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The Pivot Spender Phenomenon: Boomers and Family Finance

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Abstract

This study examines the expanding role of aging Baby Boomers, from psychological and social cente of the nuclear family to financial center as well, assessing the degree and level of monetary suppor afforded to non-traditional dependents including elderly parents and adult children over age 18. As a result of improved health care and associated escalating costs, the typical older American is beginning to outlive their savings and render actua tables outdated. Concurrently, young adults are bot prolonging their college tenures and staying closer the parental nest following graduation, due in part the rising costs of independent living.

Together, these socioeconomic trends conspire to create a de facto parenting tax on Baby Boomers who choose to contribute to the financial support of senior parents and adult children. Boomers occupy the financial pivot point of the family, responsible for supplementing the income of senior parents and older children while meeting their primary financial obligations to spouse and at-home dependents. We have named these overachieving and overburdened Boomers the Pivot Spenders.

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Pivot Spender Patterns

When it comes to financial obligations, Baby Boomers are stretching resources farther than ever before, struggling to meet personal financial commitments while extending adjunct financial coverage to their a parents and children over age 18. At a time when society is bemoaning the plight of seniors, it is reward to learn that Boomers not only recognize the duty of filial care, but are factoring their money into the equation as well. Conversely, a failure-to-launch argument could be made for the prolonged financial dependency of older children on their Boomer parents.

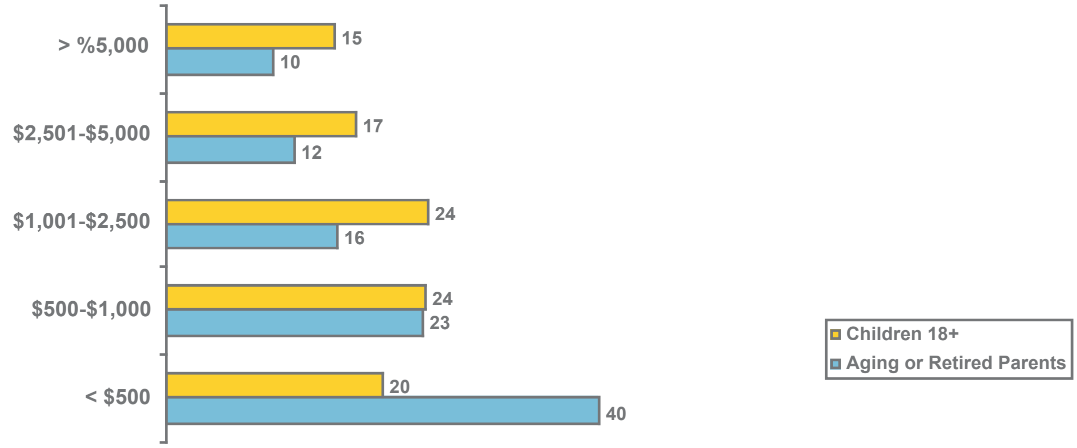
To quantify the impact and extent of the Pivot Spender phenomenon, Age Lessons and Nielsen Homescan & Spectra fielded a national study of 21,830 U.S. Baby Boomers in 2007. The online survey denominated the amount of non-gift monies spent on a parent or adult child annually, as well as the areas where financial support was applied, such as household help, credit card bills, loan payments, medical expenses, clothing, car maintenance, housing overhead and groceries.

Dollar Contribution

Almost half of all Baby Boomers [46%], defined as individuals born between 1946-1964, provide some degree of ongoing financial support to an adult child [24%] or aging parent [22%]. Annual spending was skewed toward children 18+, with 56% of Pivot Spenders contributing more than US$1,000 per year to these semi-dependents, whereas 38% of Boomers anted up US$1,000 or more for their elderly parents.

Roughly one-third of reporting Boomer households contributed more than US$2,500 annually to the upkeep of an adult child; 22% maintained that support level for elderly parents. At the opposite end of th generosity scale, nearly two-thirds of Boomer Pivot Spenders donated less than US$1,000 to the support of a retired parent, with 40% admitting to a negligible payment of less than US$500 per year.

Boomer Pivot Spender Annual Contribution Dollar Support by Segment



Source: Age Lessons/Homescan March 2007 PanelViews Survey

Nature of Support

The top three Boomer support categories on a percent-spent basis for aging or retired parents were groceries [45%], other [41%] and housing [37%]. Groceries also topped the list as the most popular suppc area for adult children [58%], followed by housing [47%] and car expenses [46%]. Boomers were 28% more likely to defray car expenses for a child than a parent, possibly due to the decreasing road time of senior citizen drivers, 20% more likely to buy clothing for young adults gearing-up with business appare and surprisingly, 15% more likely to cover medical and health care costs.

For both segments, senior parents and adult children, spending across support categories added up to a figure much greater than 100%, indicating that spending was spread over multiple categories. On the whole, the propensity to provide financial support increased along with the financial ability to do so, witl wealthiest households the most likely to lend a hand to both aging parents and adult children.

Most Popular Boomer Support Areas

Aging or Retired Parents			Children 18+	
Rank Order	**Category**	**% of $s**	**Category**	**% of $s**
1	Groceries	45	Groceries	58
2	Other	41	Housing	47
3	Housing	37	Car	46
4	Medical	22	Clothes	41
5	Clothes	21	Medical	37
6	Car	18	Other	17
7	Household Help	9	Pay Off Loans	13
8	Credit Cards	7	Credit Cards	12
9	Pay Off Loans	5	Household Help	2

Source: Age Lessons/Homescan March 2007 PanelViews Survey

Shopping Basket Contents

Additional analysis of Nielsen Homescan panel data revealed that households supporting an aging or retired parent shop differently from those buying for an adult child, with basket compositions that reflec lifestage and lifestyle concerns. Shopping trolleys for larger Boomer families caring for an aging parent include items with a common appeal to the tastes of the young and the old such as refrigerated pudding packaged milk, cookies, shelf stable juice drinks and non-carbonated soft drinks. Spices and extracts are a frequently seen item in senio supporter baskets, possibly a reflection of aging palates that requi more intense seasonings to register flavor. Personal and home hygiene concerns increase with age, as evidenced by shopping list itemizing bath needs, soaps, fragrances, toiletries, fresheners, deodorizers and household cleaners.

When the buying trip includes the needs of adult children, shoppin carts tend to contain more personal grooming items such as deodorant, hair care, fragrance, sanitary products, miscellaneous health and beauty items. Further validating the high ranking of car expenses in the earlier support-by-category findings, motor and vehic care accessories were a frequent purchase. Whereas no recreation, leisure or entertainment item indexec highly for senior-support shopping trolleys, the opposite held true for children 18+. Their market baske featured coolers, ice, film, camera, candles and charcoal, all the makings for a party.

Demographic Factors

Numerous demographic variables were examined in an attempt to better understand the profile of the typical Boomer Pivot Spender: household income, household size, female head of household age, presence of children by age, female head employment, female head education, race, household head occupation and census region.

Two measures were applied to each of these demographic variables: distribution of dollars [percent of tc dollars contributed], and a dollar index system where a value of 100 corresponds to a propensity to contribute that is consistent with the incidence in the population; values over 100 suggest a higher-thar expected contribution likelihood; values under 100 suggest a lower-than-expected contribution probabi

a] Income. Boomers supporting both an elderly parent and an adult child tended to represent higher income households with an index of 172 for incomes of US$100,000+ and an index of 121 for the US$70,000-$99,999 income band. Together, these two income groups accounted for 49.1% of all retirec parent/adult child support dollars.

b] Household Size. Similarly, the propensity to help a non-traditional dependent increased with househol size, with one member households indexing extremely low at 30, and five or more person households registering more than twice as high as expected at 231. The distribution of support dollars follows a different pattern. Three-to-four person households represented 40.2% of support dollars, with two pers households paying out 27.1% of support dollars and five-or- more person households close behind with 24.7% of support dollars.

c] Household Head/Age. Families with a head of household in the 45-54 age bracket were twice as likely as predicted to pitch in financially, with an index of 209, and accounted for 40.9% of total older parent/c support dollars. While households with a head age 55-64 boasted the next highest index at 163, the siz their dollar contribution was significantly less, representing just 22.6% of total support dollars.

d] Presence of Children by Age The families most willing [and possibly able] to ante up for retired parents and adult children also had children ages 13-17 residing at home [index=165]; families with younger children were less likely than expected to chip in with indices in the low to mid 80s. However, tl lion's share of dollars contributed [57.3%], originated in homes with no children under the age of 18.

e] Employment. There was virtually no difference between the willingness of those employed full- and part-time to tender support. There was, however, a significant gap in dollars spent, with full-time emplc chipping in 42% of support funds. Unexpectedly, the unemployed donated 32.8% of support dollars to th elderly parents and adult children, more than twice as much as those employed on a part-time basis.

f] Education: Those with the least amount of education, categorized as "not a high school graduate", had the highest dollar index at 150, but their share of dollars contributed was negligible at a meager 6.4%. C possible explanation for this dichotomy is that income corresponds positively with education, and despit demonstrably high level of positive intent, less educated households were simply unable to spare the money. Household heads with some college indexed at 119, and along with those household heads who were high school graduates, each paid in more than 29% of support dollars.

g] Race/Country of Origin: Non-white households were more likely to offer supplement monies to older dependents, but accounted for just 28.2% of monies contributed. Conversely, while white heads of household were less likely to proffer support [index=92], when they did open the family coffers, their contributions accounted for 71.8% of support dollars. Some of the differences captured by the ethnic variable may reflect the impact of cultural and religious strictures, with Hispanics registering the highest index at 177.

h] Occupation: The professional/managerial classification recorded the highest dollar index at 128 and tl highest dollar contribution of 36.4%. The fact that heads of household in the "not in work force" categor indexed low at 84, but ranked high in contributions with a 30.8 share of support dollars, may indicate th older Pivot Spenders who retired early with relatively high net worth tapped into savings to help out olde dependents.

i] Census Region: Southerners were the most likely to come forward with support [index=116] and accounted for the greatest share of support dollars [43.1%]. Westerners were next in line both in terms (the propensity index [108] and support dollar distribution [22.8%]. Possible explanations for the regiona skew could include the fact that thrifty Midwesterners saved enough money and wealthy Easterners mad enough money and thus do not require assistance from their Boomer children.

The above summary of demographic findings is based on results for households that support both an elderly parent and child over 18. Additional detail was also gathered for Pivot Spenders who support a retired parent only or an adult child only, and slight differences were observed across the various criteria

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Conclusion

In keeping with their legacy as the most influential age cohort on Earth, Boomers continue to lead by example, taking responsibility for social policy and enacting it on a small scale on the family stage. By reason of conscience and collective wealth, Boomers are uniquely positioned at the epicenter of the fami unit, responsible for the mental, physical and financial well-being of their spouse, young children, immediate household, aging parents and adult children.

As the timelines for young adulthood and old age become further extended by popular convention, the combination of escalating housing expense, skyrocketing health care costs and an alarming rise in the overall cost of living make it difficult for those on a fixed income or starter salary to live independently without some supplementary financial assistance. Once again, Boomers enter the fray as champion of th financially fraught, with nearly half of Boomers chipping in to help cover the cost of essential goods and services for a new class of financial dependents--senior parents and adult children.

The term Pivot Spender was coined to evoke the image of Baby Boomers sitting at the financial fulcrum c the family, dispensing funds in the direction of multiple family members. Pivot Spending itself is a relativ new development brought on by more people living longer lives and thus requiring financial support tha exceeds retirement savings, and a new sub-class of needy young adults whose consumption habits outstrip their earnings capacity. Fortunately, Boomers are proving both willing and able to help.

Alert marketers will take note of the ever-expanding influence of Boomer buyers and their ability to shape the shopping habits and decisions of both younger and older age cohorts. By controlling the purse strings, Pivot Spenders are in a position t exert de facto pressure to sway dependent purchases toward brands and products that Boomers believe deliver the best value for their money. This learning is especially significant for the providers of considered purchase and big ticket items, where a financial contribution from the Pivot Spender and tacit approval of the purchase will be required.

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Company

Age Lessons is a “thinking firm”, part think tank and part consulting firm, that converts knowledge of the Baby Boomer cohort into business opportunities and policy recommendations for private and public sect clients. The company provides a barometer on Boomer needs, wants and values in five life areas: 1] finance/money, 2] wellness/body, 3] values/spirit, 4] career/work, and 5] social/play.
Age Lessons is a founder member of the International Mature Marketing Network [IMMN], the first and only global association to champion 40+ marketing. IMMN is a non-profit consortium of marketers, advertisers, agency execs, manufacturers, publicists, media, academics and researchers focused on the 40+ consumer, a market of growing size and influence around the world.

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