FINANCIALLY SUPPORTING OUR ADULT CHILDREN:

A Financial Burden Yo-Yo?

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BABY BOOMERS ARE PAYING MEDICAL BILLS, LOAN PAYMENTS, TRANSPORTATION costs and living expenses – but these expenses aren't their own. According to a survey by the National Endowment for Financial Education, 59 percent of parents are providing financial support to adult children who are no longer in school. While some parents are dipping into their savings or retirement accounts to fund these expenses, some have even gone as far as taking out loans to get the funds. These unexpected costs are causing major setbacks to parents' goals of paying off their homes, traveling or funding their retirement. As parents, we must ask ourselves: Are we really helping our children by taking care of their bills?

Sometimes life gets in the way of an able adult child being able to support themselves or their family financially. Whether the cause of financial troubles comes from the loss of a job, death of a spouse, family illness, relocation, or other situation, we hardly ever blame our children for their troubles and want to help as much as we are able. This is how many parents get in poor financial situations themselves, because their desire to help is bigger than their capacity to do so.

If you are giving support and haven't been tracking your monthly expenses, start now. If you have a budget from previous years to compare with, take a measure of your monthly expenses today versus before you began helping family members with expenses. The first step in making smart financial moves in this situation is to understand exactly how much this is costing you right now, so the budget will give you a clear picture of the hard costs. Costs can quickly escalate and you might not realize exactly how much you're losing out of your budget until you write it all down and take inventory (from loan payments to an increase in grocery and electric bills).

The next step is determining how these expenses are affecting your financial and retirement goals. If you work with a financial advisor, let them know your monthly expenses have changed and, if possible, how long you expect the new expenses to continue. Your advisor can help you determine the impact to your accounts and make a plan to lessen the impact if possible. Also, they may be able to provide educational resources to your children to help them get back on track.

If you don't act with prudence when helping your children, you could eventually become more of a burden than an aid to them. When parents use up their available funds and accounts to get their children out of bad financial situations, they may find themselves with inadequate funds to maintain their own financial security. Even if their children find a way out of financial trouble and get back on their feet, the parents may not have enough time to make up what they lost before their retirement, which could result in working longer or changing their own lifestyle plans. This could also mean going back to your children to ask for money or having to move in with them because you can't keep up with your own living expenses any longer.

A fine balance must be exercised between the need we feel to help our children in times of trouble and the need to not cause ourselves financial harm in doing so. Make sure you talk with your children about what you are able to contribute, and develop a plan for them to repay the funds as they become able. As small as each payment may be and as long as it may take, the accountability in repaying the money borrowed will benefit both the parent and children. You don't want to wake up one day and realize you never considered the situation you were digging yourself into while trying to dig someone else out. •

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