REPORT

The MetLife Report on American Grandparents

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New Insights for a New Generation of Grandparents

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In collaboration with
Peter Francese
Francese, LLC

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Executive Summary

Grandparents have been an important part of families throughout human history. In ancient times they were the repository of critical resource knowledge vital to the survival of their offspring's families, and, in the event of an adult child's early death, they cared for any grandchildren.

In Colonial America, grandparents were not so common due to their shorter life expectancy, compared to today. But historical records reveal that grandparents often provided childcare for toddlers while parents worked their farms. Older children were called upon to care for an elderly, frail, or destitute grandparent. By the early 1900s, the transition to a more urban and industrialized economy meant that many elderly grandparents, once so valuable on the farms, were more frequently viewed as a burden both to their families and to the society at large.

The introduction of Social Security and, subsequently, Medicare changed everything. During the last half of the 20th Century, the vast majority of grandparents were able to live independently, and thus could more positively interact with their adult children and grandchildren.

Today, the Norman Rockwell image persists of grandparents as aged, white-haired grandmothers and grandfathers — the ones for whom National Grandparents Day was inaugurated in 1978. The reality is quite something else. Back in 1980, when that image was closer to reality, there were fewer than 40 million mostly quite elderly grandparents in a young nation where half of the population was under 30 years old.

Based on data from the U.S. Census Bureau and the Bureau of Labor Statistics, by 2010, we estimate that there were some 65 million grandparents in the nation where almost half the population was over 40, and more than one in every four adults was a grandparent. Rather than being old and frail, a majority of grandparents today are working age Baby Boomers between 45 and 64 years old. Three-quarters of the people in that age range are in the workforce and most of them work full-time.

A long way from being dependent, households that are headed by someone 45 to 64 years old command almost half (46%) of the nation's total household income. If households older than age 65 are added in, the grandparent age share of the nation's income rises to 60%, which is a full 10 percentage points higher than it was in 1980.

There is no doubt that in today's complex global and information-based economy grandparents are still the repository of critical resource knowledge that will benefit both their adult children and grandchildren well into the future.

Key Findings

- The numbers of grandparents are at record highs and still growing at more than twice the overall population growth rate. There were an estimated 65 million grandmothers and grandfathers in 2010. By 2020, they are projected to reach 80 million, at which time they will be nearly one-in-three adults.

- A majority of grandparents today are Baby Boomers ages 45 to 64 years old. As a result, today's grandparents are more likely to be college graduates and fully employed than at any time in the past.

- About one in every ten households headed by someone who is a grandparent has at least one grandchild living with them. Part of the reason for this is the recession-driven high unemployment among their grandchildren's parents.

- About one-in-five grandparents are African-American, Hispanic, or Asian compared to two-in-five young adults, indicating that grandparents will become more diverse in the future.

- In the past decade, many grandparents have seen substantial and real increases in their household income while their offspring have fallen behind. The percentage of inflation-adjusted household income that accrued to households ages 55 or older has risen from 28% to 34%, which meant a real income increase for those households of $659 billion. During that same decade, the total real income of households ages 25 to 44 (most of whom were the adult children of those ages 55 or older) declined from 43% to 36%, which meant a real aggregate income loss of $312 billion.

- Despite wide economic variation, the economic impact of a record number of relatively affluent grandparents is both substantial and growing rapidly. Consumer spending by households ages 55 or older, the vast majority of which are grandparents, has been rising at rates well above inflation and faster by far than any other age category.

- Grandparent spending on child-specific items has increased dramatically between 1999 and 2009. In 2009, households ages 55 or older spent $7.6 billion on infant food, equipment and clothing, toys, games, and tricycles, a 71% increase since 1999. They also spent $2.43 billion on primary and secondary school tuition and supplies, almost three times more than was spent in 1999.

Introduction: A Personal Perspective

by Peter Francese

As the nation recovers from the worst recession since the Great Depression, it is certain that grandparents will play a key role in helping their young adult children and grandchildren find their way and prosper in the new global economy.

The evidence from the Bureau of Labor Statistics is compelling. Grandparents are collectively spending billions of dollars on goods and services to benefit their grandchildren. They are buying clothes and cars for them today. But they are also investing in their futures by buying the priceless gift of education.

My father never had more than a sixth grade education. But he sent all five of his children to private high schools and then to college, all expenses paid. His stated objective was to leave no monetary inheritance behind but to give each child a gift that no one could ever take away and that would provide each of them with a path to a well-paying career.

His idea was to insure as much as he could that each of his children would be able to support themselves and their families and then send his grandchildren to college as well. He succeeded brilliantly in that multi-generational endeavor. All of his grandchildren have bachelor's or graduate degrees and are now well into their professional or managerial careers.

When my father sent his five children to college higher education was cheap, real wages were rising, and the nation was well into the post-war economic boom. Today's parents face the daunting prospect of having diminishing resources to pay for vastly more expensive education to put their children into careers in an extremely competitive but barely growing global economy.

There have never been more grandparents in America than there are today. They have never had more personal and more financial resources. And grandparents today are clearly needed as much as they have been in the past. Fortunately many millions of them are working, advising, and connecting with their grandchildren to insure their future as much as my father did for his grandchildren in his time.

The Demographic Characteristics of Grandparents

Until about 10 years ago no one really knew how many grandparents there were in the nation, or anything about them. But in 2001, and again in 2004, the U.S. Census Bureau added some questions to their large nationwide Survey of Income and Program Participation (SIPP). That survey, which is conducted periodically whenever funding is available, involves extensively interviewing a sample of up to 36,700 U.S. households. One of its main objectives is to measure the economic well-being of the nation.

On those two waves of the SIPP, the Census Bureau did not just ask "Are you a grandparent?" because they wanted to exclude informal grandparents or adopted children or stepchildren through remarriage. Rather they asked adult respondents if they were biological parents of any children. If they answered yes, and the adult children were over age 30, they were then asked: "Do any of your biological children have any biological children or adopted children of their own currently living?"

This careful questioning probably created a conservative estimate of all the people in the nation who call themselves grandparents because it excludes those who may have acquired grandchildren through remarriage. Also, the SIPP interviewed only people living in households, thus excluding those in nursing homes or other institutions or group quarters. As a result, these estimates must be considered to be only a base estimate of the minimum number of U.S. grandparents.

The 2001 SIPP found an estimated 56.1 million grandparents, 93% of whom were ages 45 or older. The 2004 SIPP, which had about 37,000 respondents, found an estimated 60.5 million grandparents, 95% of whom were ages 45 or older.

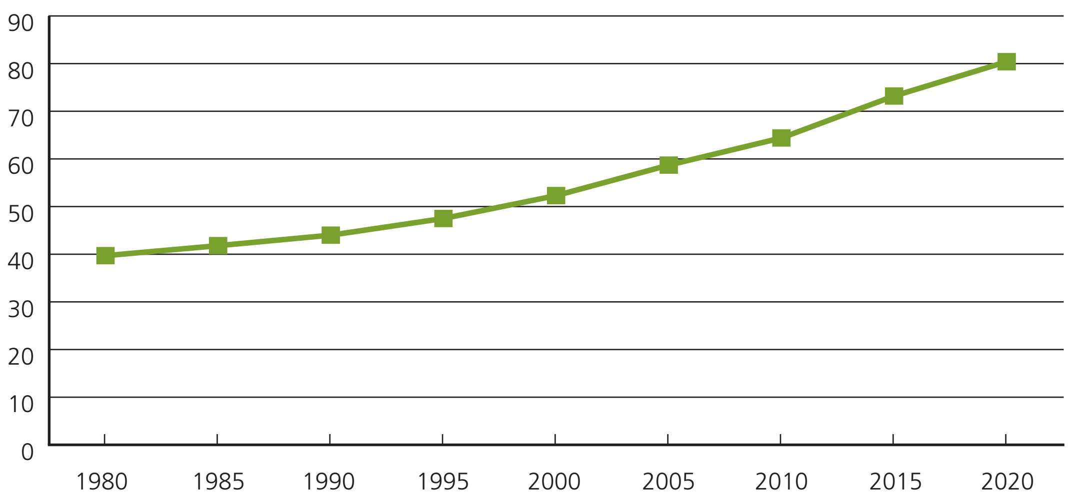
Over the past several decades, the age at which women begin having children has been rising. Two-thirds of all new mothers are age 25 or older and births to teenagers have fallen to historic lows. The most recent (2009) birth data from the Centers for Disease Control and Prevention (CDC) reveal that teenage birthrates have fallen to the lowest level ever recorded — 39.1 births per thousand girls ages 15 to 19 years old. The CDC also reported that a record high 65.6% of all births were to women aged 25 or older.

This trend toward older parents means that the percent of grandparents who are under age 45, which is already very low, will continue to fall. Therefore, the analysis and discussion of grandparents that follows will be only about grandparents who are ages 45 or older.

At the same time that births to very young mothers have been declining, life expectancy for older people has been rising. Americans are living longer and are healthier in their later years. So it's not too surprising that the number of grandparents has been increasing since 2000 at a compound annual growth rate of 2.3%, more than twice the 0.93% annual growth rate for the total U.S. population.

Figure 1 shows the estimated and projected number of American grandparents during the half century from 1980 to 2020. By 2020, grandparents are projected to rise from fewer than one-in-four adults in 1980 to nearly one-in-three.

Figure 1: Estimated and Projected Number of Grandparents, a 50-Year Trend (in millions)



Source: Calculations of grandparents ages 45 or older using Census Bureau population projections.

An important milestone in the history of grandparents in America occurred during the 1990s when the first Baby Boomers became grandparents. Before then, the number of grandparents was smaller and their income was more modest. For example, the household income of householders ages 65 or older in 1979 was 31% below their inflation-adjusted income 30 years later. So they had a consequently smaller role in the nation's youth-oriented consumer economy.

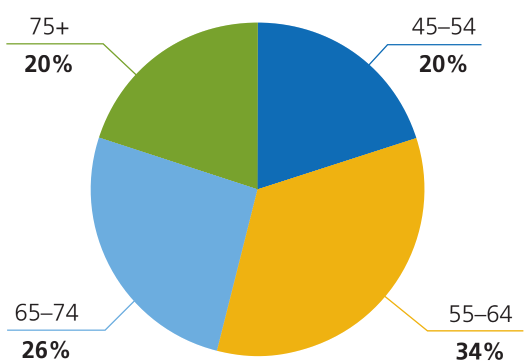
Generally speaking, young Americans are more ethnically and racially diverse than older people. As a result, only about one-in-five grandparents are African-American, Hispanic, or Asian, compared to two-in-five young adults. Over time, the ranks of grandparents will without doubt become more diverse than they are now.

Age and Gender of Grandparents

A majority of those with grandchildren are women, in part because on average women age 45+ live approximately seven years longer than men. At the time the 2010 Census was conducted, there were about 124 grandmothers for every 100 grandfathers. But because older men are now healthier and are expected to live longer, we project by 2020 the grandparent gender ratio may decline to 120 grandmothers per 100 grandfathers.

Figure 2 shows that, contrary to popular belief, a majority of today's grandparents (53% of grandmothers and 54% of grandfathers) are Baby Boomers under age 65. By 2020, however, Baby Boomers will be ages 55 to 74, and their large numbers will mean that by then a majority of grandparents (52%) will then be age 65 or older.

Figure 2: U.S. Grandparents Percent, by Age, 2010



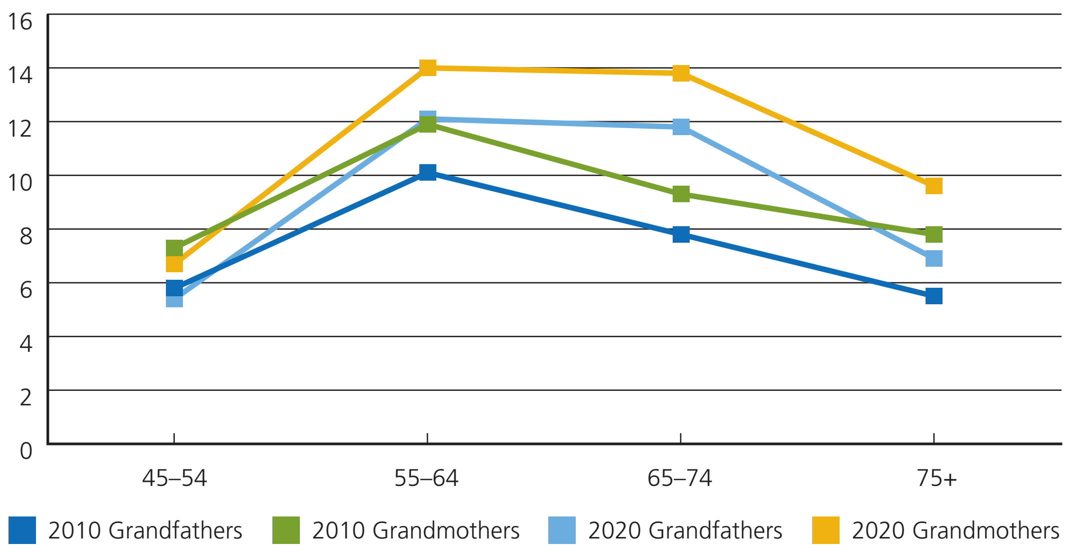
Source: Projections using Census Bureau population estimates.

The Census Bureau reports that the median age is about 50 for new grandmothers and 54 for new grandfathers. Above that age, an increasing majority of both men and women are grandparents. Among Early Boomers ages 55 to 64, over half report being a grandparent. But at age 65 or older, more than three out of four respondents of the Census Bureau surveys say they are a grandparent. This means that the vast majority of Baby Boomers are either a grandparent now or will become one over the next five to ten years.

Since such a solid majority of older people say they are a grandparent, we can presume that the other demographic characteristics of people in those age groups, such as income or education, are shared by grandparents and non-grandparents alike. This assumption is supported by the observation that older non-grandparents often become step-grandparents though remarriage.

The estimates of grandparents in this report, however, are only for people age 45 or older who live in households, and not in group quarters such as a nursing home, and whose adult biological offspring have children of their own. Figure 3 shows the estimated number of grandfathers and grandmothers by age in 2010 and 2020.

Figure 3: Estimated Number of Grandparents, by Age and Gender, 2010 and 2020 (in millions)



Source: Projections using Census Bureau population estimates and projections.

As shown in Figure 3, all growth in the number of grandparents over the next decade will be among ages 55 or older and the highest growth will be in age group 65 to 74 years old. The reduced number of grandparents ages 45 to 54 is due in part to the passing of the Baby Boom out of that age cohort. However, it is also because of the trend among young adults to marry and have children later than in past decades.

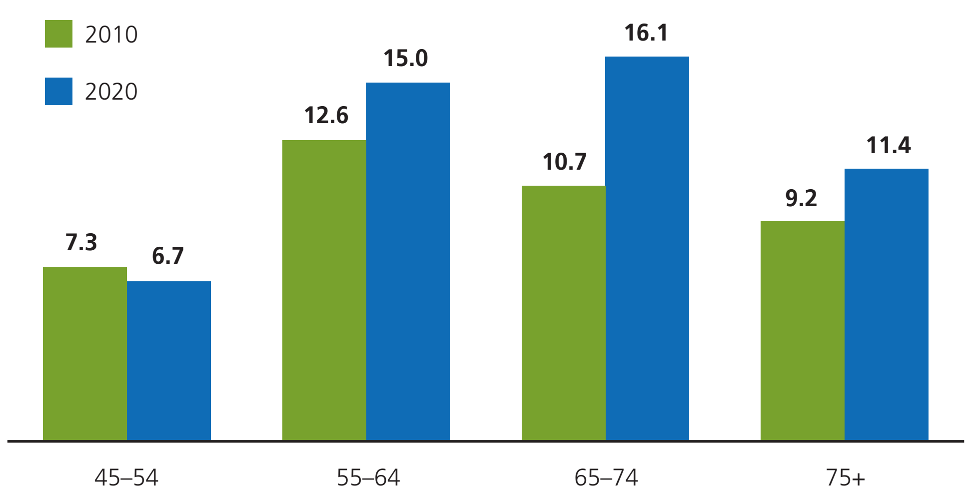
Over the coming decade, the number of grandparents ages 65 to 74 are projected to increase by 50%, and, as a result, by 2020 almost one in every three grandparents (32%) will be in that age group. This is significant because not only is that age cohort growing rapidly, it is undergoing unprecedented change. During the next 10 years, as Early Boomers age into that cohort, the research predicts that they are likely to work longer, have higher incomes and spend more than any of their predecessors ages 65 to 74 years old.

Grandparent Households

All of the grandmothers and grandfathers profiled in this report live in households. Using Census Bureau data on the number of people per household in each 10-year age category, we can estimate that in 2010 there were 39.8 million grandparent-headed households out of a total Census count of 116.7 million. That means more than one out of every three U.S. households is headed by someone who is a grandmother or grandfather.

Figure 4 shows that in 2010 half of grandparent households were under age 65 and that the largest age cohort of grandparents were Early Boomers 55 to 65 years old. Over the next decade, as early Baby Boomers fill the 65 to 74 age cohort, it will become the largest age segment of grandparents and a majority of grandparent households (57%) will be age 65 or older.

Figure 4: Grandparent Households, by Age, 2010 and 2020 (in millions)



Source: Calculations and projections using Census Bureau population estimates and projections.

Most grandparent households are families. The Census Bureau's March 2010 household survey found that among households ages 45 or older, half are married couples, 11% are other kinds of families, and 39% are non-families.[1] However, among Early Boomers 55 to 64 years old, two-thirds are families.

Only one-in-five grandparents lives alone, but that percentage rises with age (see Figure 5). Above age 75, about 38% of grandparents live by themselves, but if anecdotes mean anything, grandchildren come to visit frequently.

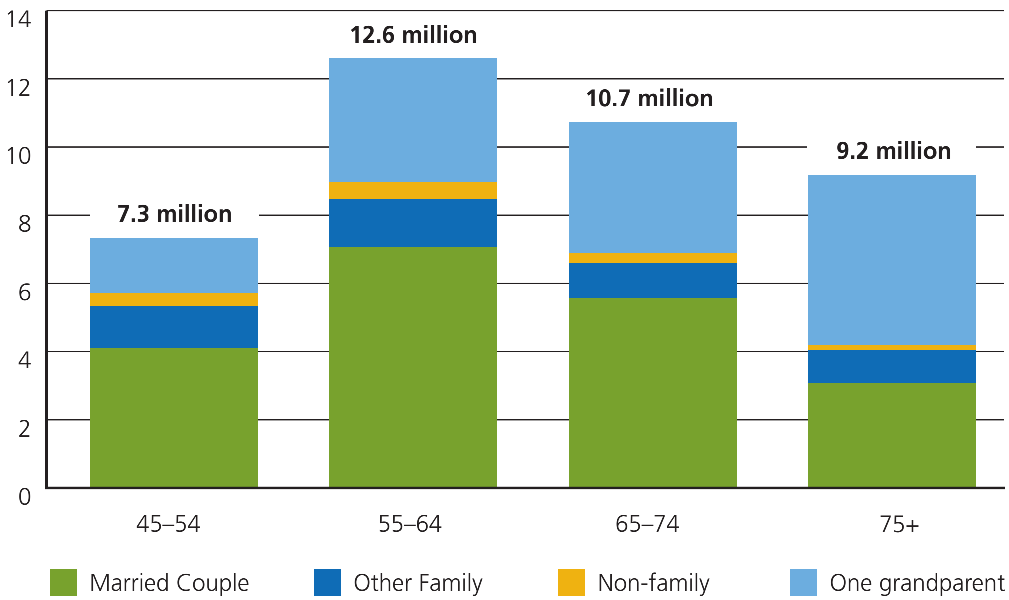
Some grandparent households have their grandchildren living with them and, on occasion, the parent of that grandchild or grandchildren as well. According to a 2010 survey by the Census Bureau, there are an estimated 4.5 million grandparent-headed households that include one or more of their grandchildren. That means approximately one in every nine (11%) grandparent households includes at least one grandchild. In fact, that survey found that most such multi-generational households (60%) had two or more grandchildren in them.

Among those grandparent-headed households with grandchildren found in the Census Bureau survey above, 17% included both parents of the grandchild, about half (49%) included the grandchild's single parent, and one-third (34%) had neither parent of the grandchild in the household.

That survey also found about 2.7 million situations where grandparents were living with their grandchildren, but the parents were the head of the household. In two-thirds of those households, both parents of the child were present and presumably were the household heads. The occupants of the White House since 2009 are an example of that type of multi-generational family.

There is not much doubt that the recent recession has brought grandparents and grandchildren together. The reason is simple: so many more young adults — their grandchildren's parents — lost their jobs during the recession. According to the Bureau of Labor Statistics, throughout 2010, twice as many workers ages 25 to 34 were unemployed (3,386,000 unemployed, 10.1% of the labor force) compared to those 55 to 64 (1,660,000 unemployed, 7.1% of the labor force). As economic conditions improve, the number of multi-generational households may diminish, but once having lived together, millions of grandchildren will almost certainly be closer to their grandparents than in the past.

Figure 5: Grandparent Households, by Type and Age, 2010 (in millions)



Source: Projection from Census Bureau's Survey of Income and Program Participation (SIPP).

Rising Household Income and Educational Attainment

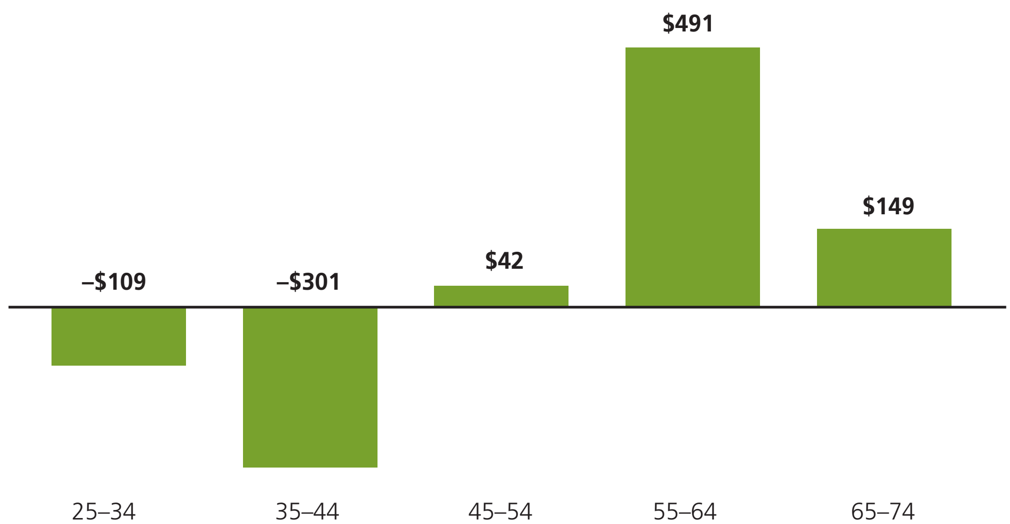
Grandparenting has substantially changed over the past decade in large part due to the simple fact that older people are significantly more affluent than they were in the past. Just over the past decade, for example, the fraction of inflation-adjusted household income that accrued to households ages 55 or older has risen from 28% to 34%, which meant a real income increase for those households of $659 billion.

During that same decade, the total real income of households ages 25 to 44 (most of whom were the adult children of those ages 55 or older) declined from 43% to 36%, which meant a real aggregate income loss of $312 billion. The point is that many grandparents have seen substantial and real increases in their household income while their offspring have fallen behind.

The March 2010 population survey by the Census Bureau found that households ages 55 to 74 had an aggregate household income of $2.31 trillion, which at that time was 80% of aggregate household income for those ages 25 to 44 years old. That's remarkable because from 1990 to 2000 that same percentage in constant dollars averaged just 50%.[2]

That age group 25 to 44 is responsible for more than half of all births annually and as a result, three-quarters of the families in that age bracket have children. As their household incomes have diminished, it is not surprising that the more financially fortunate grandparents of those children would step in to help out.

Figure 6: Change 2000–2009 in Aggregate Household Income, by Age, 2009 Dollars



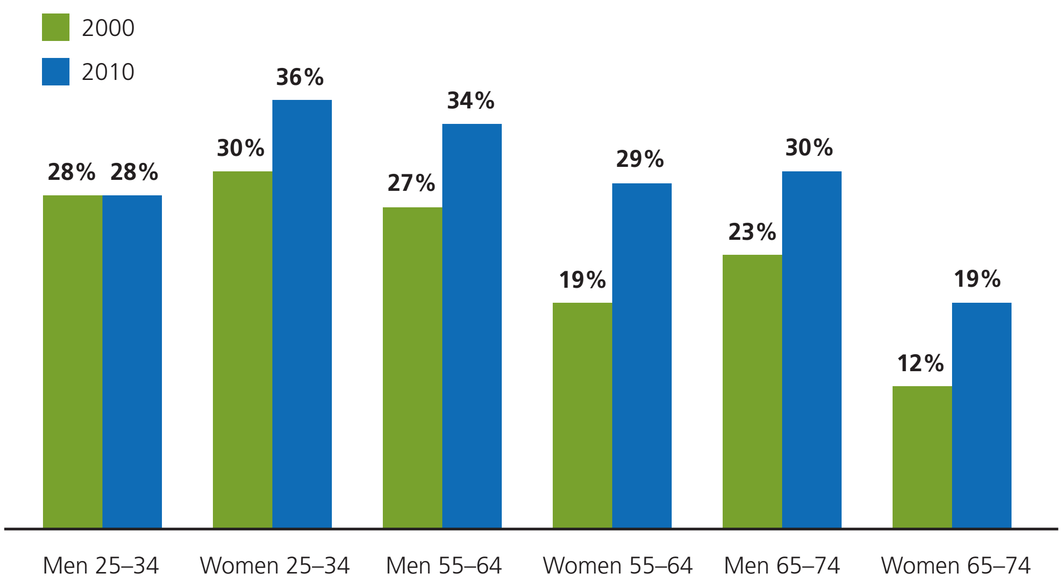
Source: Census Bureau's annual Current Population Survey.

During the past 10 years, real household income has been rising for households ages 55 and 74. One important reason for that increased income is greater educational attainment. Figure 7 shows the difference in the percent of those ages 55 to 74 who were college graduates compared to 25- to 34-year-olds.

The rise to 34% for men is significant, because many of them went to college in larger numbers than women during the Vietnam War era. They've had the past four decades to work as professionals or managers and acquire wealth. This is important because college-educated white collar workers are far more likely to work beyond age 65, in large part because the work is often enjoyable and not physically difficult.

However, only 28% of men ages 25 to 34 are college graduates, the same percentage as 10 years ago and six points below the 34% for Early Baby Boomers. That lack of progress in higher education has reduced their ability to get even an entry-level managerial or professional job. That partly explains why the median household income for 25- to 34-year-olds has declined 9% in real terms over the past decade.

Figure 7: 10-Year Trend in Percent College Graduates, by Age and Year



Source: Census Bureau's annual Current Population Survey.

The lack of better-paying jobs and real income growth among young adults has given rise to the perception that Generation Y, or Millennials, will not live as well as their parents. Perhaps that will be true for some. However, it is also likely that many highly skilled grandparents will find ways to use their talents and knowledge to counter that perception and see to it that their young adult children and grandchildren do, in fact, have a better life.

Economic Impact of American Grandparents

American grandparents today are, as a group, better off financially than at any time in the past. There are exceptions, of course, but data from the Census Bureau and the Bureau of Labor Statistics (BLS) show clearly that grandparent's income is rising and that has meant increasing consumer expenditures.

Every year for the past 25 years the Census Bureau, working on behalf of the Bureau of Labor Statistics (BLS), has surveyed approximately 35,000 households to find out what they buy and how much they spend. The survey also has a diary component in which about 15,000 households are asked to record the amount spent on everything they purchased over a two-week period.

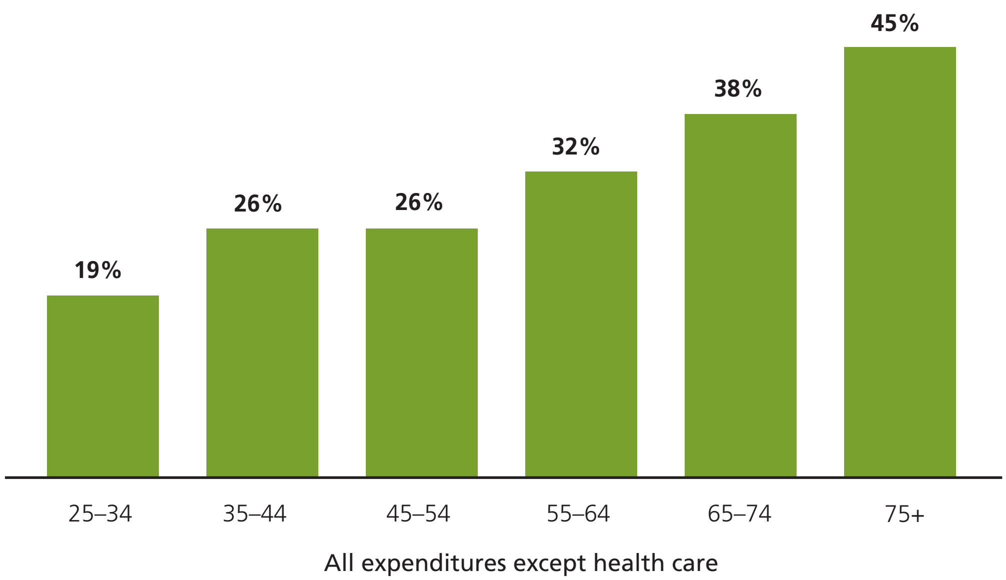
These two surveys allow us to track what households in each age category spend annually on a wide array of goods and services and how much that spending has changed over the past decade. Figure 8 shows that over the past decade spending on everything except health care increased most in age groups where the vast majority of households were headed by grandparents.

All grandparents in the nation are alike only in that they have one or more grandchildren. Within that set of 65 million Americans there are wide variations in socio-economic status and diversity, as there would be in any population that large.

Economic diversity is already present. According to Census Bureau surveys taken in March 2010, the mean annual income of grandparent-age households was $68,500, which was about $500 above the mean income for all U.S. households.

However, that same survey found the mean household income of the roughly half of grandparents who were Baby Boomers ages 45 to 64 was $81,000 per year, which was much higher than the $46,400 mean income of households who were age 65 or older. Among all grandparent-age households, about one-in-four had an annual income of $90,000 or more, but, just as significantly, the income of another one-in-four was less than $25,000 a year.

Figure 8: Household Spending Trends, by Age: Percent Change 2000–2009



Note: Percent Change in CPI = 25%.
Source: Bureau of Labor Statistics Consumer Expenditure Surveys.

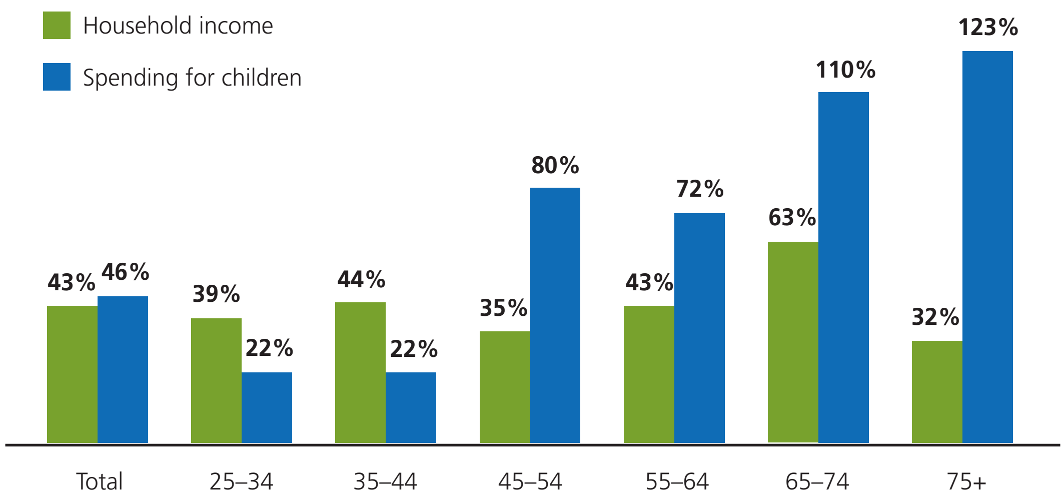
It's notable that households ages 55 to 64 increased their non-health-related spending by an average of $11,700 per household ($2,700 when adjusted for inflation) during the decade when their real household income rose just $1,200.

One way to illustrate just how much spending by grandparents has increased over the past decade is to look at spending for specific child-related items from the annual BLS survey data. The items chosen include these four categories: 1) baby food, infant equipment, and infant clothes; 2) toys, games, and tricycles; 3) elementary or secondary school tuition and supplies. In 2009, households ages 55 or older spent $7.6 billion on the first two items — 71% more than in 1999.

Figure 9 illustrates how spending on child-related items has increased far faster than their household incomes for households ages 45 or older, but below income increases for households with children. For all households spending on these child-related items roughly kept pace with rising income.

But for the households ages 25 to 44, where most children reside, spending increased at a far slower rate than their incomes. This strongly suggests that grandmothers, and perhaps a few grandfathers, have been helping out their adult children by doing quite a bit of shopping for their grandchildren, as well as paying for their schooling.

Figure 9: Spending on Selected Items* for Children, by Age of Householder: A Decade of Growth



Source: Bureau of Labor Statistics 1999 and 2009 Consumer Expenditure Surveys.

*Selected items included baby food, infant clothes and equipment, toys and games, plus elementary and secondary school tuition and supplies.

The education item mentioned above is special because it means that households ages 55 and older are also increasing their spending on something very important to their grandchildren's future: primary and secondary private school tuition. In 1999, when the oldest Baby Boomer was just 53 years old, households ages 55 and older spent about $981 million on primary and secondary school tuition. By 2009 they were spending 2.5 times more: $2.43 billion.

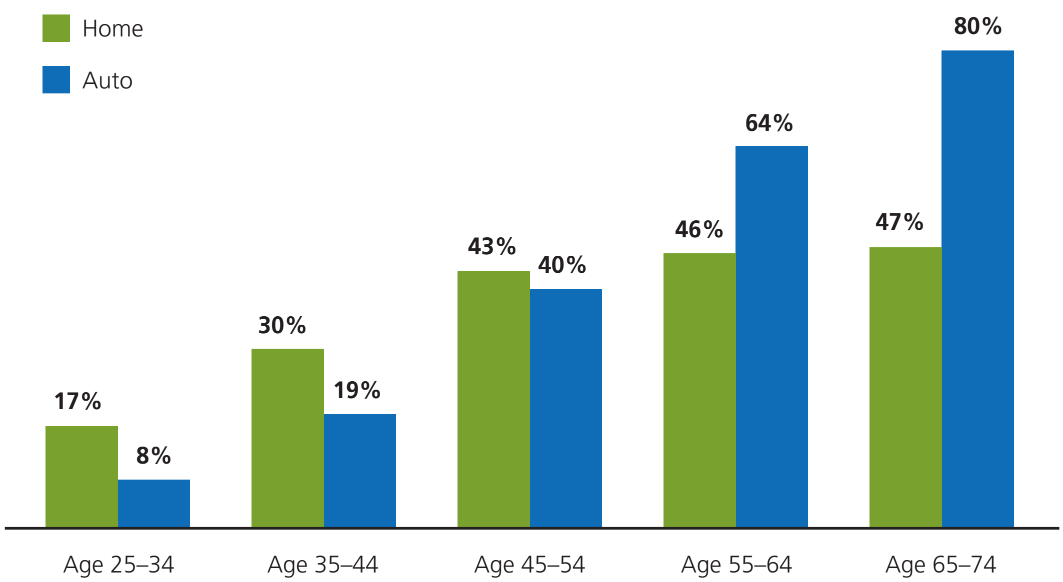
As shown in Figure 7, Early Boomer men (ages 55 to 64) have the highest percentage of college graduates of any 10-year age group. They are undoubtedly aware of the economic benefits conveyed by higher education and are now spending heavily to see that their grandchildren get the same benefit.

Another category that grandparent-age households spend heavily on is insurance. That's to be expected since older consumers have the higher income to afford more insurance, have more assets to insure, and are known to be more risk averse.

According to the Census Bureau's housing division, 80% of households ages 55 or older were homeowners both in 2010 and in 2000. But only 44% of households ages 25 to 34 years old were homeowners in 2010. Their homeownership rate was 47% in 2000, which is another measure of how their financial condition has suffered.

Further evidence for potential spending by grandparents on significant family consumer needs such as insurance also emerges from consumer spending data. Figure 10 shows how much more households older than 55 are spending on home and auto insurance compared to 2000, and how small the increase was for households younger than 45.

Figure 10: Spending on Home and Auto Insurance Per Household: Percent Change 2000–2009



Note: U.S. average: home +45%, auto +38%, CPI: 25%.
Source: Bureau of Labor Statistics Consumer Expenditure Surveys.

This trend is another indication that young adults are less able to buy homes or cars than they were in the past.

The rise in spending on auto insurance is so high for households over age 55 that it suggests they are also buying insurance for their offspring or perhaps for a teenage grandchild just starting to drive. Support for this comes from the 2009 BLS survey data that documents households ages 55 or older spent $863 million on used cars as gifts up from $224 million in 2000. It is likely that many of those cars must have been gifts for their adult children or grandchildren.

Implications

There is no doubt that the impact of the vast economic transformation that is creating a global information-based economy has fallen hardest on young adults. Many of the same societal and workforce dislocations that were evident in previous periods of rapid economic change more than a century ago are evident today. What is new is the presence and deep involvement of an extraordinarily large number of savvy American grandparents.

During the same decade that grandparents have made significant financial gains, many of their adult children have been falling farther behind. The decade from 2000 to 2010 was one in which grandparent households did far better financially than the households headed by their offspring, who saw their real income either stagnate or actually decline.

Over the decade we are now entering, the U.S. and global labor market for entry-level workers is expected to be increasingly competitive, thus calling into question any real future wage growth. Even when the presently high unemployment rates for younger workers gets back to some post-recession normal, good-paying jobs with benefits are expected to be harder to find.

This situation has given rise to a widely held belief that the next generation, namely Generation Y or Millennials, will not do as well financially as their Baby Boomer parents. Given the enormous impact of the Great Recession on young workers, it's easy to see how this idea would gain traction. But it's antithetical to the fundamental and core American belief in continuing generational economic progress.

The increasing financial involvement of today's record number of grandparents in the lives of their adult children and grandchildren suggests that large numbers of grandparents are making substantial commitments of their time and personal resources to insure that this core value is maintained and their next generation will in fact do better.

What this means is that future financial service providers will find that more of their major transactions, whether they be loans, mortgages, or insurance, may involve multiple generations. The grandparents may be only there to give advice or they may be a party to the contract. But they are far more likely to be engaged than at any time in the past.

The implications for American employers are threefold. First, most of today's younger workers know their uncertain financial situation all to well and may be more interested in advice on managing their personal finances than at any time in the past. But many of them will also be getting some of that advice from parents and grandparents.

Second, more older employees and probably more senior managers, are likely to be grandparents. Their attitudes toward employee benefits may tilt toward those that help young families cope with the rising cost of education and childcare. They may also want to change the definition of dependant-eligible benefits to include grandchildren.

Third, as millions of active Baby Boomers turn 65 years old each year, more older employees in the future will potentially have Medicare as their primary health insurance. They may want some other insurance-related employee benefit instead that would cover one or more of their grandchildren who is not covered by any policy.

The bottom line is this: considering the rising income of many grandparent-age households occurring at the same time the income of their adult children shown in Figure 6 is declining, no one should be surprised that grandparents have been sharing their unprecedented good fortune with their grandchildren.

But what about the future? No one can say for sure that the decade from 2010 to 2020 will see a repeat of the above described scenario. However, there is mounting evidence that a larger percentage of the better-educated Baby Boomers, the oldest of which is just 65, are likely to work longer after that age than their predecessors. That will obviously contribute more to their household incomes than if they retired earlier.

The trends described in this report suggest strongly that for at least the next decade, and probably well beyond that, American grandparents will be playing a central role in the lives of their grandchildren as well as their adult children. Taken together, the trends discussed above all mean that for the foreseeable future grandparents will be needed as much as ever by their grandchildren.

As any grandparent will attest to, they would do almost anything for their grandchildren. And that means passing on whatever accumulated wisdom and knowledge they have to help the next generation succeed, in spite of the most challenging economic conditions seen in two generations.

There are no Census Bureau or Bureau of Labor Statistics surveys that measure what a grandparent passes on to their offspring about the lessons they have learned over a lifetime of working and investing. But there is no doubt that giving of advice goes on today and will continue to go on for decades to come.

Endnotes

1 The U.S. Census Bureau defines a family as a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption, and residing together. A non-family household consists of a householder living alone (a one-person household) or where the householder shares the home exclusively with people to whom he/she is not related.

2 All comparisons are done in constant inflation-adjusted dollars.

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