

Aging & Family Caregiving: Why Should Financial Services Care?

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Abstract: Baby boomers are increasingly sandwiched between multiple roles as they take on caregiving responsibilities for children, parents, and themselves. Boomers are looking for novel services that will help them manage the time, money, and emotional energy that caregiving and its related responsibilities require, while also helping them to preserve their own independence. Innovative products delivered by financial services, retail banking, and other trusted channels will result in strengthened bonds with current clients and new affinity with the graying boomer consumer.

As the once perpetually young baby boomer generation grows into middle age and beyond, they are seeking services that preserve their independence as well as help them care for elderly and frail parents.

The financial services industry has significant strategic advantage to leverage its position with these new older boomers. To do that, the industry will have to innovate in new directions.

Companies and agents have the opportunity to serve as a trusted channel, advisor and planner for innovative services that are beyond pensions. Such services are those that support boomers in their competing roles of parent, adult child caring for elderly parents, and older adult investing in independence. See the accompanying chart for a refresher on some of the roles the boomers are already taking on in just one area, caregiving. These roles begin with a few simple tasks, such as social contact, and escalate in complexity and volume over time.

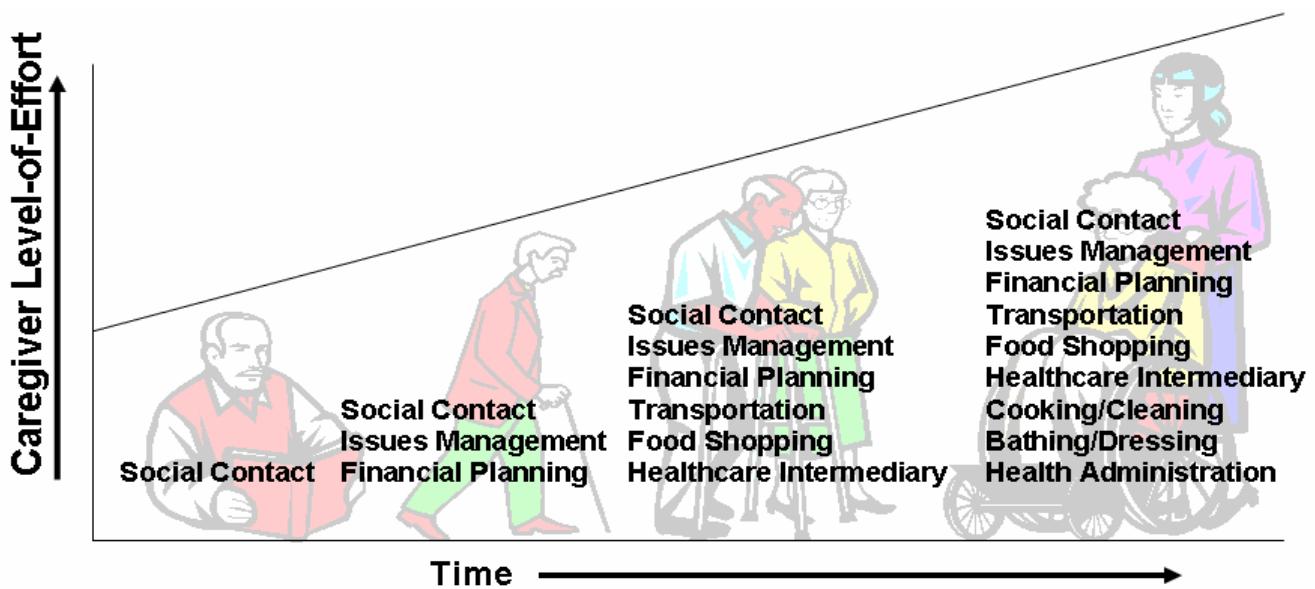
“Companies and agents have the opportunity to serve as a trusted advisor and planner for innovative services that are beyond pensions.”

Next Generation Eldercare

Caregiving describes the unpaid, often informal, labor that family members or others provide, primarily in support of an older adult. The duties of the caregiver cross multiple facets of life ranging from cooking, bathing, and dressing to finance, transportation, social interaction, and health care. Today, family members, family attorneys or accountants provide many of the surrounding services on an ad hoc basis. However, caregiving responsibilities most often rest on the shoulders of baby boomer women. The face of the typical caregiver is a 46 year old daughter who provides about 20 hours of care a week to an elderly mother (AARP, 2005).

Caregiving is not new but its surrounding roles and responsibilities have changed over time. In the past, caregiving was handled by families--the woman of the household in particular. However, a shift has occurred. Today the 46 year old woman is a mother, a worker, and a partner. What was once a private issue now has profound public and business impact, as the primary caregiver juggles work, home, and personal life.

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Cited in National Underwriter, 2005

Caregiving currently represents an enormous economic, time, and emotional cost. The estimated value of caregiving is between 200 and 257 billion dollars per year (Arno, 1999 as cited in AARP, 2005), while the time and energy required to deliver this value comes at a cost to personal lives and business productivity. The losses accrued due to absenteeism, workday interruptions, eldercare crises, and other related problems are estimated at over 33 billion dollars (MetLife Mature Market Institute, 2006). Thus, while helping to alleviate the mounting pressures imposed on caregivers, the truly innovative firm may transform today's costs to individuals and businesses into tomorrow's gateway conversation and product generator for financial services.

New Products, New Conversations

To traditional financial services providers, meeting many of the new needs of boomers may seem beyond the core business of retirement planning and investment, life insurance, annuities, and long term care products. However, the demands of the new old should be viewed as a challenge to the financial services industry—a call to innovate and invent new products, services and distribution channels.

A full range of new services, such as funeral planning, widow benefits and support, household financial management, elder care services, geriatric assessment and management, etc., are a few of the innovations at the edge of the industry today.

These financially-related innovations are likely to become among the most profitable segments of an industry starved for novel products and new reasons to engage the consumer.

For example, while long term care insurance has been dead on arrival for most baby boomer consumers, death services appear to be alive and well. One Texas-based firm has aligned with a Midwest insurer now to offer a product that provides a concierge funeral planning service along with an insurance product to pay for the funeral at any provider throughout North America. The service has power alone, but perhaps more importantly, provides a gateway product for agents to have a new conversation about the many other needs of an aging mom and dad.

Since these novel services will respond to the life stage demands of this robust, relatively wealthy and efficacious market, they will provide a new way for many financial services firms and their distribution networks to strengthen connections with existing clients. They will also extend the possibility of cross-selling existing products that otherwise never would have received attention from the consumer. The services will also enable the financial services community to strike new affinity with the graying boomer consumer.

A frequent dilemma for an adult child—constrained by time and often distance—is troubleshooting home repairs in a parent's home. One financial firm now is

offering a product to insure the maintenance and replacement of home appliances for both the adult child and the parents.

Selected financial services firms in the United States and Europe, particularly retail banking in partnership with insurers, now are beginning to develop and test new products in this emerging market. For instance, one company is offering bill payment services for its older clients, particularly widows, and offering this service to adult children who are concerned for their parent's financial wellness.

In sum, the baby boom market is the first to have both the wealth and the demand for services to outsource much of life's demands from child and older adult family caregiving to personal aging. Meanwhile, the financial services industry is in an ideal and trusted position to reinvent services for an aging marketplace while the boomers reinvent aging.

Innovations and Insights

Financial services firms and retail banks should seek to:

- Understand where the baby boomers are in terms of both their financial and their caregiver status. Are they sandwiched between college-age children and frail parents?
- Gain a practical understanding of what is important now in the care of elderly parents and the ability to translate that need into a proactive discussion for the boomers themselves. Consider what boomers will need to maintain their own independence as they age.

Innovation can begin with re-engineering existing products while developing new services including:

- Home maintenance services, e.g., home repair.
- Household services, e.g., routine housecleaning, organizing.

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- Home modification, e.g., modifying personal or parent's home to accommodate aging or age and disability.
- Financial management, e.g., payment of bills, special services for surviving spouses.
- Downsizing services, e.g., home relocation consultation, moving services for parents.
- Geriatric care management services, e.g., outsourcing of expertise to assess and manage the services necessary to support an elderly parent or spouse.
- Funeral planning, financing and provision.

Conversations around caregiving should be seen as a gateway opportunity to reinvigorate a relationship with an existing client and the means to begin a discussion with new prospects.

- Serve as a ‘solutions channel’ bringing financial products with trusted service providers to the aid of the baby boomer.
- Products and services, some of which are described above, may be offered to premium customers through wealth management services. Examples are to offer them as consultative services that are part of an LTC package, or as a cross-sell offering through an affinity group that may include credit card holders, professional societies, religious groups or employers with a large number of adult child caregivers.

Caregiving is a personal problem with profound public impact. Creative development of novel products and services offered through financial services, insurance companies, and retail banks are now poised to provide needed tools to a new generation of caregivers, while bringing innovation to product development and distribution.

--With contributions from Michelle Pratt and Vincent Lammers

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* An earlier version of this paper appeared as "Relief for 'Sandwiched' Boomers" in *National Underwriter*, 109(37), 12-13, 3.

About the AgeLab

The AgeLab is a multi-disciplinary research center dedicated to improving quality of life for older adults. Based within the Engineering Systems Division at Massachusetts Institute of Technology, the AgeLab is uniquely suited to translate cutting edge scientific and technological breakthroughs into innovative solutions that help address challenges posed by the world's aging population.

The AgeLab views longevity as an opportunity to innovate – to invent a new definition of quality living throughout the lifespan. AgeLab activities set agendas of government and business, serve as a catalyst for change, and act as platforms to create new ways to remain engaged, connected, independent, and healthy.

Funded by businesses around the world, AgeLab research focuses on transportation, health & wellness, caregiving, longevity planning, shopping, lifelong engagement, and even play. AgeLab research informs the design of new technologies, aids in government policy decisions in the United States and abroad, and educates older adults and their families on important consumer issues.

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