



## Family caregivers and retirement planning

**MADISON, Wis** - Informal caregivers provide more care in the home—free of charge— than the federal government provides in all other caregiving settings combined. Informal caregivers are those who provide unpaid care and financial support to family or friends with chronic illnesses or disabilities. “They are the backbone on our country’s long-term care system,” says Mary Brintnall-Peterson, University of Wisconsin-Extension program specialist in aging.

As many as 52 million Americans, or 31 percent of the adult population, are informal caregivers, according to the U.S. Dept of Health and Human Services. Almost one-quarter of U.S. households provide care to relatives or friends who are 50 or older, providing services estimated at \$257 billion annually. In Wisconsin, family caregivers provide almost \$4 billion in caregiving services annually, placing the state 18th in the nation for the dollar value caregivers contribute to the economy, says Brintnall-Peterson.

Caregivers often make major sacrifices to take on their role, but this decision can also have short-term financial consequences, such as reduced wages and reduced job security, as well as long-term consequences to their financial status in retirement. Retirement security for family and informal caregivers can be affected in four major ways, according to a policy brief by Laurie Young of the Older Women’s League and Sandra Newman of the Family Caregiver Alliance.

First, caregivers may experience reduced Social Security benefits, which are based on earnings. Low lifetime earnings may result from the wage gap from working in traditionally low-paying fields, part-time work, time out of the workforce, or retiring before the normal retirement age.

Second, caregivers may have limited access to employer-sponsored pensions. These are usually tied to salary, so part-time and low-paying fields are less likely to include pension coverage.

Third, due to a move from full-time to part-time work, or taking leave, some working caregivers may not be able to maintain a full-time employment schedule. Caregivers may choose to leave the workforce permanently or take an extended leave.

Fourth, caregivers may have limited personal savings. Caregiving is expensive. Some families may spend down their savings to pay for the high costs of disability and chronic illness, or to qualify for Medical benefits, leaving few assets for retirement. Time out of the workforce, and time off without a paycheck can also reduce their ability to save.

Because as many as 13 percent of working caregivers may leave the workforce early to provide care for a family member, the reduction in their benefits can have a serious impact on retirement income. This is partly because Social Security plays such a major role in retirement. In fact, for 17 percent of older adults, Social Security is the only source of retirement income, and for another 25 percent, it is the primary resource, representing around 90 percent of retirement income, according to AARP.

“Nearly three-quarters of the informal caregivers to older people are women, often adult daughters,” Brintnall-Peterson says. “These women face unique challenges when it comes to retirement savings.”

“In addition to juggling a career and caring for a parent, partner or spouse, the typical caregiver may be the primary caregiver for her children,” says Brintnall-Peterson, “and in a growing number of families, for her grandchildren as well.” Lower-income women are more likely to have a family member who needs care and lives with them. The sum experience of lower lifetime wages, workforce segregation and a greater tendency to move in and out of the workforce raising

children and caring for family and friends can seriously impact women's retirement income.

With long-term care costs increasing and more pressure on families to provide care in the home, a growing number of informal caregivers will need a more coherent system of retirement savings. Such a system would better reflect caregivers' variable work patterns, help reduce some of the financial risk associated with caregiving, and help employers find ways to better address caregiver needs in retirement.

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