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## Boomers facing generational crunch

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The trillion dollar wealth transfer may be a myth as the baby boomer's parents are living longer and need their assets to survive.

A recent BMO Financial survey of nearly 2,200 baby boomers found that 34% of boomers are currently supporting both of their parents. And 44% of those caring for elderly parents are simultaneously caring for their children.

Boomers face an unprecedented level of constraints on their time and finances in order to care for two different sets of dependents, says Susan Stefura, vice-president and head of technical expertise for BMO.

The financial burden is obvious, Stefura says, since taking care of an elderly dependent may require thousands of dollars for a long-term care facility. Or, if aging parents are living with their child or even living on their own, there are costs for other types of assistance such as groceries, health-care or even retrofitting a home to accommodate an elderly person.

Advisors have been noticing this trend more and more. "The boomers will not be enjoying the retirement they expected because they have to take care of parents who may live into their 90's," notes Paul Barton, a CFP with RBC Asset Management in North Bay, Ont. "Their parents will likely use some of [their children's inheritance] to finance their living expenses."

Scott Plaskett, a CFP and president of IRONSHIELD Financial in Toronto, echoes Barton's sentiments. He says a lot of the downloading of the financial burden on boomers is the result of poor financial planning on the part of their parents' generation. Any proper planning for Plaskett's boomer clients entails taking into account the financial status of the children and more importantly, elderly parents.

"It may just be sitting down with their parents and reviewing their estate plan or their retirement plan, determining whether they are on track to properly fund their retirement costs and preparing for any long-term care issues," Plaskett says.

He tries to offer product and services that help all three generations of family — not just the immediate clients. "[These solutions] could be funded by the parents, the children or a combination of the two," he says. "We just need to make sure it is put in place."

Plaskett uses insured annuities as a way of providing protected stream of income. He believes insured annuities are uniquely suited for a senior who will likely spend their savings but is concerned about transferring some wealth onto their children as well.

Using $500,000 as a random figure, Plaskett says the money can be invested in an annuity so that that the tax on the payout is far less than tax on other investment income, like bonds or GICs. The tax savings can then be invested in a life insurance policy, which will likely recoup most, if not all, of the initial annuity investment upon their death.

"You have kind of accomplished everything by giving them a life-long stream of income and as well replaced the assets at their death, and transferred that wealth tax-free to the next generation," Plaskett says.

Other advisors, like Carolyn Williams, CFP and owner of Financial Fitness in St. John's, Nfld., believe boomers need to learn that it's OK to say no.

"The greatest thing that the sandwich generation needs to understand is the concept of boundaries," Williams says. The state plays a helping hand in caring for the elderly, Williams says, so boomers shouldn't have to feel they put their lives on hold to be at their parent's beck and call. "If you've got a couple when they are over 65 they're going to be looked after." Williams says with GIS and old age security a senior couple will receive somewhere in the vicinity of $30,000 a year.

She says that at least in Newfoundland seniors don't even have to worry much about the cost of living at a retirement home. "Here in Newfoundland, unless you go into a private home, you are looked after 100%, a person in one bed could be on old age security and they're beside a millionaire in the next bed, but they have the same care."

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