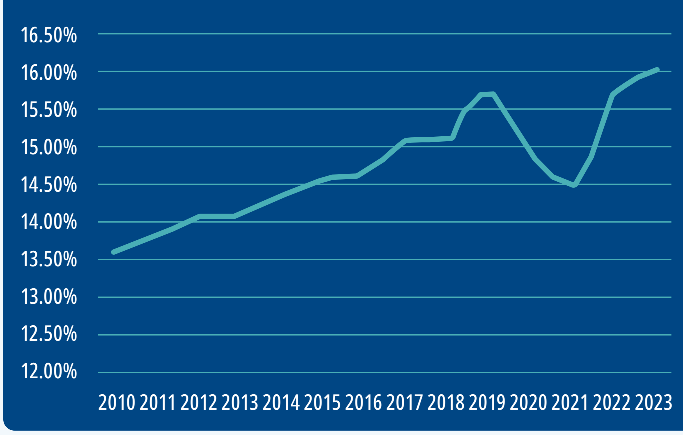
THE DYNAMIC U.S. FAMILY

How Changing Family Structure Impacts Retirement Preparation

The structure of the American family has evolved significantly over the past few decades, as highlighted in the 2023 *The Modern American Family* report by the Pew Research Center. In 1970, 67% of Americans aged 25 to 49 lived with their spouse and at least one child under 18. By 2021, that number had dropped to just 37%. As the traditional two-parent household with children plays a less dominant role, Americans have embraced a broader spectrum of family structures. One increasingly popular arrangement is married couples choosing not to have children. In fact, over 73% of U.S. adults now report feeling completely comfortable with this lifestyle.

Financial considerations play a significant role in this trend. According to the U.S. Department of Labor, the median cost of paid childcare in 2018 ranged from 8.0% to 19.3% of median household income. Post-pandemic inflation has further exacerbated this burden, with childcare costs increasing by approximately 22%. Unsurprisingly, the financial strain of raising children is frequently cited as a top reason for remaining child-free.

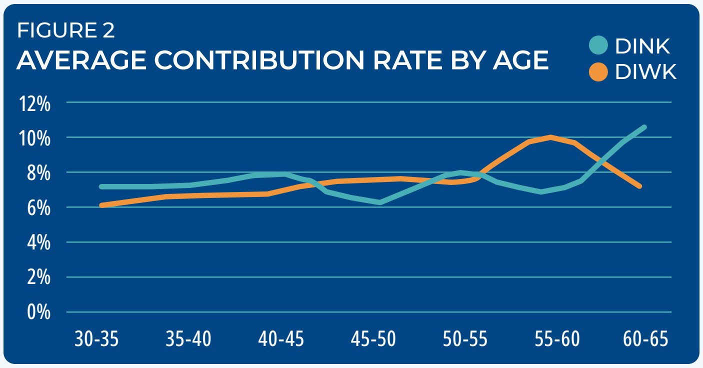
FIGURE 1
% OF DINK FAMILIES AMONG MARRIED COUPLES



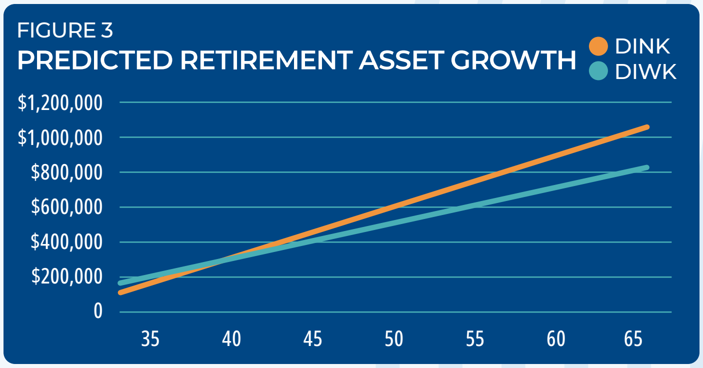
Source: U.S. Census Bureau, American Community Survey, 2010 - 2023[1]

DINK families—dual-income, no-kids households—are often perceived as being more financially secure than their counterparts raising children due to the absence of child-rearing expenses. In this research, we aim to examine the retirement savings journeys of these two distinct dual-income family structures, discovering how their financial priorities and outcomes differ.

Using the data from the 2022 Survey of Consumer Finance, we first compared how DINK and DIWK (dual-income, with kids) families save through their employer-sponsored retirement plans at different life stages. As Figure 2 shows, despite having more disposable income, DINK families do not fully commit to retirement savings in their earlier years. Their average contribution rate before employer-matching is consistently below DIWK families until mid-career age. Research suggests that DINK households are typically enthusiastic spenders, especially allocating a majority of their resources to travel and pets, versus retirement savings.



Source: Author's analysis of 2022 Survey of Consumer Finance (SCF)



Source: Author's analysis of 2022 Survey of Consumer Finance (SCF)[2]

Next, we analyzed the retirement assets accumulated in employer-sponsored retirement plans and Individual Retirement Accounts (IRAs) for both DINK and DIWK families prior to age 65, a commonly assumed retirement age. When controlling for factors such as education level, income, and ethnicity for both respondents and their spouses/partners, a clear trend emerges: while DIWK families tend to have higher retirement assets earlier in their careers, DINK families surpass them after mid-career. This asset gap continues to grow, reaching approximately $200,000 in favor of DINK families when close to retirement age (Figure 3).

This finding highlights the lifestyle differences between the two groups. DINK families often prioritize present enjoyment over long-term planning in their younger years. However, as retirement nears and the need to secure their financial future becomes more urgent, they exhibit a remarkable ability to significantly accelerate their savings efforts. Free from the financial obligations of raising children, DINK families can redirect their resources toward building a substantial nest egg in the later stages of their careers. **PL**

CONCLUSION

The rise of DINK households represents a profound shift in American family dynamics, bringing both challenges and opportunities for public policy and the retirement industry. This change highlights evolving priorities and growing economic pressures, such as soaring childcare costs and concerns about the long-term sustainability of Social Security.

At the same time, the distinct financial habits of DINK households underscore the need for customized strategies to help them avoid potential retirement challenges, particularly since they cannot rely on financial support from children. Tailored financial education and tools are essential to guide these families toward a more secure future. By focusing on the importance of early and consistent retirement contributions, the retirement industry can help DINK households balance their present-focused lifestyle with their long-term financial goals, ensuring they are well-prepared for the years ahead.

ABOUT DR. QI SUN

Dr. Qi Sun is the Financial Economist for Pacific Life's Institutional Division. Qi holds a bachelor's degree in finance from Donghua University, a master's degree in Personal Financial Planning from the University of Missouri, Columbia, and a doctorate in Personal Financial Planning from Texas Tech University.

ENDNOTES

[1]A DINK family is defined as a dual full-time employed married couple without children. Due to the COVID-19 pandemic, the 2020 DINK family data relies on 5-year ACS estimates instead of 1-year estimates from the U.S. Census Bureau.

[2]We run a regression to predict retirement assets (including both workplace retirement accounts and Individual Retirement Accounts (IRAs)), by controlling education level, income, and ethnicity for both respondents and their spouses/partners.