

The Allianz LoveFamilyMoneySM Study

Changing family dynamics create **new financial needs**

How the evolution of the American family is creating new challenges – and revealing new opportunities – for the financial services industry

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LoveFamilyMoneySM

Study overview

Over the past 40 years, shifting demographics and profound attitudinal changes have helped redefine the concept of “family” for many Americans. In fact, the very structure of the American family is changing dramatically: According to the U.S. Census Bureau, today only one in five U.S. households (19.6%) is made up of a married heterosexual couple with children – compared to 40.3% in 1970.¹

To understand how this evolving family structure is changing Americans’ relationship with money and financial planning, Allianz commissioned the **LoveFamilyMoney** study.

The study sought to explore exactly how American families are changing, and to answer one fundamental question: “How does the evolving family structure change Americans’ relationship with money and financial services?” This white paper summarizes the study’s key findings.



Today’s modern family

Families today come in so many shapes and sizes that there is no longer a single definition of what constitutes a “modern family.” But although the definition of family may be both broad and diverse, the Allianz **LoveFamilyMoney** Study identified six distinct modern family types² with unique characteristics: multi-generational families, single-parent families, same-sex couple families, blended families, older parent with young children families, and boomerang families. We also surveyed traditional family households so we could compare their responses.

¹ U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplement, 1970-2012.

² For the purposes of our study, a type is defined as a group or social class.

The study was conducted in two phases.

1. Qualitative research

First, it explored the topic through qualitative research fielded by Now What Research. An online blog community generated over 204 hours of consumer insights (“blography”) into the modern family, which were followed up with a dozen 90-minute, in-home interview (“ethnography”) sessions.

2. Quantitative research

Guided by the qualitative insights uncovered in the first phase, the next step was partnering with The Futures Company to conduct the second phase of the study. This consisted of a 110-question, 30-minute quantitative online survey of 4,500 respondents. The respondents were ages 35-65 with a household income of \$50,000+, and were broken down into seven family types.

Key findings

The study surveyed traditional family households, and compared their answers to the six modern family types. And although family structures are dynamic and can change over time, the study found that modern families share some needs in common:

- Only about half (51%) believe they are on track to achieving their financial goals.
- Most modern families (76%) worry about running out of money in retirement.
- Fewer than half (43%) have worked with a financial professional.
- In general, modern families report that they feel less financially secure than traditional families.

Although the statistics may be disheartening, the good news is that based on their responses, these families report being more open with their kids about discussing finances – and all generations can benefit from a financial professional’s help. In turn, financial professionals can better prepare themselves to help these modern families by learning about their unique family structures, what motivates them, and how to approach each family type to best help create a solid financial or retirement strategy.



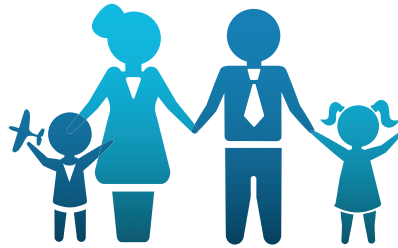
76%
**OF MODERN
FAMILIES**
WORRY ABOUT
RUNNING OUT
OF MONEY IN
RETIREMENT

73%
ARE SAVERS
RATHER THAN
SPENDERS

How to serve **traditional** families

- This family type is the most likely to be working with a financial professional (33%). Unfortunately, that means there are still two-thirds who could use help with their financial strategies and retirement income planning.
- This family structure is most likely to believe a financial professional's services are worth the expense (61%).
- Even though many within this group are already doing fairly well, there's also an opportunity to help them stay on track to achieving their financial goals.
- Since many couples are friends with people in similar circumstances, this may be a good opportunity for traditional families to tell their friends what working with a financial professional has done for their overall financial futures.

Family types



Traditional families

Many Americans might define the traditional family as a mom, a dad, two kids, a dog, and a white picket fence. But for the **LoveFamilyMoney™** study, we defined the traditional family as two adults of the opposite sex who are married with at least one child under age 21 living in the household. (Note: This means no stepchildren, or adult children who have moved home, and no other adults living in the home.)

What makes traditional families different from the other modern family types? Traditional families have typically gone through the fewest life transitions and, as a result, are more financially stable. And because they rank second among all the family types we surveyed in mean household income, they may greatly benefit from working with a financial professional. In fact, 61% of the traditional family respondents agreed (strongly + somewhat agree) that financial professionals' services are worth the expense.

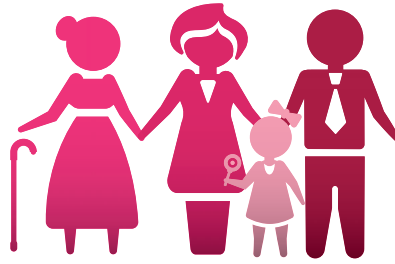
Of those who responded to our survey, traditional families were the most likely to indicate they are savers rather than spenders (73%), saying that they are saving for mid-term goals like a house and education (29% have a college savings plan in place). They were also the most likely to say they are on track to achieve financial goals (60%).

The traditional families that responded to the study said they are generally financially motivated by getting a better return on investments (39% report that "the desire for a better return on investments" would motivate them to go to a financial advisor). Even though they reported being able to handle their finances on their own, they were also the most likely to report that "the desire for someone else to take control over my finances" would motivate them to go to a financial professional.

60%
SAY FINANCIAL
GOALS ARE
ON TRACK



OPEN TO DELEGATING THEIR FINANCES TO A PROFESSIONAL



How to serve **multi-generational** families

- Because they report having not enough income or too much debt, multi-generational families may benefit from developing a basic financial strategy that helps them identify their short- and long-term goals.
- Multi-generational families may need help balancing conflicting financial priorities – particularly for members of the “sandwich” and elder generations.
- Because they may have more complex care-giving responsibilities, these families may appreciate having someone else help them take control of their finances.
- Saving for education – as well as unexpected expenses – is very important to this group.

Multi-generational families

The Allianz **LoveFamilyMoney**SM Study defined this family type as three or more generations living in the same household, including children and a parent and/or grandparent. A surprising 49% of respondents currently in a multi-generational household say they grew up in a multi-generational family.

Of those who responded to the survey, 49% reported living in a multi-generational household for health reasons, 44% for financial reasons, and 27% said it was for help with children and/or household responsibilities.

As the diversity of these responses indicates, it's important to understand the household structure in a multi-generational family because this can impact the entire family and its overall financial picture. For example, if there is an elder parent living in the house, are they helping with the kids? Are they in need of care themselves? These types of questions can reveal unique financial needs.

Aside from their sometimes-complex structures and dynamics, there are several other things that also make multi-generational families unique. Of all the family types, they are the most likely to worry a great deal about planning for future financial needs (33%). They are also the most likely to identify themselves as spenders (41%) instead of savers. Perhaps this is because one-third indicated they are not making enough money (33%), or say that debt is keeping them from developing a long-term financial plan (35%).

That said, many of the respondents said they believe this family dynamic has positive benefits. For instance, 66% reported that living with extended family has helped them financially (one-third of the respondents are facing some sort of financial challenges, but there are multiple sources of income within these families which can help with the overall financial picture). Moreover, 71% said they plan to continue living with extended family (strongly/somewhat disagree that “I don't expect to be living with extended family by this time next year”).



Single-parent families

The study defined single-parent families as one unmarried adult with at least one child under age 18 living in the household the majority of the time, with no other adults living in the household.

Note: For this study, single-parent families had to meet the same household income threshold of \$50,000+ per year as families with two breadwinners. This could skew the data collected toward a more “successful” or “established” single parent with a good job, higher income, and more education.

Although single-parent families have similar goals in common with all of the other family types, they may need special help balancing between saving for their children’s college expenses and saving for retirement. Also – although 56% said they are a single parent by choice – many of the single-parent family members who responded feel that the lack of financial support from an ex-spouse is impacting their retirement.

Surprisingly, although single-parent families reported feeling heightened financial pressure, they were the least likely family type to report consulting with others regarding their financial situation. And although members of this family type are very focused on their children and providing them with a good future, fewer than one-quarter reported having college savings for their children (21%).

Equally surprising was the fact that only 59% of the single-parent respondents reported having life insurance, indicating that they may be too focused on meeting the “here and now” expenses, or may not realize the importance of protecting their loved ones with life insurance.

On the bright side, single-parent families were the most likely to have access to an employer-sponsored retirement plan (86%), according to the study responses. This could be a good starting point for families that may be struggling to balance saving for college and saving for retirement.

ONLY
21%
HAVE COLLEGE
SAVINGS

How to serve **single-parent** families

- 45% of the single-parent family respondents said that college-funding assistance would motivate them to develop and execute a long-term financial strategy.
- Because 86% of the respondents reported having access to a retirement plan through their employer, they may want to explore other opportunities to save for retirement.
- Single-parent families may need help creating a financial strategy that balances all of the household needs (53% said they were financially motivated to become debt-free).
- Perhaps more than any other family type, single-parent families may need life insurance. Offering to conduct a policy review may help reveal whether their coverage is adequate.

77%

WORRY ABOUT
HAVING ENOUGH
RETIREMENT INCOME



How to serve **same-sex couple** families

- Same-sex couple families tend to be planners and are likely to work with a financial professional (48%).
- These families prioritize planning for retirement and are the most likely of all the family types to depend upon IRA assets (45%). 39% of the same-sex family respondents said that “creating a financial cushion” would motivate them to execute a long-term financial plan.
- Of all the family types, same-sex families are the most likely to own an annuity (14%). There could be a greater need among this type for secured retirement solutions to ease their concerns about retirement funding.
- Because these families’ needs may be legally complex, it’s important that they also work with an attorney and/or CPA who specializes in planning for same-sex couples.

Same-sex couple families

The study defined same-sex couple families as a married or unmarried couple living together with a member of the same gender, regardless of whether children are present.

Of the six family types the study identified, same-sex couple families emerged as the most affluent, with a mean household income of \$113,700. About one-quarter (24%) of the respondents said they are debt-free, excluding a mortgage, and they were more likely to have done some planning for the future.

In fact, the same-sex couple respondents said they had saved an average of \$276,200 for retirement, compared to \$251,100 for traditional families and only \$186,000 for the other modern family types, combined. Nevertheless, 77% of the respondents still reported being concerned about running out of money in retirement.

And although the same-sex couple families shared many traits in common with traditional families, they did stand apart in how they manage their finances: While 80% of the traditional families said they combined their finances, only 52% of same-sex couple families reported doing the same.

Perhaps not surprisingly, given their comparative affluence, about 48% of same-sex couple families said they had worked with a financial professional – and of those who have, 84% strongly or somewhat agreed their financial professional helped them achieve their financial goals.

Please note: Because not every state recognizes same-sex marriage, it’s important to understand the legal implications when working with these families. These families should consult with their tax advisor and local estate-planning attorney if they own property together and/or file taxes jointly.



Blended families

Blended families are defined in this study as parents who are married or living together with someone of the opposite sex, and who live with a child and/or a stepchild from a previous relationship in the household.

Of all the family structures the study unveiled, blended families were the most complex. There are lots of variables within these families; questions may include who is paying for children's expenses, entertainment, and college planning. In addition, estate planning can be very important. And according to the respondents, blended families are struggling the most financially and emotionally of any of the family types the study identified.

In fact, 43% of the blended family respondents agreed that they or their spouse/partner brought financial baggage to their relationship. 65% said they were more focused on figuring out how to cover current expenses than planning for the future, and 79% reported a great deal/some stress or worry about planning for future financial needs.

Of all the family types, blended families were also the least likely to feel on track to achieving their financial goals (46%), and 39% reported trying to save equally for their children and stepchildren. Blended families were also more likely to want help with creating a basic financial strategy, including having an emergency fund (39%), wanting a comfortable retirement (47%), and being debt-free.

Because these families can be complex – and because they may be saddled with financial baggage from previous relationships – they may especially benefit from working with a financial professional.

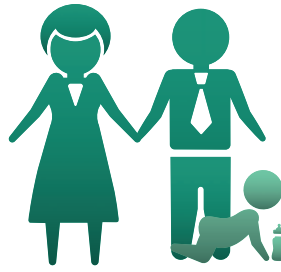
56%
WANT HELP
BEING DEBT-FREE

How to serve **blended families**

- They are the least likely to have used a financial professional, but 35% said they're open to the idea.
- Blended families want a plan for saving money. Among blended families without a financial professional, 36% stated that this is the number-one thing they wanted from a financial professional.
- Among blended families who were working with a financial professional, 53% said planning for and managing retirement accounts was the most important thing their financial professional helped them with.
- Many blended families have gone through some major life transitions. For some, that means starting over again, and learning how to do things differently than they've done before.

74%

SAY PAYING FOR A
CHILD'S EDUCATION
CAUSES STRESS



How to serve **older parent with young children** families

- Almost half of older parent with young children families (47%) said that saving for their children's education motivates them to develop and execute a long-term financial plan.
- This family type also needs help with retirement planning, since they are most likely to list a non-IRA retirement plan at work as a source of income in retirement (72%).
- Among the older parent with young children families that didn't work with a financial professional, 34% said they were open to working with a financial professional, and 34% stated that they are most interested in getting help setting up a plan for saving money.

Older parent with young children families

The study defined older parent with young children families as a family consisting of at least one parent older than age 40 and at least one child under age five in the same household. The study also defined this family type as couples of the opposite sex who are married or living together, with fewer than 10 years' age difference between the partners.

Of all the family types, older parent with young children families are the most likely to prioritize saving for short-term goals like buying a car or saving for vacation (18%). A bit more than half (57%) also saw themselves as "more financially established because we waited to have children."

Members of this family type were the most likely to have become a stay-at-home parent (38%) and may face unique challenges in trying to balance day-to-day spending with longer-term goals.

In fact, 74% agreed that saving or paying for education for their child(ren) causes them stress, and many say that saving for retirement had taken a back seat as a result. The respondents from this group said that, as a result, they were expecting to retire after age 65 (61%) or not at all (19%).

Even though life insurance may be part of all family types' overall financial strategies, because at least one of the parents is by definition older, this family type may particularly benefit from life insurance as part of their overall financial strategy.

Older parents with young children

Questioning retirement

Older parents with young children reported not being worried about running out of money in retirement because 61% said they expected to retire after age 65 and 19% said they didn't expect to retire at all. But this can be a dangerous way of thinking.

Although they may expect to retire later, that isn't happening with today's retirees. A 2014 Insured Retirement Institute study showed that 49% of current retirees actually had to retire earlier than they had planned.¹ The reasons given for an earlier-than-planned retirement include health or disability issues (61%), changes at the employer or downsizing (18%), and family care-giving needs (18%). A 2014 Gallup poll showed that the average age when people retired was actually age 62.²

¹ "The 2014 Retirement Confidence Survey: Confidence Rebounds – for Those With Retirement Plans," Employee Benefit Research Institute Issue Brief, March 2014, N. 397, p. 27.

² Gallup Poll, "Average U.S. Retirement Age Rises to 62," April 28, 2014.

14%

HAVE SET A DEADLINE
FOR THE CHILD
TO MOVE OUT

How to serve boomerang families

- Only 14% of the respondents said they had set a deadline for their child to move out. Financial professionals can help these clients ensure their retirement income is not negatively affected by taking care of adult children.
- 40% of the boomerang family respondents mentioned saving for retirement as a financial priority, and 49% were concerned about having a comfortable retirement.
- Boomerang family respondents also listed being debt-free (51%) and getting help with the management of their investment portfolio (57%) among their financial concerns.



Boomerang families

The study defined boomerang families as a family that consists of adults ages 40-65 who are married or living together with someone of the opposite sex, with at least one adult child (ages 21-35) who left home and then returned to live with his or her parents.

Boomerang family respondents had the highest mean age of all the family types, even over that of the older parent with younger children. They were generally financially stable, describing themselves as savers (68%), having life insurance (74%), and owning an annuity (13%).

However, 74% of the respondents were still concerned about running out of money in retirement. In fact, boomerang families were the most likely to list Social Security as a funding source for their retirement (73%).

Boomerang family parents were also concerned about not being a burden to their children in retirement, and only 15% reported expecting their children to take care of them. Likewise, a surprising 45% said they expected nothing in return for allowing their adult child to move back home with them.

Of all the family types, boomerang family members were the least concerned about scrutiny by the financial professional. This may be a good opportunity for financial professionals to show these families where they may be able to improve their overall retirement income plans.



Summary

As demographics continue to shift, financial professionals may also have to change how they approach their business. By understanding these modern families, the financial services industry can better help them prepare for their future. This may be especially true of financial professionals who specialize in the unique needs of a particular family type.

It's also important for financial professionals to remember that family dynamics change, and to understand that most families will likely go through several family structures within their lifetime.

Keep in mind as well that families are closer than ever and more supportive today than in the past. Leverage this closeness within the family to encourage good, open, and honest financial dialogue among family members. Financial professionals can build the bridge between the individual needs and challenges regarding finances.

Remember too that many families today are managing their debt to try to cover their current expenses, which means that they need to be more strategic with the money they allocate for the future. Financial professionals can help modern families work toward their financial goals and identify what they may need to better prepare. This could mean saving for multiple goals at the same time, like saving for college and retirement.

The bottom line is that modern families have new and distinct financial needs, and more than ever there is a tremendous opportunity for the financial services industry to work with these families to help them develop good financial habits.



Want an even deeper understanding of how the evolution of the American family is creating new challenges – and revealing new opportunities – for the financial services industry?

Visit **www.LoveFamilyMoney.com**.



The **LoveFamilyMoney** study was a joint initiative of the Allianz companies in the United States.

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