

## Avoid the "family bank" (copied from AMP workbook)

Did you know that six in 10 people who are age 50+ provide financial support to family members? Do you ever feel that you've become the "family bank"?

### Watching Out for Excessive Family Financial Interdependency

Family financial interdependency occurs when family members become too dependent on your generous nature or even abuse it. This all-too-common situation is sometimes called "the family bank."

Family financial interdependencies can also have a big impact on your retirement savings.

Making

large loans over the years to family members can contribute to not having enough left for retirement. Without a written contract, such loans may be considered informal agreements or "gifts" that do not need to be repaid. In the worst cases, family financial interdependency can be a big drain on an older adult's nest egg and can even push them into poverty.

Being expected to serve as the family bank can also cause you financial problems during retirement. This doesn't mean you should NEVER help a family member in distress. It does mean you should review your situation carefully to avoid being exploited and to establish whether you can loan or gift funds and still stay on track financially.

Fill out the Financial Interdependency in Your Life **worksheet** that follows.

The questions in this worksheet are meant to help you reflect on the family financial interdependencies that can arise in your life and may have an impact on your retirement budget. Mark the options that best relate to your current situation. There are no right or wrong answers to these questions.

#### Financial Interdependency in Your Life

1. Have you provided financial support for a family member in the past five years?

YES

NO

2. Are you currently providing financial support for a family member?

YES

NO

3. If you answered YES to Question 1 or 2, why did you provide financial support?

(Select all options that apply.)

Family obligation

They helped me in the past

I enjoy helping out

I want to be involved in their lives

It's the right thing to do

Other \_\_\_\_\_

4. What are some categories in which family members ask for financial support from you? (Select all options that apply.)

Rent

Monthly bills

Tuition

Medical expenses

Other \_\_\_\_\_

5. Can giving financial support be a strain on your budget?

YES

NO

If you answered YES to Question 5, do you provide the support even if it means cutting back on your own expenses or dipping into your savings?

YES

NO

Take a moment to review your answers and think about how providing financial support to family members can impact your retirement budget. Remember that there is no right or wrong approach. The important thing is to be aware of your likelihood to provide financial support to your family and to include these costs as part of your retirement planning. You also might want to consider talking about this topic with your family.

Family & Retirement: The Elephant in the Room. This report explores the impact that today's family complexities and financial interdependencies have on retirement, and shows how pre-retirees and retirees can better plan, engage, and communicate with family members to balance both family priorities and their own long-term retirement security. To learn more, visit

<http://common.money-media.com/php/image.php?id=178694&ext=.pdf>

Divorce and Retirement: How to Take Control of Retirement Benefits. Retirement funds may be among the biggest assets you have as a couple. It's important to know that these funds are not automatically split in a divorce. Learn how you can protect yourself against losing the retirement assets you're entitled to receive. You can download the publication for free at [http://www.wiserwomen.org/pdf\\_files/wiserBroDivorce.pdf](http://www.wiserwomen.org/pdf_files/wiserBroDivorce.pdf)