How the Sandwich Generation is Reshaping the Financial Planning Conversation for Advisors and Clients

Sherri Snelling, MAG

ABSTRACT

Among the 63 million family caregivers in the U.S., almost one-third are known as the sandwich generation, defined as those who care simultaneously for children and older family members, including parents and grandparents. Almost half of these caregivers are providing financial support for two generations, and many of the costs associated with caregiving were not planned for with financial advisors. The sandwich generation is changing workplace policies, housing trends, and more. It is also forcing financial advisors to evolve, shifting their focus from isolated goals, like retirement or college tuition, toward holistic wealth management viewed through the lens of family planning.

Vol. 80, No. 4 | pp. 12-16

This issue of the Journal was published June 2026.

On a recent financial advice call-in radio show, one caller was a man in his 40s caring for two teenage daughters and older parents. His stress was palpable as he discussed feeling "squeezed" between saving for his daughters' college tuitions while simultaneously taking on the financial burden of assisted living costs (at $12,000 a month); his older parents had already exhausted their savings. Meanwhile, he and his wife, who are relatively healthy, have stopped many of their own preventive health care needs, such as annual mammograms or prostate exams, after he recently lost his job and employer health care benefits (his wife is self-employed and relied on his health plan as a dependent).

A vast number of surveys and subsequent news headlines in the last year have trumpeted the plight of the *sandwich generation*, who are delaying homebuying, parenting, and even their own health care needs known as "health debt." This caregiving lifespan-health span-wealth span dilemma is happening all across America, and it is hitting the sandwich generation especially hard. Of the 63 million family caregivers—a role 20 million more Americans are playing since 2015—almost one-third (29 percent) are sandwich generation, meaning they care for young children or young adults while simultaneously caring for older family members, including parents and grandparents.[1]

While the term sandwich generation has been around for more than two decades, its population demographics keep changing. For instance, the majority of today's sandwich generation are part of the Generation X and millennial cohorts of people in their 40s and 50s, according to Pew Research Center 2021 data.[2] Their views are different from the boomers, who were the majority of the sandwich generation 25 years ago. For instance, recent studies reveal shifting demographics within today's sandwich generation. Key findings show that this group is increasingly composed of:

- **Highly Educated Adults**—Those with at least a bachelor's degree are more likely to be squeezed between generations (30 percent) compared to those with some college or less (20 percent).
- **Middle-Income Households**—Approximately 24 percent of middle-income adults now fall into this category.
- **Men**—The number of male caregivers in the sandwich generation is on the rise.
- **Younger Demographics**—Caregivers are trending younger than in previous years, with 45 percent now under the age of 50.

But the challenge for both caregivers and financial advisors is addressing the increasing financial pressures for the sandwich generation, known as a triple threat: 1) Fluctuating economic factors such as rising housing, gas, health care, and food costs; 2) covering these and other costs/savings for their children; and 3) covering some (or many) long-term care and other costs for their older parents.

According to the 2024 Retirement Risk Survey, only about one-half of pre-retirees felt prepared for a variety of types of familial costs. And while half of respondents did report feeling prepared, based on other Society of Actuaries (SOA) Research Institute studies, there is a strong likelihood that pre-retirees overestimate their preparedness.[3] According to one survey of 2,000 parents, 60 percent of family caregivers spent 20 percent or more of their annual household income on child care in 2025, up from 51 percent of families in 2021. Meanwhile, the median cost of a home health aide for an older parent climbed 10 percent last year to $80,080.[4] While parents often budget for child care costs, few had any idea what long-term care costs would be for an older parent or that they may need to pick up that tab.

Further, a person who is 40 years old and contributes $1,500 a month over 5 years to support an aging parent stands to lose more than $1 million in retirement savings, according to an analysis by Steph Wagner, National Director of Women and Wealth at Northern Trust Wealth Management.[5] Again, the impact to an individual retirement plan has to include a review of some of the unforeseen, but very likely, costs of care for an older loved one.

This is where financial advisors can play a valuable role in not only retirement planning, but also family longevity financial planning. In fact, may advisors are finding new clients among their current clientele, with some advisors having three generations of clients in one family.

Below are two key areas that financial advisors should know about in order to successfully guide clients through the sandwich generation years and beyond: housing and family planning.

Housing and the Sandwich Generation

According to the National Association of Realtors, the median age of first-time homebuyers is now age 40, up from age 30 in 1990. This delay in home ownership is driven by housing prices rising nearly twice as fast as income, and it takes more than three times as long (average from 3 years to 10 years) to save for a down payment.[6]

However, buying a home not only provides stability (and for many, a sense of accomplishment in the American dream), but it also serves as one of the most reliable paths to wealth-building. Purchasing a home by age 30 is associated with a 22.5 percent higher net worth (+$119,000) at age 50 compared to buying at age 40, highlighting how a longer accumulation window compounds financial security.[7]

The sandwich generation's view on home ownership and housing costs takes two different paths.

First, some view caregiving and costs of care as a barrier to home buying. Second, others believe that caregiving has made home ownership achievable.

One recent Realtor.com survey on the sandwich generation and home ownership found one in three respondents have been prevented from buying a home, and another 30 percent say they have been prevented from paying off their mortgage. However, another third said that their caregiving situation has helped them afford a first-time home.[8]

There are now multiple options for families to explore in order to achieve their home ownership dreams and perform their familial responsibilities at the same time. For instance, a young couple with a small child may need childcare as both parents work. Living closer to one set of grandparents can help alleviate some of these costs as grandparents can care for children during the day, while knowing their family will be near if their health or other emergencies arise.

Parents are housing married adult children in their homes or on-property adult-dwelling units (ADUs), which include converted garages, pre-fab pods, and Japan's mobile, upcycled water tank homes ("Taku-Tanku"). Not only does this provide affordability, but also eco-sustainability that Generation X, millennials, and Generation Z embrace.

This living arrangement also allows the younger couple to pay down high student loan debt and start saving for a new home down payment while also being available to perform sweat equity. Sweat equity refers to making needed home modifications for older loved ones, many of whom live in "Peter Pan" homes (homes built for people who supposedly will never grow old). A U.S. Census Bureau survey estimated that half of current home inventory was built before 1980, with about 35 percent built before 1970, making these homes 40-50 years old.[9] Only 1 percent of the 100 million homes in the U.S. offer any type of universal design to accommodate the safety and accessibility needed by older adults experiencing the longevity boom years.[10]

In addition to these creative ways to adapt current homes into familial compounds, the trend in multigenerational living—defined as three generations in the same living space—has been on the rise for several years but is now escalated given the economic challenges for young home buyers. From 1971 to 2021, the number of people living in multigenerational households quadrupled, totaling almost 60 million people or 18 percent of the U.S. population.[11] Home builders have taken note as Lennar, the Toll Brothers, and others are building intentional "multi-gen" communities that have high walkability scores to other services, such as food, health, schools, and entertainment.

In these multi-gen communities, the main home is where older or younger parents live with an attached "granny apartment" that allows for safety, connectivity, and privacy of the older/younger couple or family member. The apartment can be used for parents, grandparents, young adults returning from college but want independence, or young couples saving for their own home down payment. And, when older loved ones have passed or moved into a senior assisted living community, or the younger couple moves out, the apartment becomes a rental income to help cover mortgage and home maintenance costs for the main homeowner. This allows young couples who do not have the down payment funds, but can afford a monthly mortgage payment, to move in with older parents or grandparents who have the savings for a down payment, but who in turn pay no or minimal rent to their adult children. Home ownership and long-term care needs can be met for all generations in these new home communities.

Family Planning and the Sandwich Generation

Beyond home buying dreams, younger generations, such as Generation Z (defined as those born 1997 – 2012), are delaying having children, making them more likely to be part of the sandwich generation. Waiting until their 30s to have children means these couples will most likely be facing the challenge of also having older parents who may need their caregiving help, rather than healthy, active grandparents who can help with childcare. There is also a high likelihood these older couples may face increased costs with fertility treatments, creating additional stress on top of elder care stress.

Yet, in a recent poll, 68 percent of the Generation Z participants reported it is not the desire, but rather the costs associated with starting a family that has created this delay. Sixty-nine percent of both Generation Z and millennials are concerned about future senior caregiving financial responsibilities, giving rise to the label *the Gen Z readiness paradox*.[12]

Caregiving of older parents and grandparents has definitely shaped the younger generation's view on planning their future and for good reason. A 2026 Care.com Costs of Care Survey found that among the 3,000 employees who responded, 37 percent of the sandwich generation have hired senior care help in the last year. In fact, these sandwiched family caregivers at work have spent 20 percent of their annual income on child care and 17 percent on senior care.[13]

This concern of younger generations who face caring for two generations or more (longevity statistics show we will have 4-7 generations living at the same time) underscores the Generation X creed "reality bites." More than 4 in 10 U.S. adults under age 65 (45 percent) are not confident they will have enough income and assets to last through their retirement years. Some say they won't be able to retire at all.[14]

A recent poll asked family caregivers what would help them most, and 69 percent responded with financial assistance or subsidies for caregiving expenses.[15] Other research shows most family caregivers (78 percent) would favor tax credits to help pay for caregiving.[16] It is one of the reasons why NAIFA has joined other national caregiving organizations to urge Congress to pass the Lowering Costs for Caregivers Act.

While we await legislation that can help, the future for financial advisors is to look beyond the traditional retirement and college tuition planning process, and lead clients in their longevity family planning decisions across the lifespan. ■

Sherri Snelling, MAG, is a corporate gerontologist, author, podcast host, and CEO of the Caregiving Club, a strategic consulting and educational content firm with expertise in longevity, caregiving, Alzheimer's/brain health, women's wellness, well home design, and financial gerontology. Sherri has more than 25 years of experience in health care, aging, and caregiving with senior leadership roles at UnitedHealthcare, Keck Medicine of USC and as Chairman of the National Alliance for Caregiving. She has a master's in gerontology from USC Leonard Davis School of Gerontology and master's certifications from MIT Sloan School of Business on the future of the workplace and Harvard University on positivity psychology. She can be reached at: sherri@caregivingclub.com.

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