FINANCIAL PLANNING FOR **THE SANDWICH GENERATION**

With responsibilities at both ends — their parents and their children — the sandwich generation is struggling to plan for their own retirement. The current economic volatility is only making things worse. We look at some strategies that will help them navigate the challenges.

BY **KHAIRANI AFIFI NOORDIN**

Brenda Yong was still in her twenties when she was appointed the division head of a public listed company. She considered herself financially secure — until her mother was diagnosed with cancer. With toddlers of her own, she shouldered the financial responsibility at both ends, and found this crushing.

"At the time, nobody taught me about financial planning. I only knew how to work hard and make money, but not how to work smart with the money," says Yong.

After discussing the matter with her husband, they decided that they would do whatever they could to pay the medical bills. "I had a medical card for my mom, but as I was not very financially literate at the time, it only allowed me to make a claim once. After that, I had to pay everything myself. I had to sell my property and my car, pawn my jewellery and use all the money in my fixed deposit accounts to pay her medical bills," she says.

All this drove Yong to learn more about how to manage her wealth more wisely. Today, she is a licensed financial adviser and group managing director of KP Global Holdings Sdn Bhd.

"I said to myself, 'What is the point of being on top if I do not know how to organise my wealth or even how to structure it?' This led me to taking a professional course in financial planning and applying the knowledge that I obtained," she says.

Yong's story is just one of the many that tell of the pitfalls of being in the sandwich generation. With responsibilities at both ends — their parents and their children — this generation, usually between 40 and 55 years old, are struggling to plan for their own retirement wisely.

"Their parents are at the age when medical issues start to kick in. And they don't give you insurance after the age of 69, when heart attacks and strokes tend to happen. At the same time, they are sending their children to school and college and have to pay their tuition fees, among other things. All this adds to their financial burden," says Yong.

The current economic volatility and uncertainty only makes things worse, says Robert Foo of MyFP Services Sdn Bhd. "A lot of things are uncertain. There's now more volatility globally in terms of income. I was talking to somebody who was retrenched after working with MAS for 20 years. Now, he has to sell cakes before he can build a new set of skills and find another job. Imagine the impact of that. So people have to plan, especially nowadays. They really, really have to plan."

Foo says those who belong to the sandwich generation are even more pressured in having to take care of their parents and children if their parents did not build a nest egg for themselves. The rise in basic asset prices, living expenses and consumables as well as the implementation of the Goods and Services Tax certainly add to the challenge.

The problem with Malaysians, he adds, is that they have a laidback view of life after retirement. They don't consider things such as increasing life expectancy and how they are going to support themselves during this time. According to the World Health Organization, the average life expectancy of Malaysians has risen from 70.3 in 1990 to 74.1 in 2013.

"If you retire at 60 and live up to 80, you still have 20 years to fund yourself. At that time, the expenditure is higher than when you started and you cannot control some of the expenses such as health and education expenses," says Foo.

GENERATING MORE INCOME AND INVESTMENT OPTIONS

Kam Teik Guan, associate partner at IPP Wealth Planners Sdn Bhd, says the sandwich generation needs to make a more conscious effort to spend within their means. "Know your financial position. Yes, you love your parents, but you must know how to use your resources and help them at the same time. It doesn't mean that you can splurge and just swipe your credit card. Don't get into unnecessary debt just because you want to give your parents the best. You have to be practical about it," he adds.

To prepare for any unforeseen circumstances, Kam says it is best that people set up an emergency fund. "You want to have a pool of funds that you can use for emergencies instead of using money from other sources. This emergency fund can be for your parents' medical bills, your car repairs, house repairs, hospitalisation and other practical matters."

If the sandwich generation is unable to generate enough income to cover their expenses, they would have to delay their retirement and try to generate multiple sources of income, says Foo.

"If you have so many goals when you have so many obligations, then that is your responsibility. Try to have two or three sources of income to supplement your needs. Maybe rental income or a small business you can run or find someone to run for you," he adds.

"This is not uncommon in Taiwan. Some people have three jobs. It is not just to make ends meet, but to reach their financial goals."

Yong says something the sandwich generation may want to consider is starting a home or online business. "Nowadays, if you look at the market, everything is a home business. If you ask any random man on the street, there's a high chance that he has some sort of home or online business that he runs on the side. Those days you had to work hard but nowadays, you have to work smart."

However, she warns that while it is good to generate extra income to supplement their retirement needs, they need to be careful not to get scammed, especially by getting themselves involved in get-rich-quick schemes.

"Because they are stuck [in the sandwich], they might resort to get-rich-quick schemes. There are a lot of these schemes in the market. Some even fly to China, thinking that the return on investment looks good, place RM60,000 there and hope to have good returns. People should avoid this," says Yong.

In terms of investment, if you have more time and loftier goals, it is all right to be aggressive to get a higher return, Foo says, adding that just because an investor is older does not mean that they have to be more conservative when investing.

"Of course, you need to be smart aggressive, not just simply aggressive and buy into all kinds of invest-

> **Nowadays, if you look at the market, everything is a home business. If you ask any random man on the street,** there's a high chance that he has some sort of home or online business that he runs on the side. Those days you had to work hard but nowadays, you have to work smart. > ***Yong***

Increase in life expectancy in the last 65 years

1950		1990		2015	
50 Years	47 Years	77.6 Years	72.9 Years	78.2 Years	73.5 Years

Private Healthcare Facilities and Services (private hospitals and other private healthcare facilities (Amendment) Order 2006 and 2013, Ministry of Health

TYPES OF DISEASE	ESTIMATED COST (RM) (SURGERIES ONLY) 2006	2013	TOTAL INCREASE (%)
Heart attack	9,035	10,335	About 14%
Stroke	6,145	7,030	
Chronic lung disease	6,335	7,250	
Dry cough	4,115	4,710	
Lung cancer	6,335	7,250	
Kidney disease	6,335	7,250	
Colon cancer	1,750	2,000	

Economist Intelligence Unit report on Asia's sandwich generation*

20% of Asia's working age population is in the sandwich generation

58% of sandwich generation members expect to care for their children into their 20s

39% of Asia's sandwich generation spend between 11% and 25% of their income caring for their parents

*Based on 2010 statistics

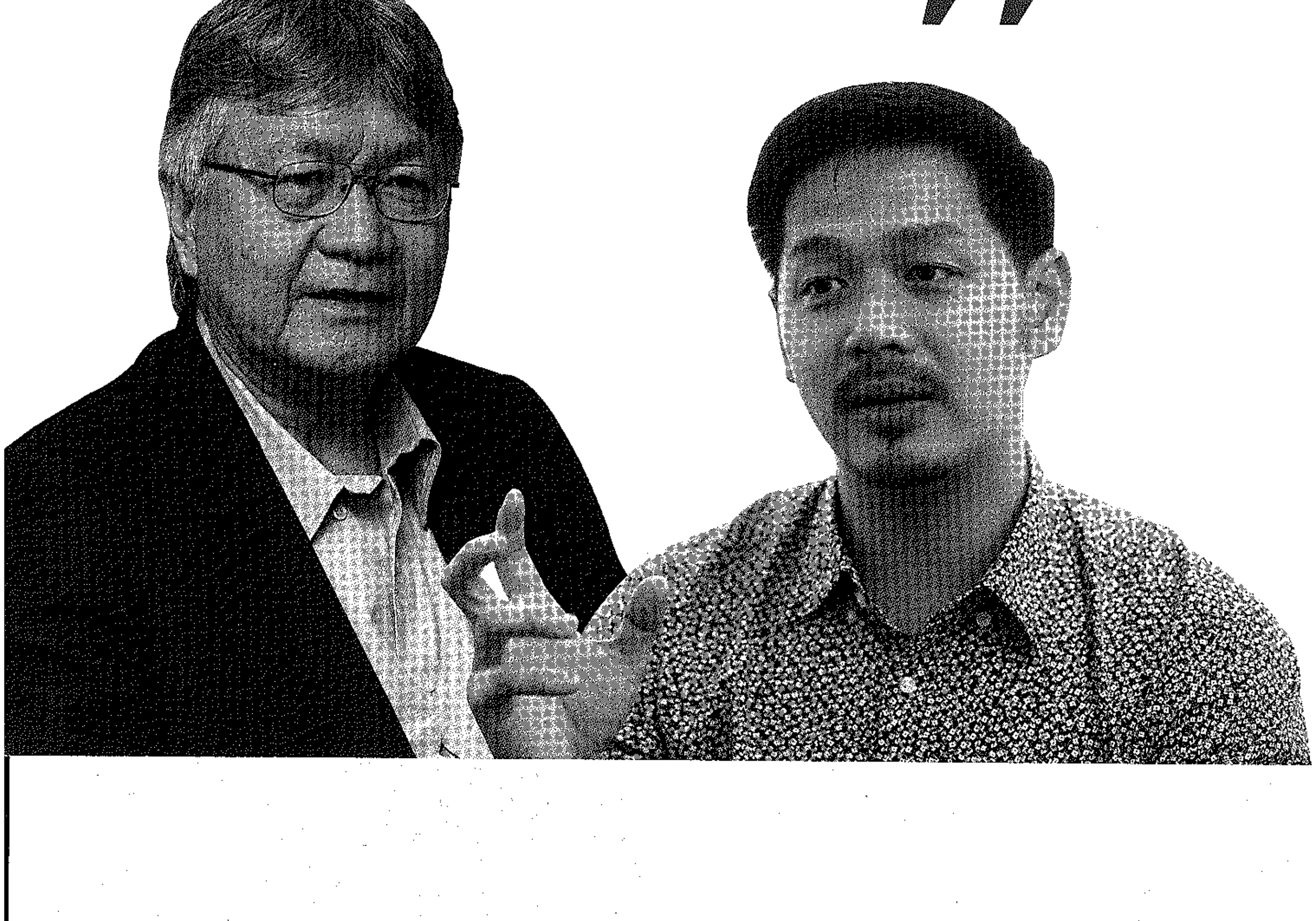
ments ... that is just being stupid aggressive. You must be smart and informed even though you are aggressive. It doesn't depend entirely on your age; it is based on how much time you have [to reach your goal]. If you don't know what to do, talk to an independent financial adviser," he says.

Foo advises investors to diversify by having a global perspective instead of only focusing on local investments as Malaysia's investible size is small. "Malaysia only represents 2.5% to 3% of the global investible size. If you are going to put all your money in the 2.5% opportunity, then you are not diversifying. So, when something happens, such as the ringgit falling from 3.20 to 4.40 [against the US dollar] within a span of a few months, you are dead!" he points out.

Sandwich generation investors must diversify their investments as much as they can to avoid being hit by any uncertainty or potential risks around the world, says Foo. "The worst thing is that once you are badly hit, chances are it is very hard for you to get back up."

> **The worst thing is that once you are badly hit,** chances are it is very hard for you to get back up. > ***Foo***

> **The sandwich generation is like a money-making machine. Every month, they provide money to their children and take care of their parents' expenses.** So, if this money-making machine breaks down, the tap stops. This will make it very difficult for the people they leave behind. > ***Kam***



SOLUTIONS TO LOOK OUT FOR

The sandwich generation's dependants will be hard hit in the event of the former's death. That is why they need to be especially thorough when it comes to estate planning.

"The sandwich generation is like a money-making machine. Every month, they provide money to their children and take care of their parents' expenses. So, if this money-making machine breaks down, the tap stops. This will make it very difficult for the people they leave behind," says Kam.

To make sure that their dependants have a sum of money that they can use to move on with life, those in the sandwich generation need to get themselves insured. "Getting insured is the cheapest way to guarantee money for those you leave behind. They can tell their family not to worry if anything happens to them because they have taken care of everything beforehand," says Kam.

The sandwich generation must also prepare a will so that their assets are distributed in the manner that they envision, he adds. "They would need to appoint a dutiful executor to make sure that their family members get the money every month even when they are no longer around. If they don't have an individual they can appoint, then they can just hire a trust company. The companies will charge a small fee, but they can rest assured that the money will go to their family."

Tan Mei Yin, assistant general manager for training and business development at Rockwills Corp Sdn Bhd, says getting a proper trustee and enforcing the trust instructions are important. When writing a will, a lot of people only think about whom they are giving their assets to without thinking about the long-term implications.

"For elderly parents, generally what they need is not the asset per se, but a roof over their heads and someone to help them out with their medical fees and living expenses. It's more about giving them financial assistance and provision," she explains.

"For their children, will they be mature enough to know how to manage the money and not to waste it? For all these concerns, those in the sandwich generation should set up certain conditions and restrictions, and the only way to do it legally is for you to issue and enforce a trust instruction."

If their parents can still qualify for insurance, the children should get them medical and personal accident insurance, says Kam. "The older our parents get, the more prone they are to get into accidents such as slipping in the toilet. Their sickness is normally due to accidents. So at least with personal accident insurance, if they fracture themselves, hospitalisation is covered."

People should be savvy when choosing a way to grow their funds for special purposes, says Foo. "Some people think that you should buy insurance policies to fund your children's education. I always tell my clients that this is the wrong thing to do. Insurance is just for protection. Never buy endowments or investments through insurance because it is a very inefficient way of building funds. If you want to invest, buy unit trust, property or shares — don't buy insurance."

Yong reminds those in the sandwich generation that if they are having trouble planning or managing their funds, it is best for them to reach out to certified financial advisers. "Find a financial adviser to help you navigate the numbers. If I'd had a financial adviser who really knows what he is talking about, I wouldn't have had to go through so much hardship," she says.

"Get an expert who can walk alongside you. A true financial adviser is a mixture of counsellor and life coach. It is not about pushing products. The financial adviser needs to know about your life before he sells you a product. If not how can he be your pillar of strength?"