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As People Live Longer, Family Caregivers Face Financial Challenges

Many people overlook the short- and long-term costs of financial caregiving, a growing problem that financial advisors and employers can help address, according to a new **report** by the **TIAA Institute** and the **University of Pennsylvania School of Nursing** (Penn Nursing).

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One in five adults now provide uncompensated care to loved ones with health problems, and the report provides a comprehensive compilation of insights and research that underscores how the caregivers face a series of financial and professional challenges. On average, the caregivers' uncompensated expenses – things like housing, healthcare, and transportation – add up to more than \$7,000 a year, pushing almost half of them to say they've suffered financially. Many feel they have no choice but to withdraw money from savings accounts or retirement nest eggs, take on debt, pay bills late or scale back on their retirement contributions.

The impact also extends into the workplace. Caregiving typically requires 24 hours a week, and about 60% of caregivers have jobs outside the home. As a result, 61% of those caregivers reported at least one work-related consequence, such as arriving late, leaving early, taking time off or retiring sooner than planned.

"Although the emotional and physical toll on family caregivers is well recognized, the financial impact of these roles has received less attention," said Surya Kolluri, Head of the TIAA Institute. "The impact on lifetime earnings, savings, Social Security benefits and retirement readiness can be severe. Especially today, as people are living longer, caregivers should plan for these costs at various life stages."

The report comes as the need for caregivers will likely skyrocket. Each day, about 10,000 Baby Boomers turn 65, and they're living longer than ever. Life expectancy has risen by 17 years since the Social Security program debuted in 1935. The new report also reveals that caregivers have lower levels of financial assets and higher levels of debt compared to those who don't care for loved ones. One in four caregivers has less than \$1,000 in savings and investments, for example. For non-caregivers, the number was closer to one in seven.

The financial burdens of caregiving are often steeper for both women and millennials. Women already have 30% less income than men during retirement, and a disproportionate number of caregivers (60%) are women. In addition, about 25% of the caregivers are in their twenties or thirties. Becoming a caregiver at a young age is especially difficult, because it's a time when people often have smaller salaries and should be taking the biggest strides in their careers. Many people that age are also raising children, making them part of the so-called "sandwich" generation, which creates even more emotional and financial burdens.

"As younger generations increasingly take on caregiving roles, they face different financial pressures and trade-offs," said **Mary Naylor, PhD**, Director of Penn Nursing's **NewCourtland Center for Transitions and Health**. "The financial choices made at younger ages have ripples for years to come, as families weigh the relative importance of present spending, saving for large expenses and saving for retirement."

The new report outlines several ways financial advisors and employers can support caregivers as they cope with their emotions, their finances, and their careers. Financial advisors, for instance, should take a more holistic view of the way they help clients. It's no longer about simply building a nest egg for retirement. It's about working with a family to prepare for the emotional, physical, and financial burden of a longer life span, the risks and caregiving issues that could occur at any point and the short- and long-term tradeoffs that come with different decisions.

Financial advisors should also form relationships with social workers, human resource managers or other professionals to make connections when helpful. And they can take professional development courses to meet the new challenges. AgeLab at MIT, for instance, has created a "Preparing for Longevity Advisory Network" of financial advisors and other retirement planners to develop new ideas and ways of thinking about longevity planning, including caregiving, aging in place, work and technology.

There are also several ways employers can support working caregivers, such as:

- Help employees navigate challenging caregiving situations by sharing tools like the **Caregiving Intensity Index**. It's a two-minute self-assessment that measures how caregiving is affecting someone's well-being and how they're coping with potential stressors, including

money or family disagreements. It's already being used by several employers, as well as state governments in New York and Massachusetts.

- Add benefits, such as flextime, paid family leave, geriatric care management services and emergency backup care.
- Offer services that help people understand how to avoid running out of income during retirement. Encourage them to make sure their financial plans include the possibility of time off and extra expenses related to caregiving.
- Create employee networks or caregiver resource groups so employees learn from each other about how to create a better work-life balance.

For employees, the report recommends meeting with financial advisors to better understand life expectancy and how to plan accordingly. "Health and wealth are increasingly two sides of the same coin," Kolluri said. "The traditional role of a financial advisor needs to shift from retirement planning to a more holistic model that includes considerations such as longevity, health, family, finances, caregiving and, indeed, financial caregiving."

The new full report can be found [on the Institute website](#).

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