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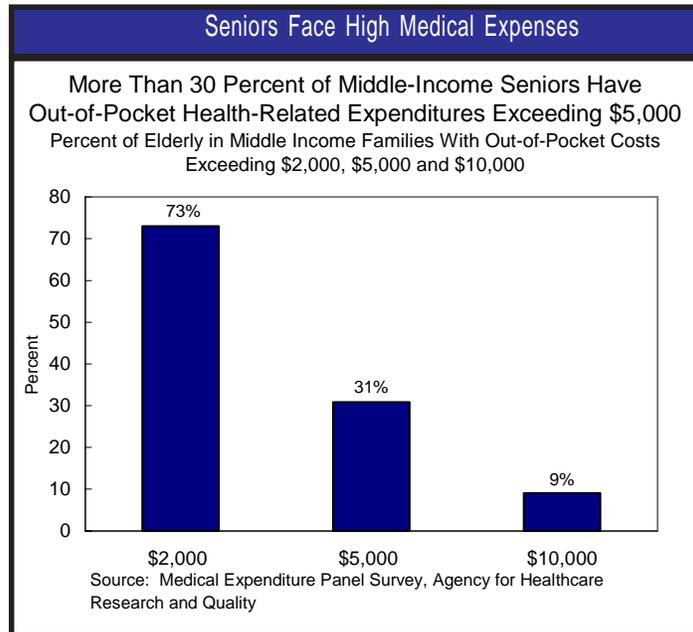
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INVESTING IN FAMILIES TAKING CARE OF ELDERLY PARENTS

With the rising costs of health care and erosion of retirement savings from traditional pensions, many American seniors find themselves in a financial bind when they need unexpected medical care and must turn to their family members for emergency assistance. Often, their children have children of their own, and are juggling the rising costs of education and health care within their own household. The financial squeeze felt by these families in the “sandwich generation” who are taking care of both their parents and their children is likely to become more prevalent in the future as the population changes.

Women Are More Likely Than Men To Provide Support To Aging Parents. Women represent more than two-thirds of adults providing substantial assistance to elderly parents.⁴ Almost half of women between the ages of 43 and 54 provided some form of support to an aging parent.⁵ On average women who provide care to aging parents curtail their hours of paid work by 43 percent in order to do so.⁶ Women belonging to the sandwich generation provide an annual average of \$1,521 in financial support to elderly parents and spend 23 hours a week (1,210 hours a year) on average providing care to elderly parents.⁷

A Growing Number of Americans Are Entering the “Sandwich Generation.” A growing number of Americans are being squeezed between the simultaneous demands of caring for their children and their aging parents. Seventy percent of people between the ages of 45 and 55 have at least one living parent.¹ More than four in ten people between the ages of 45 and 55 have aging parents or in-laws as well as children under age 21.² And as the 78 million baby boomers approach retirement and more women start having children at later ages, these numbers are expected to increase. The number of aging parents per worker between the ages of 45 and 54 is expected to double by 2035 to 1.74 parents per worker.³



Baby Boomers Retiring With Debt Will Put More Pressure on the “Sandwich Generation.” Skyrocketing health care costs are piling on baby boomers at a time when more and more employers are cutting their retiree medical and pension benefits. In 2006, the national personal saving rate was a negative 1 percent, the lowest level since the Great Depression. Instead of shoring up retirement savings, baby boomers are forced to spend their earnings, or borrow to cover high health care costs. From 1992 to 2004, the percentage of households 55 and older with more debt than assets grew faster than the rate of the overall population. Among households 65 and older, the average amount of credit card debt more than doubled from 1992 to 2004, to \$4,907.⁸ These trends will impose substantial financial obligations on the “sandwich generation.”

Policy Proposal

Under current federal tax law, taxpayers cannot always claim the Dependent Care Tax Credit (DCTC) for out-of-pocket care-giving expenses paid on behalf of an elderly relative. The Dependent Care Tax Credit (DCTC) applies only to day care expenses for a child under age thirteen, or for expenses paid on behalf of a spouse or other dependent *living in the taxpayer's home*. It does not apply to expenses paid on behalf of an elderly relative who requires temporary or emergency personal care for an illness or needs ongoing medical help on a sporadic basis.

Under the Middle Class Opportunity Act of 2007 (S. 614), the DCTC would be expanded to include care-giving expenses paid on behalf of a parent or other elderly relative, even if they do not qualify as a dependent under the residency requirement of current tax code. If the residency requirement is eliminated, the maximum credit available to families making \$43,000 or more that are caring for two elderly parents would be \$1,200 per year.

(Endnotes)

¹ AARP,

In the Middle: A Report on Multicultural Boomers Coping with Family and Aging Issues, July 2001, Table 4, available at http://assets.aarp.org/rgcenter/il/in_the_middle.pdf

² AARP, *In the Middle: A Report on Multicultural Boomers Coping with Family and Aging Issues*, July 2001, Figure 2, available at http://assets.aarp.org/rgcenter/il/in_the_middle.pdf

³ U.S. Census Bureau, National Population Projections, available at <http://www.census.gov/population/www/projections/natsum-T3.html>

⁴ Richard W. Johnson and Joshua M. Wiener, "A Profile of Frail Older Americans and Their Caregivers," Urban Institute, The Retirement Project Occasional Paper Number 8, February 2006 Table 5.4

⁵ Charles R. Pierret, "The 'sandwich generation': women caring for parents and children," *Monthly Labor Review*, September 2006, Table 2.

⁶ Richard W. Johnson and Anthony T. Lo Sasso, "Parental Care at Midlife: Balancing Work and Family Responsibilities Near Retirement," Urban Institute, The Retirement Project Brief Series, No. 9, March 2000, p. 5.

⁷ Charles R. Pierret, "The 'sandwich generation': women caring for parents and children," *Monthly Labor Review*, September 2006, Table 7, available at

<http://www.bls.gov/opub/mlr/2006/09/art1full.pdf>

⁸ USA TODAY, "Retirees up against debt," January 23, 2007.