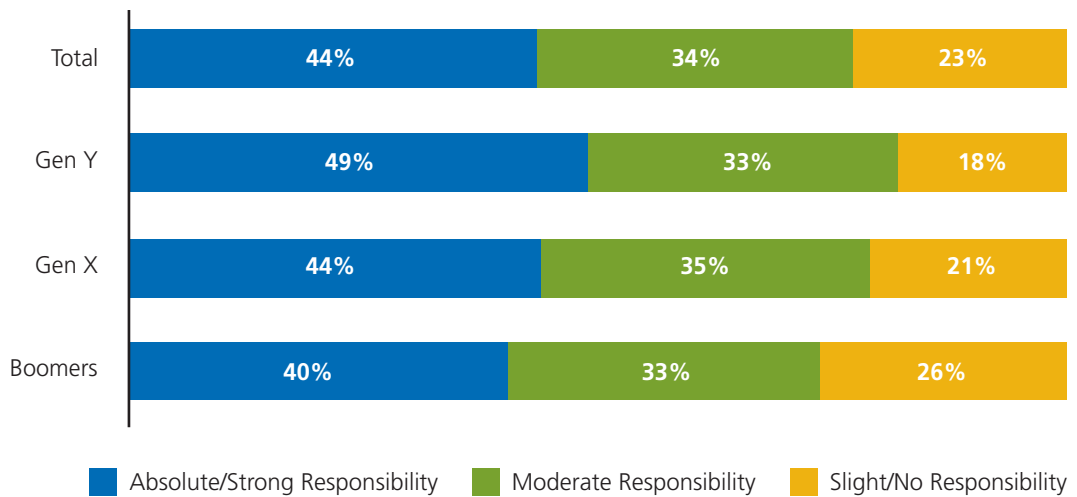
**Suzanne loves her son — she loves him no matter what, even when he makes mistakes. She is not going to turn him away if he does things that displease her. Instead, she would suggest ways he can repair his mistakes, and even help him financially, if he needed it. This is out of love and devotion to one's family, not out of obligation. Suzanne's mother, Gloria, feels the same way — when Suzanne fell ill and could not work for five months, Gloria did not think twice about swooping in to help Suzanne in any way she needed, buying expensive prescription medications for her, and paying Suzanne's cell phone bill without Suzanne even knowing. Suzanne was too ill to remember to take care of things like this. Gloria would do the same for her grandchildren if need be. In her world, family takes care of family — there are no questions of when or how much.**

## Helping Adult Children Through Financial Setbacks

Most believe parents have a responsibility to help their children regain their financial footing after an unexpected setback, especially if a child experiences such setbacks through no fault of their own. Bailing children out of situations of their creation, however, is a different story.

More than four in 10 respondents (44%) say they would feel a strong or absolute responsibility to help their adult child if he or she encountered a financial setback not of their own making, and another third (34%) feel a moderate responsibility to help with money in a situation like this (see Figure 4).

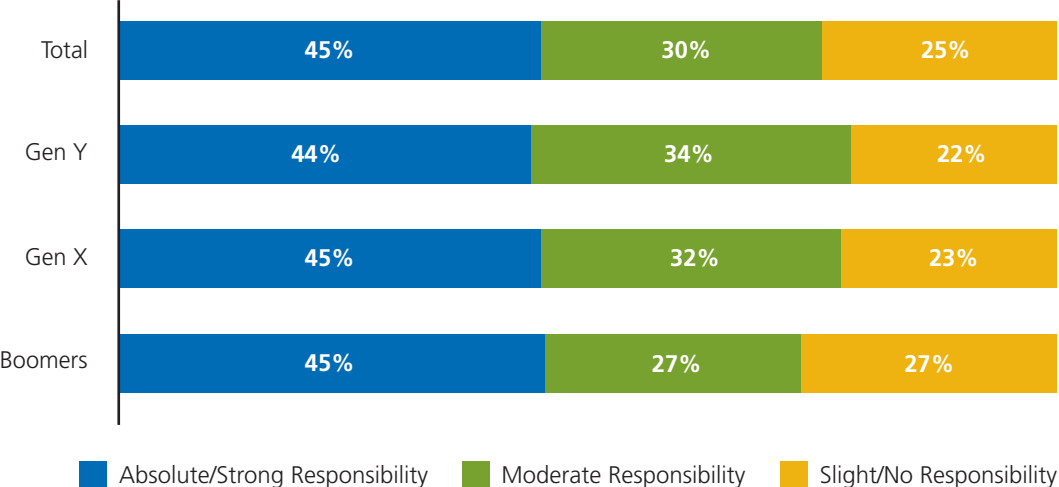
**Figure 4: Personal Family Responsibility: Helping Children Financially if They Experience a Financial Setback Through No Fault of Their Own**



*Q: Each individual has his or her own sense of what family members should do for one another. How much of a family responsibility do you personally feel about each of the following?*

A nearly identical share (45%) believe that if their child was experiencing financial difficulty due to a job loss, divorce, or similar event, they would feel a strong or absolute responsibility to allow their child to live with them (see Figure 5). The survey’s youngest generation — 49% of Gen Yers — are the most likely to believe a parent has a definite responsibility to help their adult children with money in times of financial hardship (more than the 40% of Boomers who feel this way).

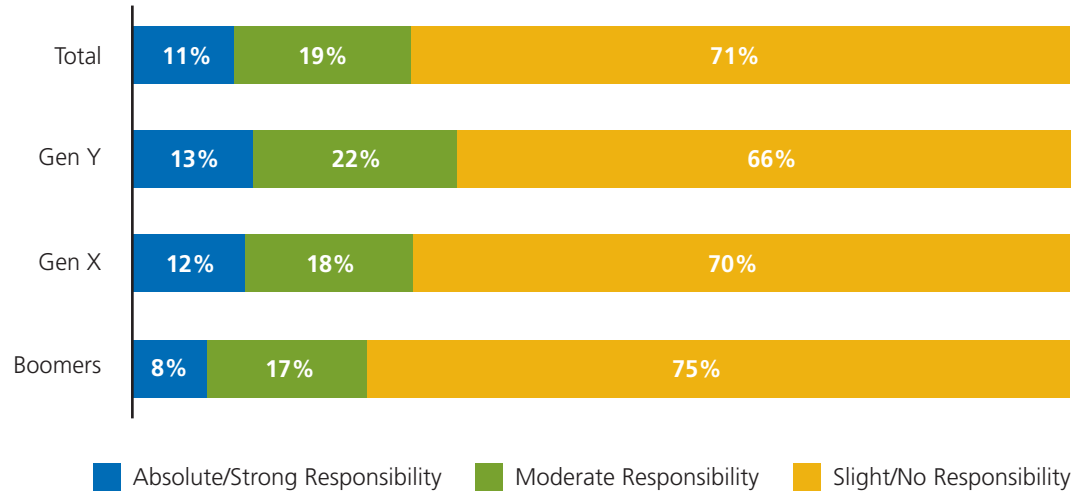
**Figure 5: Personal Family Responsibility: Allowing an Adult Child to Live With You if He/She Is Having Financial Difficulty**



*Q: Each individual has his or her own sense of what family members should do for one another. How much of a family responsibility do you personally feel about each of the following?*

This generosity is not limitless, however, and appears to have some qualifying criteria. When asked about a parent’s level of responsibility to help an adult child with debt due to overspending, for example, only 11% feel a parent is highly obligated to provide financial assistance (see Figure 6). Baby Boomers (8%) are even less inclined to feel a responsibility to help an adult child get out of debt (compared to 12% of Gen Xers and 13% of Gen Yers). If willing to provide financial support in these situations, the amount many suggest they would provide is under \$5,000 (44% would give this amount if the situation was not the child’s fault). Boomers, perhaps due to greater resources and financial security, are willing to give more (32% would help their child with \$10,000 or more).

**Figure 6: Personal Family Responsibility: Helping Children Financially from Debt Due to Overspending**



*Q: Each individual has his or her own sense of what family members should do for one another. How much of a family responsibility do you personally feel about each of the following?*

Indeed, most parents (72%) say they have helped an adult child financially with something other than education or a down payment on a house. Baby Boomer parents (75%) are, again, more likely to report having provided financial assistance with something other than education or a house (compared to 40% of Gen Y parents of adult children), while Gen Yers (57%) are more inclined to say they have received this type of financial support from their parents or grandparents (compared to just 36% of Baby Boomers).

These results are indicative of both the life stage of each of these generations and a result of the Boomers’ increased giving. Receiving financial support from parents and grandparents appears to be on the rise. Boomers are providing more for their children than they received from their parents. Moreover, the younger Gen Yers’ and Gen Xers’ belief that parents should help financially in times of hardship suggests the trend of giving more to assist adult children will continue.

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*If it is drugs, and you have lost your job and money because of drugs, if the person is clean and sober, then you give them money. If they are not, you try to get them into some sort of program to get better. Once again, you have got to point them in the right direction first with the assistance. — Gen X Male*

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*Gambling and drugs, I don't think my husband or I would tolerate that. If they had a medical condition, I think I would definitely help them. A low-paying job, I think if it was something that was going to lead them to their next journey or their next step in their life or career, I would definitely help them. — Gen Y Female*

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**Although the generations place clear limits on parents' financial responsibilities to children beyond college age, the obligation to provide emotional and non-financial support continues. Three out of five Americans (59%) think that parents have a strong or absolute responsibility to call their children at least once a week to see how they are doing. More so than those younger (58%) or older (58%), Gen Xers are especially inclined to say that parents should check-in once and a while (63% call this a strong or absolute responsibility). In addition, many — 44% across generations — feel parents have a family responsibility to provide non-financial support to their adult children, assisting with things like babysitting or other help around the house.**

## Obligation of Adult Children to Help Parents

Most Americans believe that children have some obligation to help their parents financially if they need it due to poor health or financial difficulties, though a sizable share of parents says they wouldn't accept money from their children.

In addition to the majority who believe children should call home from time to time (62% of all respondents feel this is a strong or absolute responsibility), nearly half — 46% across generations — believe children have a responsibility to provide financial support to their own parents or in-laws if they experience financial difficulty later in life (see Figure 7). For many, this means allowing a parent to live with them if he or she is not healthy enough to live alone without caregiving (58% overall call this a strong or absolute responsibility), or allowing a parent to live with them if he or she is having financial trouble (50%).

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*I love her. She loves me. It really is beyond love. I don't know how to explain it. I just know that I don't want her to be lacking of anything. I saw how she loved her mother, and how her mother loves her. I also raised my son that way. I love you, child, more, than anything. Love me back because I am the person who will live and die for you. — Baby Boomer Female*

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*I don't think it's an obligation, but I think it can be expected. It's the way I was raised — you give back from what you have been given. If you are raised in a family where there is a lot of love and caring and concern and help, then that is expected to come back to you at a time of need. — Gen X Male*

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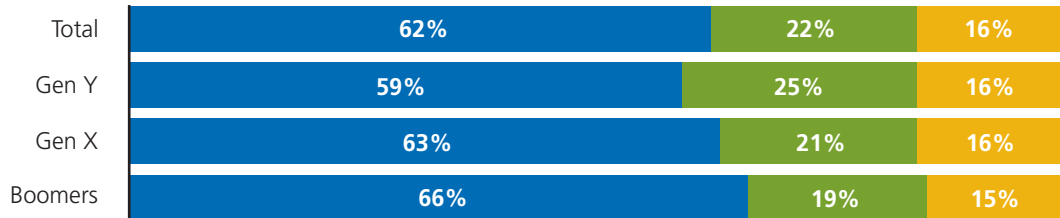
*I hope financially I won't need help. I'm trying to not have to rely on anybody financially when I'm older. I don't want that burden on my children. I don't want them to have to worry about taking care of me. I want them to have their own families and worry about their own things. — Gen Y Female*

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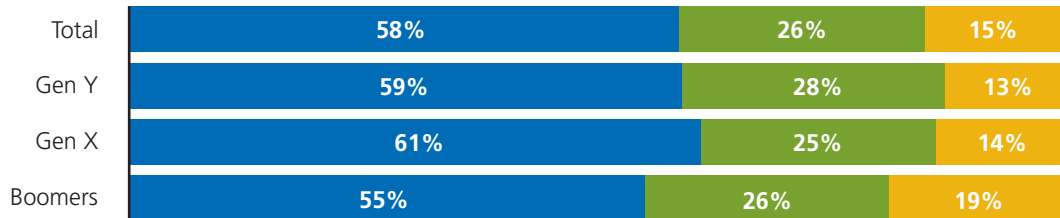


**Figure 7: Personal Family Responsibility: What Children Should Help Their Parents With**

**Calling your parent at least once a week to see how they are doing**



**Having a parent live with you if she/he is not healthy enough to live without some caregiving**



**Having a parent live with you if she/he is having financial difficulty**



**Providing financial support to your parents or in-laws in their later years if they have financial difficulty**



■ Absolute/Strong Responsibility   ■ Moderate Responsibility   ■ Slight/No Responsibility

*Q: Each individual has his or her own sense of what family members should do for one another. How much of a family responsibility do you personally feel about each of the following? (Among those who have living parents)*

At the same time, however, many parents say they would not accept financial assistance from their children in old age (42% suggest they would not accept help), and this is notably consistent across generations. In reality, it seems some parents may not want to admit to needing help from their children. Just one in 11 (9%) parents say they have accepted financial help from their adult children, though substantially more (28% overall) say they have provided financial assistance to a parent.

The children interviewed in this study say they are very willing to help their parents as they age, either physically and/or financially, whether that means using their own money or handling the funds or arrangements that their parents have put in place. This is a way of giving back to their parents, which is both an expression of love and gratitude, and is seen as a type of “responsibility” as well. Several sons and daughters in the interviews said they would have their parents live with them, if that is what they needed. However, in several cases, they are not sure their parents would allow this, not wanting to burden their children.

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*My mom is 60. Down the road, I might have to [help her], and I'm okay with it. I think about it often, honestly. I would help her with whatever she needs. I almost think it's the children's responsibility to take care of their parents when they're up there in age and don't have anybody else. It's just something I would expect too probably from my boys. — Gen Y Female*

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*I think the obligation is to take them in and take care of them. Now, whether they want to do that or not is a different story, but I would take my parents in. — Gen X Male*

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Several parents interviewed say they hope their children would want to help them in their old age, if they need it. They explain that this is what they did or do for their own parents, and they see it almost as a tradition through the generations of giving and caring for one's family. Adult children who have seen their parents take care of their own parents also see the value in carrying on a tradition of care for one's parents. Many of the parents participating in the interviews recount how they have helped their own aging parents, again, out of love and caring for their parents.

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*I'm not sure it's an obligation, but it would be very comforting to know that my son or daughter feels that way. It is kind of like a security blanket. One day, we're going to need [help]. I experienced it with my mother and my wife with her father. My father-in-law had planned and was self-sufficient; my mother wasn't so fortunate. She relied on her children financially and for physical help. I hope my children would do the same. — Gen X Male*

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*Between being a military veteran and having worked for the Transit Authority, my father-in-law had fabulous insurance coverage. Plus, he had some of his own resources. It was more a case of managing what he already had, which was a task taken on equally by my wife and her siblings. — Gen X Male*

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## Financial Obligations Between Grandparents and Grandchildren

There is a stereotype that it is a grandparent's job to "spoil" their grandchildren. However, this does not translate into a financial responsibility to help grandchildren pay for their education or to help them with money once they're grown. Two-thirds of respondents suggest grandparents have little to no responsibility for helping their grandchildren financially once they are young adults; Baby Boomers (69%) are especially likely to suggest financial support is not part of a grandparent's role (compared to 61% of Gen Yers and 66% of Gen Xers).

Likewise, a majority (68%) reject the idea that a grandparent has a family responsibility to provide money for their grandchildren's education. Given these beliefs, it's not surprising that only 15% of grandparents say they have contributed toward the costs of a grandchild's education, and just 1% has helped a grandchild with the down payment on a house.

On the other hand, slightly larger shares report receiving financial help from a grandparent for college (9%) or a house (3%), and another one in 10 (11%) says their parents or grandparents gave money to support their own child's education. It's possible some grandparents are providing cash gifts with no specific purpose.

Asked, however, how they would prefer their cash gifts be used, most grandparents say they would prefer their grandchildren use the money for education (with an average score of 4.0 out of 5) or for basic necessities, like rent or groceries (average score: 3.5). If gifts are being used as grandparents desire, it may explain why grandchildren are more likely to report receiving money for these purposes.

Grandparents are rarely on the receiving end of inter-generational financial support from family. Only 6% of grandchildren report they have given financial help to one of their grandparents.

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*My grandmother, toward the end of her life, had a lot of health problems, and my mother was constantly at her apartment trying to help her until my mother got sick too. Then I was there with the two of them. It has to do with this wonderful bond that, hopefully, you create with your children, with your friends, with the people around you. — Gen X Female*

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## Feelings of Obligation Based on Generation or Life Stage

### Self-Reliance Is Key

The majority of respondents overall believe people should accumulate enough for retirement to avoid dependence on their family later in life, but transferring money to the next generation is notably less important. Eighty-six percent of Americans surveyed believe they have a strong or absolute responsibility to accumulate enough money for retirement to avoid turning to family members for financial support as they age.

#### Staying Independent

**Marina has three teenagers and an aging mother. Right now, her mother, Patty, is still able to take care of herself and live on her own. Patty is staunchly independent; she does not want help from anyone. Marina saw how hard it was on Patty when she had to care for her grandmother who had not done any planning for care as she aged. Marina loves her mother and wants to help her in any way she can, especially because of how hard her mother worked, as a single mom, to take care of her and her two brothers. She wants to give back to her mother. She's willing to care for her and even have her live in her house, if that becomes necessary. But will Marina's mother take the help? Patty would rather be put in a nursing home than become a burden to Marina, and Marina has purchased long-term care insurance to avoid being a burden on her own children.**

While this belief is relatively consistent across generations, Gen Yers are slightly more likely to call this a moderate responsibility (81% call it a strong or absolute responsibility, compared to 88% among Boomers). Americans seem focused on maintaining their financial well-being through retirement to avoid burdening children or other family members, but are less concerned about having enough leftover to leave an inheritance to the next generation. It is also notable that most people feel an obligation to invite their older parents to live with them if the parents have financial or health problems. Fewer — about three in 10 overall (28%) — believe they have a high level of responsibility to leave a bequest to their children.

However, Baby Boomers (23%) are significantly less likely than those in the younger generations (33% of Gen Yers and 31% of Gen Xers) to feel leaving an inheritance is a family responsibility; half of Baby Boomers (50%) say they feel little or no responsibility to leave legacy to their children. Among those who feel some responsibility to leave something behind for their heirs, the largest shares suggest the appropriate amount is either under \$20,000 (30%) or between \$20,000 and \$50,000 (23%). Relatively few have, in fact, received an inheritance from a parent (31%) or grandparent (11%).

For the family members interviewed, leaving an inheritance is seen as a “bonus” — respondents say that while it would be nice to be able to leave money to their children, it is not a priority. Children also do not perceive an inheritance to be something they expect or are depending on from their parents. Any money provided would, naturally, be appreciated, but giving should be based on both the parents’ ability and the children’s needs.

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*I think it would depend on where my children and my grandchildren are. If everyone is doing well financially within their own families, I probably will take more and have more fun with it. If I see divorce, or death, or sicknesses, or whatever with my family, I probably would want to have more put away for them. It's my love — it's just something I would want to do for them. — Gen Y Female*

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*To me, it is one of these things you would like to do, if you can. I inherited some, not a lot. It helped. I hope that is going to be the case for our children, but I don't see that as the same priority, as when you have got children who are not self-sufficient. — Gen X Male*

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*My father had the children and grandchildren all in his will. All of the grandchildren are getting something...He doesn't want them to struggle like he did. — Gen Y Female*

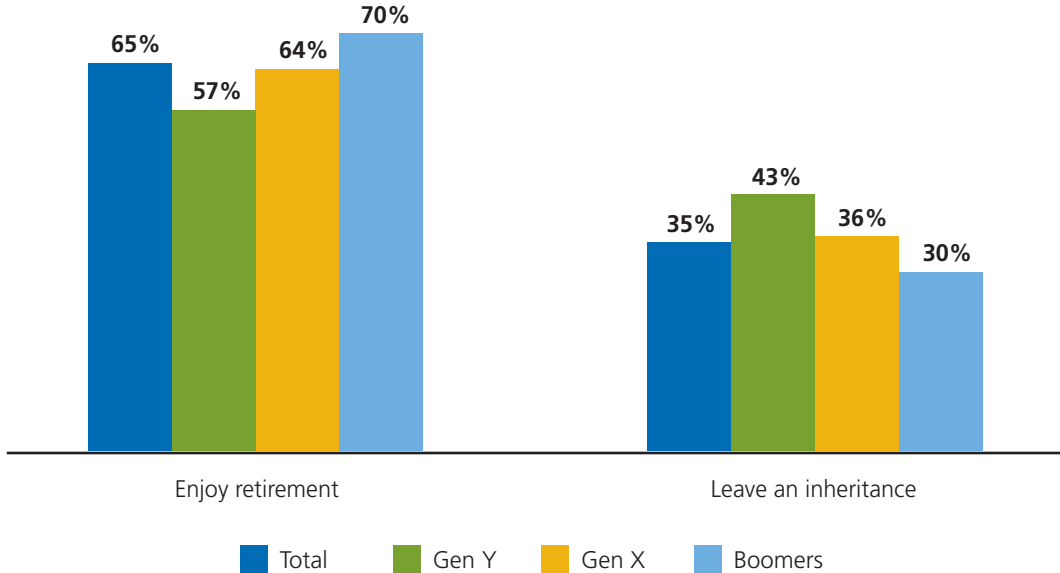
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## Retirement Is a Bigger Focus for Boomers Than Inheritance

Survey respondents were asked to evaluate a hypothetical situation in which two 70-year-old widowers in good financial standing took two different approaches with regard to their four children who were struggling to make ends meet. The first retiree spent his time enjoying lower cost activities in retirement, so that he would be able to leave his children an inheritance that may help them get ahead. The second retiree gave his children small gifts for birthdays and holidays, but believes it is time to enjoy his retirement and plans to spend his money on personal hobbies and interests. Asked to indicate which philosophy they agree with more, nearly two-thirds show support for the second retiree, who is giving gifts to his children, but is mostly focused on enjoying his retirement.

There are, however, significant differences in how members of different generations view this scenario (see Figure 8). Seven in 10 Baby Boomers (70%) suggest that enjoying retirement takes priority over leaving an inheritance. By comparison, 64% of Gen Xers agree more with the second retiree’s approach to focus on his own retirement, and Gen Yers (57%) are even less likely to support the pursuit of personal interests in retirement over saving enough to leave a legacy to heirs.

**Figure 8: Enjoy Retirement or Leave an Inheritance?**



*Q: Please read each scenario and indicate which choice you think is the better one, even if neither is exactly right.*

This could be indicative of the specific life stage the respondents are in, and the biggest responsibility facing them at present (i.e., Gen Yers with children at home and Baby Boomers having already raised their children and now facing a need for retirement income) rather than the generation they were born into. This could also indicate that these feelings of responsibility, and needs, for the younger generations will change as they move through various stages of life.

### **Financial Obligations in the Face of Unexpected Death**

Whether through bequests or insurance, the vast majority of Americans feel people have a family obligation to ensure that spouses and children have enough money should there be an unexpected death in a family. Across generations, nearly eight out of 10 respondents (78%) suggest that ensuring a surviving spouse would have enough money if a husband or wife died unexpectedly is a definite family responsibility.

Likewise, just over half (52%) feel there's a responsibility to ensure children are left with enough money as well; typically enough to carry them through at least part of college (55%). Baby Boomers (38%) are less inclined to feel providing for children is important (compared to 63% of both Gen Xers and Gen Yers), though this is likely because Boomers' children tend to be adults themselves.

Baby Boomers (79%) also tend to be more confident that their spouse would be financially secure even if they were to die relatively soon, compared to 61% of Gen Yers and 65% of Gen Xers who feel their spouse would be secure.

## **How Financial Obligations Impact Planning**

### **Timeline and Manner of Financial Protection**

Americans are divided in their thinking when it comes to how long a surviving spouse needs to be protected. Three in 10 (31%) feel there is a responsibility to ensure a spouse can maintain his or her lifestyle for less than 10 years, while 36% feel a spouse should be assured of having enough to provide for the rest of his or her life. Younger respondents (47% of Gen Yers and 36% of Gen Xers) are more likely to set a timeframe maxing out at 10 years (compared to 22% of Boomers). Boomers, on the other hand, are more likely to believe a spouse should be able to maintain his or her lifestyle for life (44% of Boomers versus 30% of Gen Xers and 23% of Gen Yers). If one considers Boomers' nearness to retirement and overall longevity, however, the generations may not be as far apart on this issue as it first appears.



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*I think you need to have some sort of insurance policy. You need to do some sort of financial planning. I know I have done that. You need to be prepared. Your family shouldn't suffer twice, in the fact that you are gone and now everything that was expected out of you is gone too. It is bad enough that we are gone. Why compound what is going to be a bad, unpleasant situation? — Gen X Male*

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*What we have done, my wife and I, is to provide for each other. That has been more of the priority. My general feeling is that you do what you can for your children, as long as you are able to. You provide for the education, the good home. It's not that you wouldn't like to have an estate to pass along. I think the bigger concern, aside from providing for your spouse, is you do not want to bring other people down, because you have left a mess behind. — Gen X Male*

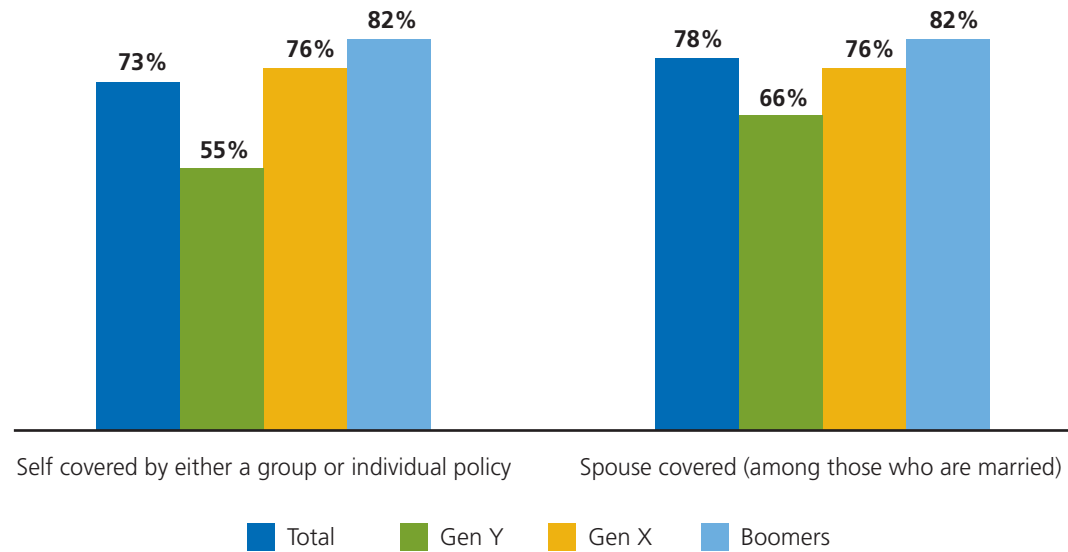
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There are many ways, of course, that a family can protect itself financially from unexpected and catastrophic events. Although a minority identify leaving an inheritance to children as a family “responsibility,” four out of 10 (40%) report that they do, in fact, have legal wills that would provide for their children financially. The likelihood of having a written will increases sharply with age (18% of Gen Yers, 30% of Gen Xers, and 53% of Boomers have a will).

About two out of 10 Baby Boomer grandparents (21%) say they have a will that would leave their grandchildren an inheritance. At the same time, a large number of Americans indicate that they have life insurance coverage to help them ensure that their families would have enough money should they die unexpectedly.

American households are using basic financial products such as life insurance as a way to protect their families from the unexpected and fulfill the financial obligations they believe they have should they die unexpectedly. Almost three-quarters of respondents (73%) report having some type of life insurance coverage on their own life, including six in 10 (59%) who have coverage that they pay for on their own. The likelihood of having life insurance increases sharply with age. Just over half (55%) of Gen Yers have coverage, compared to 76% of Gen Xers, and 82% of Baby Boomers (see Figure 9).

**Figure 9: Family Members Covered by Life Insurance**



Q: Is your life currently covered by...?  
 Q: To your knowledge, are the following people covered by any life insurance?

The pattern is similar for spousal coverage; just over three-quarters overall (78%) say their spouse is covered by life insurance. Some have coverage that extends to their children as well. About two out of five parents with adult children (43%) say their oldest child is covered by a policy. Indeed, it appears possible that household life insurance coverage is greater now than it was for prior generations. Less than half of respondents (44%) believe their parents had life insurance when they were in the same stage of life. A far larger number report having coverage today.

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*When I was a kid, we did not have life insurance. I saw what happened to us and my mother when my dad died. He was relatively young. He was 53 when he died. He left a lot of underage kids. Back in that day, there were agents that would go house to house and offer insurance. I signed up when my oldest child was a baby. We did it because we felt like something could happen to us, and at least there would be burial expenses covered. We did that all our adult lives, and have maintained that, even to today. — Gen X Male*

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## Insurance for Living

Martin has always believed you should do as much as you can, whenever you can, for your family. He made sure his children had what they needed growing up and put them through college. Now, when he thinks about life insurance, he isn't focusing on his children quite as much as he thought he would. Martin carries a heavy burden — his wife has developed incurable cancer. She needs very expensive, regular medical treatment just to survive. Martin needs to make sure that if something happens to him, his wife will not only have enough money to make funeral arrangements and pay the bills, but she will have enough money to pay for her treatments just so she can continue living. Having adequate insurance that he can depend on is not only a necessity that gives peace of mind, it is a non-negotiable for Martin.

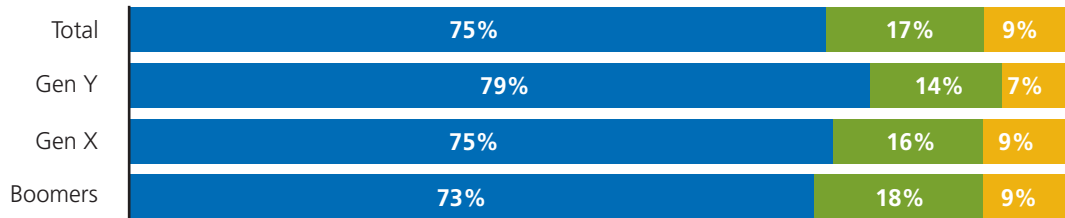
## Gen Xers and Gen Yers Focus on Covering Mortgage and Debt

For many, life insurance is helping them manage the responsibility they feel to ensure their spouse and children would be financially secure should they pass away. Three-quarters of those with life insurance coverage or who don't have it but feel they need it (75%) say they have or need a policy to help provide financial support to their spouse, and another (62%) say making sure their children are supported financially is a major reason for having the coverage (see Figure 10). Half report that one of the main reasons for having life insurance is to help cover their funeral costs (52%), and to make sure their mortgage can be paid off (50%). Fewer (34%) say paying off other types of debt is a major reason why they have or need life insurance, though younger Gen Xers (36%) and Gen Yers (39%) are more likely to say paying off non-mortgage debt is a principal reason why they have or need life coverage than older Baby Boomers (30%).

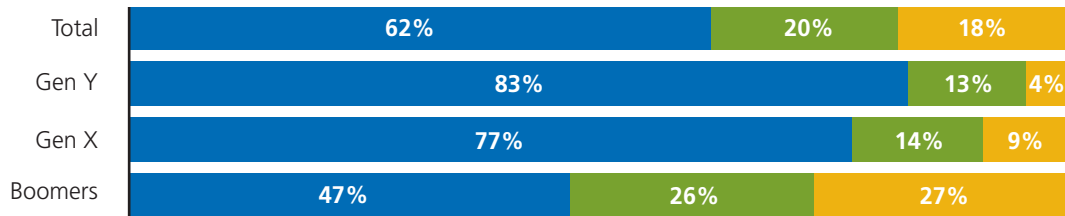
Also particularly motivating for members of the younger generations, is the ability to pay for a child's college education as a primary reason for having life insurance coverage (44% of Gen Yers, 34% of Gen Xers, and 17% of Boomers).

**Figure 10: Reasons for Buying Life Insurance**

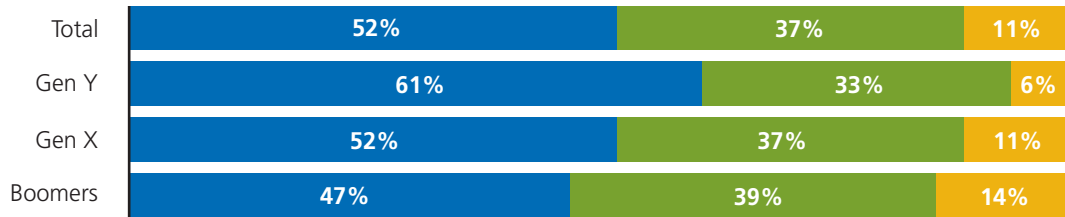
**To support your spouse if you die prematurely (among those who are married)**



**To support your children if you die prematurely (among those who have children)**



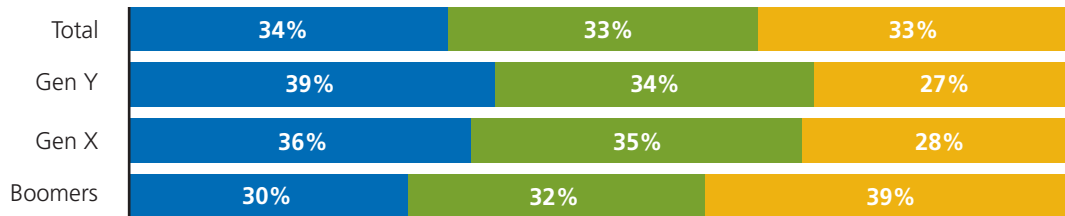
**To cover your funeral expenses if you die**



**To fully pay off the mortgage on your house if you die prematurely (among those who own a home)**



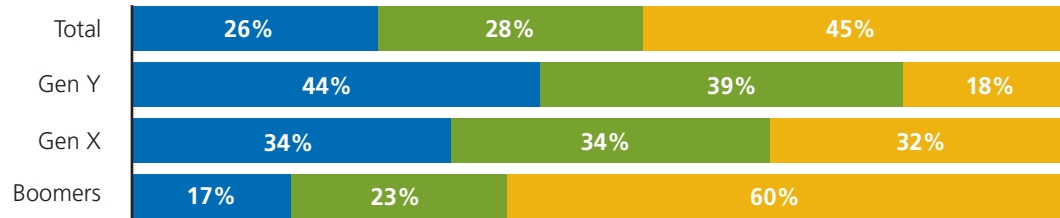
**To fully pay off any non-mortgage debt (credit cards, car loans, etc.)**



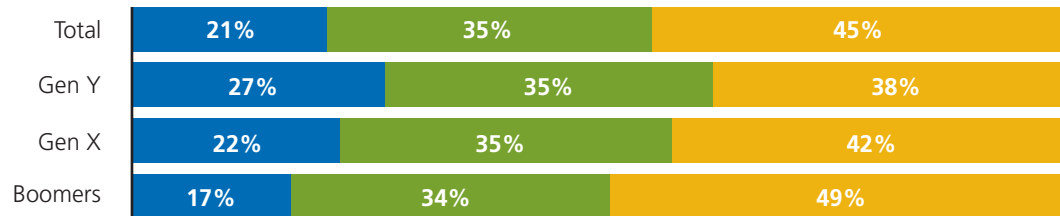
■ Major reason ■ Minor reason ■ Not a reason

**Figure 10 (continued): Reasons for Buying Life Insurance**

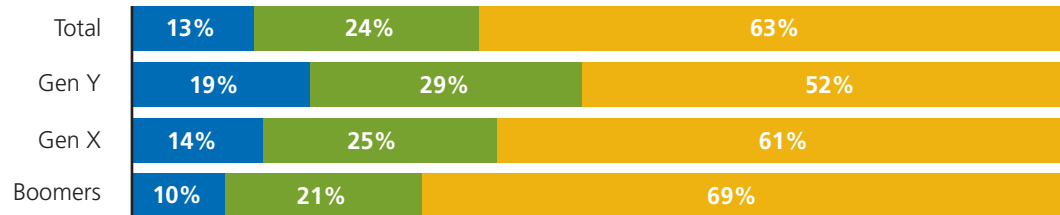
**To pay for your children's education if you die prematurely (among those who have children)**



**To give your heirs a financial boost**



**To let your heirs know how important they are to you**



**To have access to additional income through loans and withdrawals from permanent life insurance**



**To save money or transfer money to the next generation in a tax-advantaged way**



■ Major reason ■ Minor reason ■ Not a reason

Q: At the time you bought your life insurance, what were your reasons for doing so?  
What are the reasons why you feel you need life insurance?

## Life Insurance As a Family Value

During the in-depth interviews, a number of respondents discussed learning early in life that life insurance was important. Some recall seeing a life insurance agent collecting premiums once a week or had a parent who had someone he or she considered their life insurance agent. Many explain that it's "just something you have to have." They do not want their loved ones to have to suffer two tragedies — one, that their loved one has died, and two, that they are no longer financially secure. People want to do their part to make sure their family does not have to struggle.

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*Unfortunately, a couple of our closest friends are widows. I would think that they must get up every morning and be thankful that their husbands saw to it that they were taken care of, which they did. To the extent that I can, that is what I want to do. — Gen X Male*

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*I couldn't imagine not having life insurance. I just can't imagine there being that added stress for my family. That would be ridiculous. — Baby Boomer Female*

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For some, the concept of having life insurance is ingrained over generations. It's "what you do" — their parents did it, their grandparents did it, and therefore, they do it. Having life insurance becomes a family value — this is what you do to take care of your family. Case in point, several say that life insurance came to the forefront of their minds when they had their first child. The thought of their young child suffering financially if their parent were to die was unbearable to them. Others who have adult children want to be able to help them financially, perhaps giving them a "boost" that might lessen their suffering.

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*It finally occurred to me when my firstborn was two years old...God forbid, if something happened to me, I wanted to know that my kids are in daycare and my husband would be able to afford it. He would have to hire somebody because he works full-time. I wanted that peace of mind. — Gen Y Female*

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*My husband and I bought life insurance when we were 21. It was something that the traditional families always did...We got the idea from our parents. It's not that we had conversations about it. I never thought about why, I just did it because that's what you do. — Gen Y Female*

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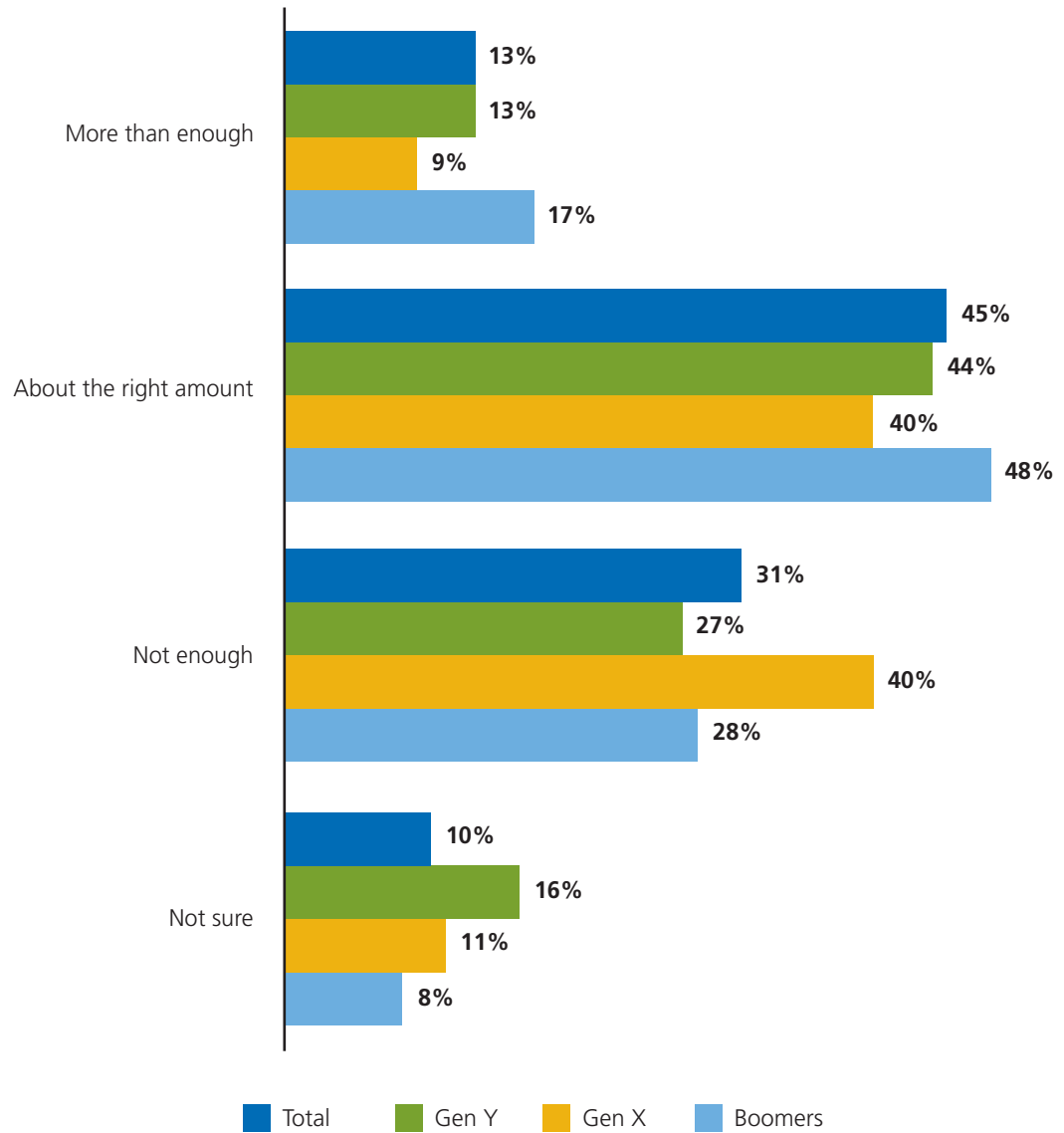
*My mother has always been an insurance person — she always had insurance. They used to come every week when I was a child to pick up the premium. Naturally, I would pick up on it. We have always said we were insurance poor because we try to prepare for things. — Baby Boomer Female*

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## **Many Believe They Don't Have Enough Life Insurance Coverage**

Despite the large number who currently has life insurance policies, many Americans are concerned that their life insurance coverage is insufficient. Many who are not covered by life insurance feel they should have life insurance protection. Cost is the central barrier to purchasing additional coverage. Three in 10 (31%) of those with life insurance express concern that they do not have enough coverage, and another one in 10 (10%) aren't sure if they have enough or not (see Figure 11).

**Figure 11: Sufficiency of Life Insurance Coverage Among Those Who Have Life Insurance**



*Q: How adequate is your current life insurance coverage compared to how much you believe you need?*

Gen Xers (40%) are more likely than those both older (28%) and younger (27%) than them to feel their life coverage is inadequate. To compare, four in 10 (40%) report having \$200,000 or more in life insurance currently, whereas seven in 10 (72%) think they need \$200,000 or more. In addition, nearly three in 10 have either group insurance only (14%) or no life insurance at all (13%).



Many of those without coverage feel they need it (45%), and another 20% aren't sure whether they need life insurance. The commonly cited reasons for not having life insurance beyond what is provided by employers is not having enough money to buy it (42%) and believing that the coverage is just too expensive (35%). Gen Xers (47%) and Gen Yers (44%) are notably more likely to say they do not have coverage because they don't have the money (compared to 34% of Boomers), while Baby Boomers (23%) are more likely to self-insure — believing they have sufficient assets to cover the needs of those who depend on them — compared to younger respondents (7% of Gen Xers and 8% of Gen Yers).

The value Americans place on having adequate life insurance coverage is evident in respondents' reaction to a hypothetical situation presented in the survey. Respondents were asked to consider two women both of whom left a regular job to stay home with their children and are married to men who earn a good living. Both families have nice homes, but paying the mortgage makes their budgets tight. The first woman spends \$50 per month on life insurance coverage for her and her husband to make sure the children will be cared for and able to go to college should one of them die prematurely. The second woman saves \$50 per month for emergencies in a bank account, assuming that if she or her husband were to die prematurely, the survivor would sell their home.

Respondents overwhelmingly believe that the first woman's strategy to buy life insurance protection is preferable. Eighty-one percent say they agree more with the woman who is spending her money on insurance premiums. The survey's youngest respondents, however — 76% of Gen Yers — are less likely to feel that buying insurance is a better strategy than saving for emergencies in a bank account (compared to 84% of Boomers and 82% of Gen Xers).

In general, respondents believe that their families (spouses and/or children) would have to rely on a spouse's income (58%) and on the family's savings and investments (59%) for income if they should pass away unexpectedly. Those with life insurance (65%) report their family could use the benefit as income if they died. Baby Boomers are more likely than younger respondents to report that their family could use savings (65%) or the equity in their homes (41%) to provide income. Fifty-three percent of Gen Yers and 55% of Gen Xers report they could use savings, and only 19% of Gen Yers and 31% of Gen Xers would use the equity in their homes. Gen Yers (34%) and Gen Xers (25%) are more likely to say their spouse and children may need financial help from other family members (compared to 6% of Boomers).

### **Life Insurance Is Not a Way to Give a Financial “Boost”**

Respondents generally reject the idea that life insurance should be used to transfer assets to the next generation. Insurance is not seen as a way of showing love or as a way of providing some type of financial advantage. Only two in 10 policyholders (21%) say they have life insurance coverage because it will give their heirs a financial “boost” should they pass away. Even fewer (13%) indicate that they bought their policies to let their heirs know how important they are to them, and half as many (7%) view their life insurance as a way to save money or transfer money to the next generation in a tax-advantaged way. Gen Yers, interestingly, are more likely than Boomers to say the above are, in fact, reasons why they purchased their coverage.

Across generations, respondents most often reported that they prefer to give young adults cash gifts that they can use as they see fit (43%), and another quarter (24%) like to give non-cash gifts meant for the recipient to enjoy. Almost two in 10 (18%) prefer giving gifts that help the recipient accomplish something specific. Moreover, many express openness to giving and receiving life insurance as a gift. More than half (55%) state they would like receiving life insurance as a gift from their mother or father a great deal or somewhat. Gen Yers (56%) and especially Gen Xers (59%) are more likely to say they would appreciate this type of gift compared to 50% of Boomers, many of whom no longer have a living parent. Gen Xers (62%), perhaps because of where they are currently in their lives, are also especially likely to say receiving life insurance as a gift from a parent would increase their sense of financial security substantially; Gen Yers (56%) feel this way too, but to a lesser extent, while Boomers (47%) are the least likely to say receiving this gift would add to their sense of security.

Far fewer (14%) have purchased life insurance as a gift for an adult child, but another two in 10 (21%) say they are very or somewhat likely to buy life insurance for their children when they become young adults. Gen Y (42%) and Gen X (28%) parents are more open to the idea of buying life insurance as a gift for their children than Boomers (10%).

Some also believe that grandparents can help their grandchildren either directly or indirectly by buying life insurance. When asked to assess three methods for grandparents to provide annual birthday gifts to their grandchildren, four in 10 (38%) show support for a hypothetical grandparent who buys their grandchild clothing until about age eight and then gives cash gifts after that. Nearly as many (35%) feel a grandparent who buys their grandchild life insurance and

pays the premiums each year is taking the right approach (at age 22, that child can either cash out or continue the coverage). Fewer — but still just over one-quarter (27%) — agree most with the hypothetical grandparent who buys life insurance to cover their grandchild's parents (i.e., their adult children).

Gen Xers (32%), who are also more likely to show interest in receiving life insurance as a gift themselves, are most inclined to express a preference for the choice of buying coverage for the parents rather than the minor grandchild, compared to 25% of Gen Yers and 26% of Baby Boomers.

# Implications

A popular song from the 1980s asked an important question, “What’s Love Got to Do with It?” — the quick answer is, “A lot!” when it comes to families financially supporting and caring for each other, and equally as apparent when responding with consideration and affection. Every generation responds and connects through a sense of caring and responsibility rather than mere obligation. But this study also tells us that strong emotional ties and a desire to help should be supplemented by mechanism ensuring adequate financial resources along with long-term support considerations. There are some practical implications for what can and should occur between parent, child (at any age), and grandchild.

## **The Best Legacy for the Next Generation May Be a Sound Financial Plan Now for the Older Generation**

Although it’s Estate Planning 101, most families probably are not talking about inheritance planning and final financial wishes, and they need to. Most Americans do not consider leaving an inheritance to be a family responsibility, and it is never safe for children or grandchildren to assume that funds will be there at all, and if they do exist, to whom the money will be directed.

If leaving an inheritance is important, then it has to be planned for. This is especially true for Boomers nearing retirement, because “legacy planning” needs to be incorporated into general plans for spending and saving in retirement. Communicating to family and a financial professional about reasons for leaving a legacy or not is important for everyone’s financial planning efforts. And adequate financial reserves and spending plans for a potentially long lifetime ensures that an older parent is less likely to become a financial burden at some later point.

## **“Purposeful Giving” Can Serve All Generations**

Helping a child or grandchild buy a house or make a major purchase may not be seen as a family responsibility, but many parents and grandparents suggest that they give gifts without a specific goal or objective, and then hope that those gifts are used for practical purposes. Most grandparents, for example, would prefer that their gifts be used for education or even groceries and bills. When asked to compare possible gifts, many grandparents suggest that protecting and ensuring financial security for their grandchild is a more meaningful gift than clothing.

Parents and grandparents may not provide “financial support” for these causes, but they can provide practical, purposeful gifts, like money to help pay for education, books, furniture for a new house, or a skill like a young child’s sports training or music lessons. Parents and grandparents should investigate how to finance gifts that help the younger people in their lives with something important and enduring for everyone.

### **The Most Important Aspects of Financial Protection Involve Family Goals**

Across generations, Americans say it is important to ensure that a surviving spouse or child is left with enough money should there be a premature death in the family, but it’s not clear that current life insurance coverage is sufficient to do this. Gen Yers and Gen Xers are less likely than Boomers to believe that life insurance should provide for a surviving spouse for the rest of his or her life. This may be, in part, due to the larger number of dual-income households in these younger generations or, due to their stage of life, having fewer large financial obligations or dependents.

It seems prudent, however, to encourage young policyholders and those thinking about purchasing life insurance to base coverage on family goals and needs, and not on overly simplistic formulas. For example, they might consider what it would take to pay off a mortgage, afford daycare, pay off debt, see a child through college, or ensure that a surviving spouse won’t have to make drastic lifestyle changes should a spouse pass away unexpectedly. Everybody could do a better job of thinking about their income replacement needs should the unexpected occur, and for retirement needs and goals in general.

### **Staying Connected Involves All Levels and All Generations**

Members of all generations demonstrate the importance of family by communicating often and providing non-financial support to family members in need. While many reject the idea of providing support to family members as an “obligation,” most feel children do owe their parents a phone call and contact. Parents, in turn, should check-up on their adult children.

Most believe that family should keep in touch (at least weekly, in fact) and stay involved in each other’s lives. There’s a strong belief that adult children should help with in-home caregiving if an elderly parent requires it, and a belief that parents could help their adult children around the house with daily activities or by babysitting the grandchildren. Some feel they owe these things to children or parents, but, for most, it’s not an obligation, but an expression of love.

### **Access the “Heart” in the Home**

Housing decisions inevitably impact financial planning at all life stages, and there are key conversations that families should be having with one another. This includes children talking to their parents about the possibility of moving back into the parents’ home in case of an emergency or if it will help them financially to save for another purpose, like future home ownership. Parents can benefit by thinking about their own housing needs as they age, planning for long-term care and how they will finance it. Even if their plan is to try to stay in the home as long as possible, parents and adult children discuss “what if…” alternatives. Most likely, a family member in need will find the door wide open.

### **Education Provides a Universal Focus for Intergenerational Support**

Americans across all generations believe, overwhelmingly, that parents have an obligation to help their children receive an education. With the increasing cost of college however, this requires increased planning and resources. On average, parents say they would contribute at least \$10,000 toward a child’s college education. This goal is especially salient for Gen Yers and Gen Xers given the relatively young ages of their children and their own stage of life, and the consistent cost inflation for higher education.

Recognizing the importance of education, multiple generations within families can work together to save for a child or grandchild’s education needs. Parents can take advantage of advice on education savings plans and funding strategies, available from a variety of sources including local and state governments, employers and retirement plan providers, or financial services companies. They can also invest directly in college education savings plans, like 529 plans. Grandparents can focus some of their asset accumulation, gift giving, or inheritance planning focusing on this important cause.

When all is said and done, generations may have differing issues of focus and importance, but brought together within a family context they all invariably reflect the same basic values — attention and caring to those who are closest to them, a sharing of aspirations and ways to ensure that family members in differing generations can accomplish them, and a recognition that love, caring, and mutual responsibility and support are essential. It is very clear that the prevailing motivation for all this is not “Because I have to” but “Because I want to.”

# Methodology

The online survey of 2,123 Americans ages 21 to 65 was conducted from June 29 to July 20, 2011. Respondents were selected from among Harris Interactive's online research panel. To qualify, respondents had to have household incomes of at least \$40,000 (\$30,000 if Gen Y). Boomers and members of Gen X were required to have a dependent — either a spouse or a child; Gen Yers did not necessarily have dependents. The data were weighted by age, gender, education, and race/ethnicity to best reflect this target population.

For the purposes of this study, the generations were defined as:

- **Generation Y:** Ages 21 to 34 in 2011 (born 1977 to 1990)
- **Generation X:** Ages 35 to 46 in 2011 (born 1965 to 1976)
- **Baby Boomer Generation:** Ages 47 to 65 in 2011 (born 1946 to 1964)

In addition, to add depth to the understanding of these familial relationships and the responsibilities that they imply, the study incorporated a qualitative component. A total of seven interviews were conducted with pairs of parent and child representing all three generations. Each interview lasted approximately one hour and explored the extent to which these family members felt a financial responsibility to help the other in variety of situations.









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