

We're Spending Our Children's Inheritance



COMMENTARY

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A few years back you probably saw the snappy bumper sticker on sports cars driven by grandparents:

We're Spending Our Kids' Inheritance. Those were the grandparents who were vacationing, enjoying their two homes, dining out more than occasionally, driving fun cars, and basically living their retired lives as they dreamed. This is the payback for all the years they dedicated during their early adult lives to their children — they worked hard paying for shelter, diapers, food, clothing, education, cars, and marriages.

Finally, they set themselves free. They wouldn't ever envision being a burden to their kids.

In a 2009 LIMRA study *Retirement Income Trade-Offs*, only 13 percent of pre-retirees said that it was “very or extremely important” to have a goal that would financially support their parents or their children. This same study also indicated that only 19 percent of pre-retirees felt that an important goal was the ability to pass along an inheritance. Compare this with the 73 percent of pre-retirees who stated that it was a “very or extremely important” goal to be able to live the lifestyle they want in retirement: For them the bumper sticker was a perfect fit.

That was then (albeit not too long ago) and this is now. Could today's 1-to-1.5-million new retirees use the same bumper sticker? There might be a double meaning because many newly retired and soon-to-be retired individuals will

be relying, instead, on their adult children to help them financially through retirement. Is it even imaginable that there would be any money left for the grandchildren?

Much industry research (including our own) highlights how many of retirees — today and in the future — will be ill-prepared for the long years ahead of them. Sad to say, these retirees will be a burden to their children. Children of these retirees won't be getting any inheritance money — and their grandchildren may not be either.

To make matters worse, the retiree's children aren't saving enough money to support themselves when they retire decades down the road. It's a vicious cycle that could possibly be stopped if more people were employed, more people saved money and spent less, and if the stock market “forces” cooperated positively.

So, if you happen to see that bumper sticker, ask yourself which meaning applies to the driver. Chances are ... it belongs to the grandparents who saved for retirement and who are financially independent of their kids. 🌐

