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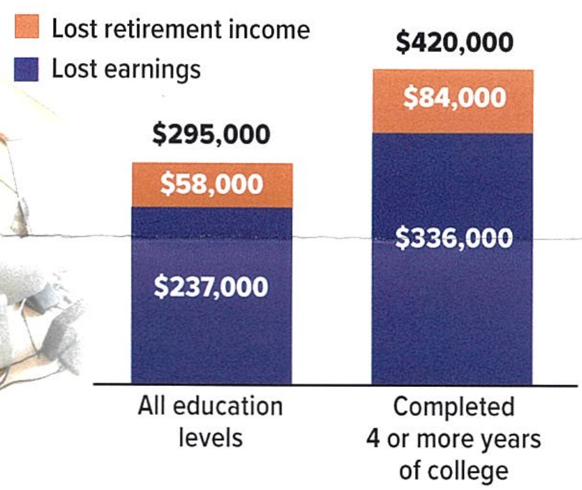
The Price Moms Pay for Caregiving

The time out of the workforce that women spend caring for children or aging parents often comes at great personal cost and can have long-lasting financial impacts. A new report prepared for the U.S. Department of Labor's Women's Bureau used a sophisticated simulation to estimate mothers' economic losses from providing unpaid family care. Researchers found that caregiving reduces the lifetime earnings of mothers by 15%, on average, which in turn diminishes their retirement income.

Average lifetime employment-related cost of providing unpaid care, mothers born between 1981 and 1985 (2021 inflation-adjusted dollars)



Source: The Urban Institute, 2023

$43,000

The estimated average lifetime employment-related cost of providing care to parents, parents in-law, partners, and spouses. Of course, this cost estimate doesn't account for lost leisure time or the physical and mental stress that can impact a caregiver's quality of life. About one in six adults age 55 and over — 17% of women and 16% of men — provide unpaid adult care.

Source: The Urban Institute, 2023

Fixed Annuities: Retirement Income for Now or Later

Given the potential for stock and bond markets to fluctuate widely, it's easy to see why many near-retirees come to appreciate fixed annuities — insurance contracts that guarantee a specified rate of return. A fixed annuity maintains its value regardless of market conditions, and yields on these products have risen in response to the higher interest rate environment.

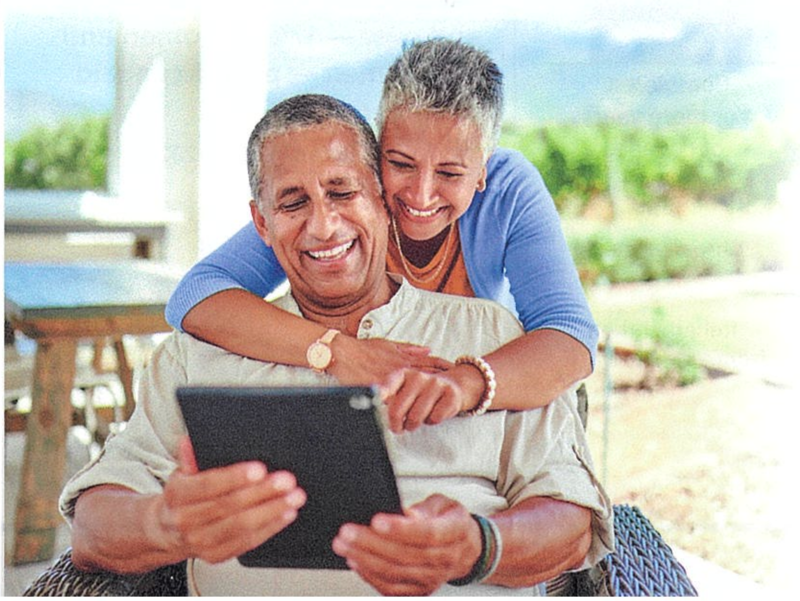
When you purchase a fixed annuity, you are shifting the risk for future investment returns to the insurance company. It's also a way to create a pension-like income stream for retirement, starting right away or when you are older.

Timing and Tax Benefits

An *immediate fixed annuity* is usually purchased at the beginning of retirement, often with a lump-sum premium. The fixed payments start within 12 months from the date the annuity is purchased and continue for the duration of the contract.

With a *deferred fixed annuity*, you can make a series of premium payments, and the income is delayed until a future date of your choosing. This type of annuity can be used to save for retirement or to provide income in your later years. The income payments reflect the value of the premiums paid, the annuity's compounded return, and the length of the payout period (or your life expectancy). Thus, the longer you defer your annuity, the higher the payout can be.

Unlike tax-advantaged workplace plans and IRAs, annuities have no annual contribution limits, so they present an opportunity to save as much as you want for the future on a tax-deferred basis.



Unlike tax-advantaged workplace plans and IRAs, annuities have no annual contribution limits, so they present an opportunity to save as much as you want for the future on a tax-deferred basis. When annuities are purchased with after-tax dollars, only the earnings portion of withdrawals is taxable as ordinary income. (Early withdrawals prior to age 59½ may be subject to a 10% penalty.)

Annuitization Options

Converting the funds in an annuity to an income stream is called annuitization. A deferred annuity contract will specify the date at which you can annuitize and begin to receive payments as defined in the contract, but generally you are not required to do so at that time.

Before annuitization, you can withdraw some or all of the annuity funds in a lump sum or a series of distributions. However, surrender charges typically apply if you withdraw more than a specified amount before the end of the surrender period. If you die before annuitizing, your heirs would receive the funds accumulated in the annuity.

Whether you purchase an immediate or deferred fixed annuity, you'll have options for the income stream you will receive during the annuitization period. A straight, guaranteed lifetime income will provide the highest monthly payments and help protect against the risk of outliving your savings. But payments will typically end when you die, with no funds going to your heirs. A "period certain" provides income for a fixed number of years and will go to your heirs if you die before the end of the period, but you risk running out of income if you live beyond the period. "Life with a period certain" guarantees you a lifetime income along with a window of time in which it can pass to your heirs, but payments are generally lower.

Annuities are not appropriate for every investor. There are contract limitations, fees, expenses, exclusions, holding periods, termination provisions, and terms for keeping an annuity in force. Optional benefits or riders are available for an additional fee. Withdrawals reduce annuity benefits and values. Investors should be aware that when they purchase a fixed annuity, they may sacrifice the opportunity for higher returns that might be available in the financial markets, and that inflation could reduce the future purchasing power of their annuity payouts. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Annuities are not guaranteed by the FDIC or any other government agency. They are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association.

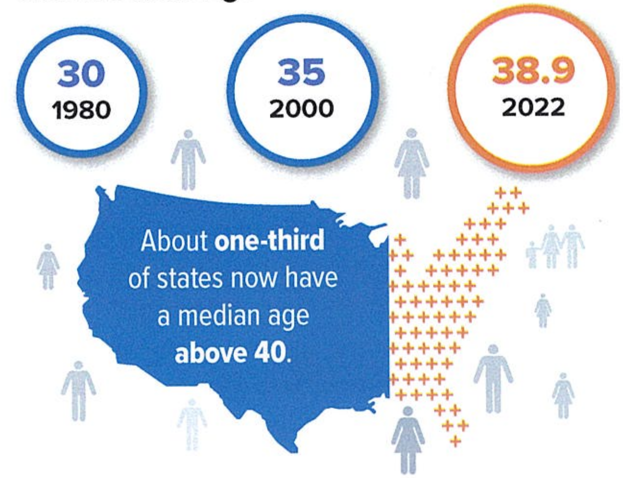
The United States Is Older Than Ever Before

The median age of the U.S. population rose to a record high of 38.9 in 2022, primarily because birth rates have declined in recent decades. More women have been going to college and focusing on building careers in their 20s, causing many to marry older and have fewer children.

About one-third of states now have a median age above 40. Maine is the oldest state (44.8), followed by New Hampshire (43.3). Utah (31.9), the District of Columbia (34.8), and Texas (35.5) have the youngest median ages in the nation. The United States is not the only graying society, nor the oldest: the median age in Europe is 44.

Even so, this demographic trend has implications for the U.S. workforce, economic growth, and government programs such as Social Security and Medicare, which are funded with payroll taxes. As baby boomers continue to age into retirement, there are simply fewer workers to support the growing number of retired beneficiaries.

U.S. Median Age



Sources: U.S. Census Bureau, 2023; *The New York Times*, June 22, 2023

Where Will You Live as You Grow Older?

Many people would rather not think about the consequences of aging in general, much less the possibility that they might need help meeting their daily medical or personal needs in the future. Yet recent research projects that most Americans (56%) who are age 65 or older will require long-term care support and services in their lifetimes.[1]

For this reason, there may come a time when you rethink the practicality of your living situation. And planning ahead could help ensure that you will have access to the type of care you need, in the setting that you prefer, as you age. Here are some common options to consider.

Your Home

Given a choice, you might prefer to receive care in your own home, as it offers a measure of independence in a familiar environment. Family caregivers, friends, or paid workers could assist with everyday tasks, and professionals such as nurses and home health aides could provide home health care. In addition, a variety of community support services may be available, including adult day-care centers and transportation services.

Assisted Living Facilities

If you want to remain independent but need some help with activities of daily living on a regular basis, you might choose to live in an assisted living facility. These home-like facilities offer housing, meals, and custodial care (help with bathing, dressing, housecleaning, etc.) but generally not medical or nursing services.

Continuing Care Retirement Communities

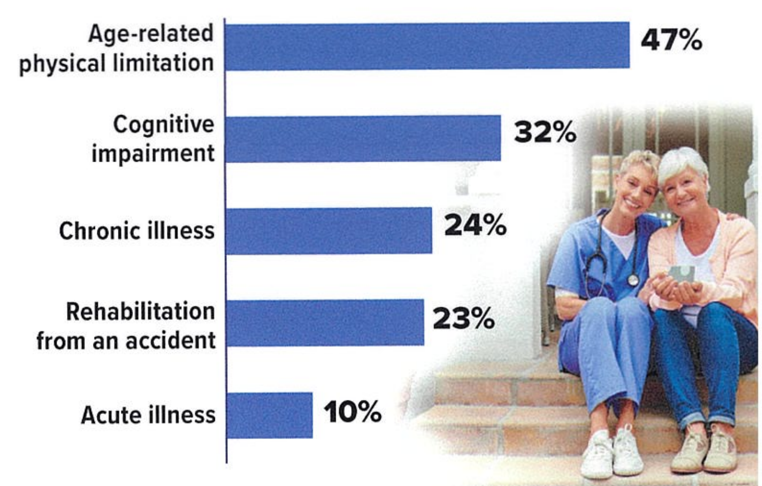
Also known as life plan communities, CCRCs provide a range of services — from independent living to full-time skilled nursing care — all in the same location, allowing you to age in place. The housing options offered by CCRCs may include townhouses or cottages for independent living, assisted living apartments, and nursing home accommodations.

Nursing Homes

Nursing homes are generally the most expensive (and least desirable) option, but they are often a last resort for those with serious health conditions who can no longer take care of themselves. State-licensed nursing facilities offer more specialized skilled care, custodial care, and intermediate care — which is for individuals who were hospitalized and require rehabilitation and additional support until they are well enough to return home.

1) U.S. Department of Health and Human Services, 2022

Why People Need Care



Source: Genworth, 2021 (multiple responses allowed)

Get Ready to Visit the Metaverse

If you can't help but notice a growing fascination with "the metaverse," both in pop culture and the financial news, you may be wondering what all the buzz is about. Contrary to how it sounds, there is no single, definitive metaverse — at least not yet. The term refers broadly to the various 3-D digital spaces that are being created with emerging technologies such as virtual reality (VR), augmented reality (AR), and artificial intelligence (AI), so that people can have more lifelike online experiences.

Giant tech companies and innovative start-ups have already spent billions of dollars to build virtual worlds and develop related software, devices, and accessories (such as headsets, bodysuits, and gloves with sensors). And some of them have little to show for it but steep losses.[1]

Even so, continuing expansion of the metaverse is expected to have a major impact on the real business world, potentially to the tune of $100 billion by the end of the decade.[2]

Is It the Future or Just a Game?

With virtual reality, users can interact with the digital images and video that they see inside their goggles. Augmented reality means that digital content is overlaid on top of real-world views. Mixed-reality applications combine elements of VR and AR. Each user is depicted by an avatar that represents that person's online identity.

As it stands now, social gaming platforms are the most popular and familiar example of the metaverse. However, early adopters have donned their headsets to participate in immersive workout sessions and attend virtual live events such as concerts and music festivals. One survey found that many people can see themselves using the metaverse to shop (48%), seek health care (47%), travel virtually to other places (46%), catch up with friends and family (45%), learn something new (43%), collaborate with others (35%), or even go on a date (28%) — in the next five years.[3]

Tech moguls seem confident that the metaverse is the inevitable evolution of the internet. Still, it's yet to be seen how compelling these virtual worlds will turn out to be. And with cutting-edge devices selling for $1,500 to $3,000 and up, it could be a while until access to the metaverse is affordable enough for the typical consumer.[4]

1–2, 4) Bloomberg.com, January 23, 2023
3) McKinsey, 2022

Amount of time that people expect to spend in the metaverse in five years, by generation (hours per day)

Source: McKinsey, 2022