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# Forget the empty nest, parents now fear the costs of a full one

A tough job market for college grads means parents are forking out more

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By **Liz Skinner**  

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perhaps doing the kids a disservice at the same time.

“Parents are not saving enough for their own retirement because they are continuing to support their adult children,” explained Sheila Padden, founder of Padden Financial Planning. “In the long run, parents aren't doing young adults any favors because they have to learn early on what it takes to support their lifestyle.”



The recession, challenging job market and boost in college costs all have led to more college graduates returning to their old

bedrooms. In fact, about 22 million U.S. adults age 18 to 31 are living at home with their parents, according to an August 2013 Pew Research Center report.

## HIGHEST LEVEL

That represents about 36% of this age group, the highest level in four decades. Since 1968, the earliest year such a measure was taken, the portion of young adults moving back home has averaged around 31% to 32%.

About 45% of Americans who have supported an adult child over the past year said it has hurt their

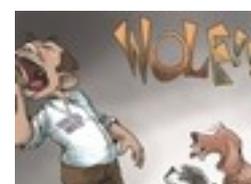
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own retirement savings, according to a survey by the LIMRA Secure Retirement Institute.

The amount Americans spend on their adult children goes way beyond the price of putting a roof over their heads and bearing extra utility and grocery costs. Many parents are paying for their adult children's cellphones, cars and car insurance, health insurance, prescription medications, and in some cases their clothing and entertainment too.

In addition, many parents are simultaneously paying back loans taken out to send their children to college.

Tracy Burke, a financial adviser with Conrad Siegel Investment Advisors, said one of his clients hasn't been able to retire because her daughter, who is in her mid-30s, hasn't been able to get a solid, well-paying job and lives at home.

Her parents spend about \$8,000 to \$10,000 a year supporting her, an amount that could determine whether they run out of money in their later years, he said.

“The husband is retired and the wife is continuing to work because they really need the additional income to cover the additional costs for their adult child,” Mr. Burke said.

## NOTHING CHANGES

At each meeting, Mr. Burke asks the couple for an update on the daughter's status, and nothing seems to change. They understand that their daughter's

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expenses threaten their retirement but they are worried more about what she would do if they required her to pay some bills or move out.

Tony Ogorek, founder of Ogorek Wealth Management, said he has clients who take their adult children on expensive shopping trips, pay for premium video services and give them the credit card to pay for costly monthly prescriptions.

“Most clients don't view it as a subsidy; they are doing different mental accounting,” he said.

This sort of spending on adult children creates dependence over time and accustoms the children to a lifestyle above what they can provide for themselves, Mr. Ogorek said. The overspending on children to the detriment of one's retirement actually comes up first in discussions about college planning, he said.

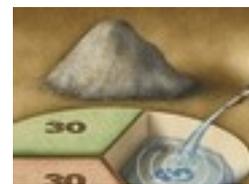
Many people want to pay for all of their children's college education without their incurring debt. However, with today's soaring costs of college, that's not doable in every case.

“In today's world, it may be unrealistic to have your child graduate debt free,” Mr. Ogorek said. “We have the indelicate conversation, saying, 'Let's recount how much you've already given them,' making sure to include things like exposure to the arts and instilling a value system.”

## SET BOUNDARIES

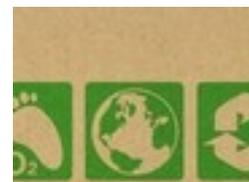


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Dan Fitzgerald, a lead adviser with Aequus Wealth Management, said he's also had clients push off retirement for a few years to pay the expenses of adult children. He counsels clients who are supporting their older kids to set boundaries from the start.

If children are moving in, establish written parameters for what they'll do in exchange for rent-free living and reconsider that "living agreement" every six months or so, he said.

Of course, many parents say the financial implications are worth the emotional benefits to them. Many value the rewards of reconnecting with their children and in some cases spending time with grandchildren who also may have moved in, Mr. Fitzgerald said.

A 2013 Clark University survey of parents who have an "emerging" adult child living with them showed that 61% describe it as a mostly positive experience and only 6% consider it mostly negative. About 40% of the parents, though, said they do have more financial stress and worry more about their child when he or she is living with them.

A separate study published by the Centre for the Modern Family in the United Kingdom found that 30% of those living with adult children were saving less money and 28% were spending savings to meet daily living expenses.

In addition to affecting the finances of parents who welcome home adult children for long periods, the situation can be detrimental to a child's self-



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confidence and motivation, advisers said.

“By allowing children to support themselves early in life, it’s a vote of confidence that they can do it,” Ms. Padden said. “They can figure it out.”



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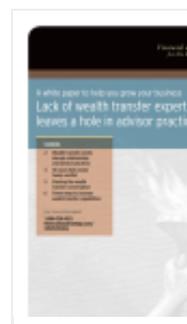


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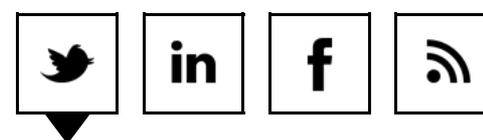


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