VANTAGE POINTE
Vantage Financial Partners Limited

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THE SANDWICH GENERATION - PART ONE

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As children grow and parents age, many Baby Boomers are finding themselves increasingly responsible for both their parents' and children's financial well being – and for longer periods of time than in the past. As far back as 1981, the sociologist Dorothy Miller dubbed this group the "Sandwich Generation," but the phenomenon is hardly new. Many of us can remember our grandparents moving in with us as they became less able to care for themselves. Also, parents have traditionally made sacrifices to send their children to college. We are seeing, however, new societal and economic changes that have placed a greater financial strain on the current Sandwich Generation.

This article will address the challenges that parents face while supporting their children through college and beyond. Next month's article will focus on issues affecting Baby Boomers caring for aging parents.

FINANCIAL PRESSURES HAVE INCREASED

It's no surprise that college costs have soared, increasing at an average annual rate approximately twice that of overall inflation. According to the College Board's *Trends in College Pricing*, 2010-2011 average annual costs (including tuition, fees, room and board) were $16,140 for students attending four-year, in-state public colleges and universities, $28,130 for out-of-state, and $36,993 for students at four-year private colleges and universities. On the bright side, annual costs (including tuition and fees) at public two-year community colleges averaged only $2,700.

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FIND THE RIGHT FOCUS

For parents of young children who are still years away from attending an institution of higher learning, planning focuses almost entirely on saving funds to support the eventual college experience. To appreciate the benefit of saving early, consider this comparison. If you started saving for college when your child was 4, you would have to save approximately $8,000 a year for a college education that currently costs $25,000. If you waited until your child was 14, you would have to double your annual savings to $16,000. (For a simple and reliable college savings calculator, go to www.savingforcollege.com.)

Sandwich Generation parents who are currently facing the prospect of a savings shortfall must expand their focus to include a review of expected expenses, including a re-assessment of goals and expectations. You and your pre-college-aged child can work together to establish priorities. Is attending a top tier private university important enough to incur loans beyond financial aid? Can additional high school AP courses shorten the college course load and related cost? Can a 2-year community college experience be blended with 2 years on campus at a state school?

PROTECT YOUR SAVINGS

You may be tempted to compensate for a shortfall in college savings by raiding your retirement accounts. According to Sallie Mae, approximately 24% of college savers use retirement accounts as college savings vehicles. However, you can borrow money to pay for college, but not to fund your retirement. Before you make a decision to dip into retirement savings, consider visiting with your Relationship Manager in order to review your options.

BOOMERANG KIDS – THE NEXT TREND

CNN reports that a staggering 85% of 2011 college seniors plan to move home after graduation, while in 1990, only 25% of adults aged 18-24 lived at home. With unemployment approaching 15% for young adults, and the payment of student loans putting pressure on whatever earnings they generate, this reality shows no signs of abating any time soon. What issues come to the forefront when adult children live with parents?

Three areas, to pinpoint just a few, include taxes, insurance, and independence. Your college graduate who returns home may qualify as your dependent for tax purposes, saving you a little money. If you are fortunate enough to have company health insurance, your child can be included on your plan until his or her 26th birthday. No matter how much or little your graduate is earning, he or she can contribute to the family budget. This extended time together also presents a unique opportunity to help your young adult set savings goals in order to develop financial independence. This may be an ideal time to introduce your child to the Vantage team, where we can help foster a sense of forthcoming independence and assist in developing an individualized financial plan.

VANTAGE NEWS

While the team works hard throughout the year, we look forward to opportunities to play together away from the office. Our annual summer picnic is eagerly anticipated because we enjoy connecting with family and friends—and because we can expose our competitive side during the many games throughout the afternoon. It is a blessing to see how the families have blossomed over the year and how much the children have grown—some now standing taller than most of us! We are so proud to share our families with you—they are our most appreciated blessing and our greatest support!

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