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Today's families:  
Extended and blended  
families

Case study

# Extended and blended families:

Overcoming the financial obstacles to preserve your retirement





Blended and extended families present a particular set of challenges for individuals trying to prepare for retirement.

**From supporting a loved one to navigating the dynamics of raising and providing for stepchildren, there are plenty of obstacles to potentially curtail your plans for the future.**

The following scenarios offer some guidance to help you stay the course without derailing your retirement.

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*We'll highlight three scenarios for a closer look at how some people are navigating the challenge.*

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# Second marriage considerations

## **Tom and Cindy, 55 and 54** Inheritance conflicts

Tom and Cindy met and married later in life. They both had college-age children from previous marriages. During a meeting with their financial professional, Cindy said she'd like to make Tom the **primary beneficiary on her accounts**, and Tom agreed to do the same with Cindy. But Cindy's oldest daughter was surprised when her mother shared this information.

Cindy's daughter was concerned that this arrangement would allow the surviving spouse to name the beneficiary. That would mean the children from the first marriage could potentially lose their inheritance. She questioned whether that's what her mother wanted.

Cindy talked to Tom, and they discussed alternatives with their financial professional. He offered some options to make sure the children from the first marriage did not **lose their inheritance**, such as:

- Setting up a trust
- Purchasing a life insurance policy
- Changing the beneficiary designations

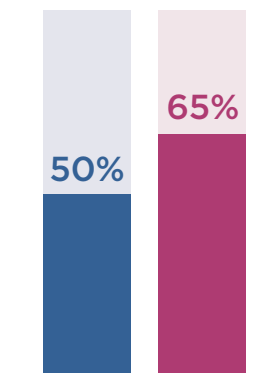
### Key takeaways



Blended families have the potential to create **inheritance conflicts** down the road. At the time of the marriage, the couple may be so consumed with combining households, raising children and establishing their new life together that they overlook estate planning issues.

### **Blended family couples should speak with their financial professional about:**

- Listing the proper beneficiaries on their accounts, which can impact long-term distribution wishes
- Who has access to their financial accounts, keeping in mind that ex-spouses may still be involved
- Making sure that all involved parties are communicating and that there is full disclosure about the disposition of assets
- How insurance products, such as life insurance, may protect and provide an inheritance



***Just 50% of blended families have open conversations about estate planning, compared with 65% of traditional families.<sup>1</sup>***

<sup>1</sup> "Beyond the picket fence: Financial challenges of the modern American family," UBS (updated Sept. 6, 2019).

# Helping aging parents

## **Beth, 40**

### Caught between conflicting commitments

Beth is a single woman raising her nephew and nurturing her career while also caring for her aging father. As a single parent, Beth is frequently **short on time** and **overwhelmed with her many competing priorities**. In an attempt to make life easier, she occasionally spends money on some of life's conveniences, especially when doing so saves time and helps preserve her sanity.

Unfortunately, Beth's father was **ill-prepared for retirement**. When his failing health made assisted living non-negotiable, Beth had to pay for whatever he could not afford on his own. She didn't mind helping, of course, because that's what family members do. Beth had a good job with a substantial income, and, at least initially, she did not view it as a financial burden.

That all changed when Beth met with her financial professional and discovered that she was falling behind on **saving for retirement**. With the need to provide care for her father and plans to send her nephew to college in a few years, she's concerned that the mounting financial strain will increasingly impact her finances and retirement plan.

### Key takeaways



Beth earned a good living, but her income was stretched to the limit. This left almost no room to pay for her nephew's college education, her father's care and adequately save for retirement.

#### **She met with her financial professional to discuss some possible options, such as:**

- Tightening her monthly budget
- Investing more aggressively in her employer-sponsored retirement account
- Exploring other cost-efficient care options for her father
- Discussing Medicaid options with an eldercare attorney
- Incorporating lifetime income sources, such as an annuity, into her portfolio to protect against outliving her savings
- Establishing a college savings plan for her nephew

*Of the various family types, those supporting aging parents are the most likely to say this support impacted their financial/retirement planning.<sup>2</sup>*

<sup>2</sup> Nationwide Today's Families Consumer Survey, Edelman Intelligence (December 2019).





# Blended family supporting an adult child

## **Pete and Joan, 60 and 57**

Helping with the transition to adulthood

When Pete and Joan met in their mid-30s, they were both divorced and had **children from previous marriages**. Soon after Pete proposed, they agreed to have a family of their own. That brought their **blended family** to six: two children from Pete's first marriage, two children from Joan's first marriage and two children from their own marriage. For years, they juggled the child-rearing responsibilities with ex-spouses, and the relationships remained amicable.

When Pete and Joan entered the empty-nest years, **they started to gear up for retirement**. Unfortunately, Joan's youngest son from her first marriage still required a significant amount of financial support. He'd had several starts and stops when it came to college, and now he was struggling to support himself. Pete and Joan were paying for his rent and car insurance.

Pete worried that the additional expenses were crippling their ability to save for retirement, and he thought Joan's ex-spouse should be helping more. **But Joan was more emotionally invested in her son, and she wanted to continue providing the support.**

### Key takeaways



When a child has trouble launching into adulthood, the situation could become a financial challenge

for parents who are nearing retirement. If the child is part of a blended family, there's a good chance at least one of the four parents will be **emotionally committed to continuing the financial support**. But parents need to understand that every dollar they spend on the adult child is one less dollar they will have for the next season of their life.

Pete and Joan met with their financial professional, who:

- Discussed ways to help Joan's son **achieve financial independence**
- Shared **various scenarios for continuing the support** without jeopardizing their retirement
- Helped them agree on a **maximum dollar amount** they're willing to allocate to her son for support

63%

*63% of women who remarry come into blended families, with half of those involving stepchildren who live with the new couple.<sup>3</sup>*

74%

*74% of parents admit to having helped their adult children pay living expenses or reduce debt.<sup>4</sup>*

<sup>3</sup> "4 ways to help blended families navigate finances," CNBC (Nov. 23, 2019).

<sup>4</sup> "Poll: 3 in 4 parents with adult kids help them pay debts, living expenses," Creditcards.com (Dec. 11, 2017).



A financial professional can help with the distinct challenges you may be facing and help you learn ways to more confidently prepare for retirement.

For additional resources, please visit  
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