INVESTOR'S BUSINESS DAILY

March 20, 2008

Don't Let Midlife Pressure Squeeze Your Nest Egg

By JOANNE VON ALROTH

It looked good on paper: Build your career, make the right investments, save and retire at 60. Or even 65.

Then you had children. And your parents got older.

They all need your financial help now. Your children must pay for college. Perhaps your elderly parents face catastrophic illness or a pension gutted when their former company went bankrupt.

Welcome to the sandwich generation. Aging boomers and even 30-somethings find themselves sandwiched between the needs of offspring and parents while worrying about their own retirement goals.

Fear strikes sandwich sufferers hard: Can you navigate the financial layers and avoid being flattened? Yes, even when you're close to or at retirement age, say experts. But it means preparation and discipline.

"You have to have a plan for the things you can control," said Michael Domingo, a certified financial planner with Dallas-based Cadence Financial Advisors. "There are so many uncertainties, and you can't plan for all of them, but you can focus on contingencies."

To protect your retirement:

• **Prioritize your goals.** "It really is a balancing act depending on your highest need," said Debra Radway, vice president and wealth adviser for Harris Private Bank, a unit of Chicago-based Harris Bancorp.

A couple Domingo worked with had a classic sandwich situation: The man lost his top job. Their child was about to enter an Ivy League school. The woman's 80-year-old parents had health concerns.

"After prioritizing, they eventually realized they could meet two of their goals, save aggressively and defer retirement to 65, and that went a long way toward easing their anxiety," Domingo said.

• **Seek good advice.** Certified financial planners have a duty to protect your interests. They aren't product salespeople.

Find a CFP through the Financial Planning Association (fpanet.org), the Paladin Registry (paladinregistry.com), through your bank or trust organization or personal references. Check credentials and ask about regulatory backgrounds.

The National Association of Personal Financial Advisors (napfa.org) provides a checklist to screen potential planners.

Interview several planners before selecting one. Watch for good listening skills; the better the planner understands your needs, the more solid your plan.

• **Boost your retirement fund.** Put the maximum allowable amount in your firm's 401(k) plan or an individual retirement account. Some in the sandwich generation operate on a "earn and save later" schedule, which is a mistake, Radway noted. "People think they can just work longer to make the money they need, but they don't realize that the job they have could be eliminated or they could have poor health."

• **Talk with your parents.** Topics should include income, needs, living trusts, revocable trusts, power of attorney, estate planning and long-term care insurance. You can also help them investigate reverse mortgages, mutual funds and existing life insurance policies.

Riders can be attached to some life insurance policies to cover long-term care. You can even buy long-term care insurance for your parents; at several hundred dollars a year, it's cheaper than the average $5,800-a-month nursing home bill.

Many elderly folks are hesitant to discuss money with their children; they fear losing fiscal control. Set them up with a trustworthy financial adviser.

"Especially if you have siblings and you want to remain on good terms with them, don't try and do your parents' financial planning by yourself," said Neal Frankle, president of California-based Wealth Resources Group, "because I've seen families ripped apart when mom and dad have a bad quarter."

• **Manage your debt.** Car payments and credit cards shouldn't equal more than 20% of your take-home pay, says the American Institute of Certified Public Accountants.

• **Save for college.** Be more aggressive with investments the closer your child gets there. "This is the easiest cost to control," Frankle said. "You can encourage your child to contribute by working or getting a scholarship. And state schools give better value; an expensive school is no guarantee of success."

Figure out how much you'll need; tuition calculators are at such sites as collegeboard.com. Tuition, room and board at an average public, four-year university is now $12,841 a year.

At an average gain of 6% a year, your child in the next decade will need $90,153 to cover the four years.

There are tax advantages for what are known as 529 college savings plans. The prepaid tuition and savings plans are sponsored by states, state agencies or educational institutions and named after section 529 of the Internal Revenue Code. Every state and the District of Columbia has at least one type of 529 plan and allows age-based asset allocation options.

• **Don't panic.** "It doesn't help, and it leads to people burying their head in the sand," Frankle said. "Get your plan together and start your regimen."