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On The Money By Anne Cassidy

HADLEY HOOPER

Keeping Your Kids Afloat

As the cost of living soars, more young adults are turning to their parents for financial help. Sometimes the best help of all is saying no

Six months after Sue and Jim Pearson of Washington, Indiana, were married, Sue's daughter, Kimberly, 22, called and said, "I have nowhere else to go. I'm coming home." Kimberly had been living with her fiancé and his parents. Then the engagement ended, and her daycare-center job didn't pay enough to support her.

When Russ Phillips was 19, "he heard there were jobs in Utah, so he just took off," says his mother, April Phillips, of Reston, Virginia. Armed with a high-school-equivalency diploma, Russ found a series of menial jobs—waiting tables, sorting cans, working as a ranch hand. Sometimes he had to ask his mother to help out with money for food, rent, or a car payment. "I never sent him enough to come home, only enough to solve the problem," says April, an elementary-school teacher.

Families like the Pearsons and the Phillipses are popping up everywhere these days as young adults confront higher hurdles on the path to independence. Since 1970 the number of adults ages 25 to 34 living in a parent's home has ballooned by more than 50 percent, to 39 million—and parents, on average, are spending an inflation-adjusted 13 percent more on their grown offspring, reports a University of Michigan study based on Census Bureau data. For many parents the financial strain of this longer haul means postponing retirement, raiding savings, or taking on debt in an effort to help their kids. For all, it means added worry.

Your Choices Read parents' stories of trying to help their grown children and add your own wisdom on our message board at www.aarpmagazine.org.

"This is a cultural sea change," says Linda Perlman Gordon, a psychotherapist and coauthor (with Susan Morris Shaffer) of *Mom, Can I Move Back In With You?* (Tarcher/Penguin, 2004), of the phenomenon of parental involvement in grown children's lives. She and Shaffer use the term *adultescence* to describe the prolonged period today's young people spend as no-longer-adolescents and not-quite-adults.

Economic pressures have certainly contributed to greater dependence on the parental pocketbook and homestead. Entry-level salaries have not kept pace with inflation. A booming housing market has made setting up a household beyond the reach of many young adults. And education costs are spiraling upward, saddling the average college graduate with $18,900 in student loans, a 66 percent gain since 1997, according to a study published by loan provider Nellie Mae Corporation.

Some observers think there's more at play than sheer numbers, however. Grown kids are more dependent on their parents' money because they have been raised with a sense of entitlement, they say. "Baby-boomer parents tend to be freer with their money than were their own parents, who grew up in the Depression," points out Jane Adams, author of *When Our Grown Kids Disappoint Us* (Free Press, 2003).

"I see young adults struggle with this notion of stepping backward," says Nathan Dungan, president of Share-Save-Spend, an organization that teaches financial responsibility to families. "They are the first generation that's been marketed to since they were little children. They're used to their own rooms and bathrooms. They're used to eating certain foods and driving in certain cars."

And they may not know what they're getting into when a bank offers them a credit card at age 18. Little wonder card balances average $5,000 for 25- to 34-year-olds today.

For parents, the upshot can be both painful and expensive, as Melissa and Chris Skelton of Las Vegas learned. The Skeltons have always paid their bills on time, so imagine their surprise recently when an application for a zero percent loan on a new Suzuki came back with a counteroffer—a whopping 12 percent interest rate. The reason? Their daughter, Tiffany, 25, had been late with payments four times on her car loan, which Dad had cosigned.

"I love my daughter—she's awesome, she really is," Melissa emphasizes. "But this has really hurt us."

Whether your child needs a roof over his head, lacks medical coverage, or gobbles up credit cards, experts say there are smart and not-so-smart ways to help him. Consider these ground rules for keeping your money and family from heading for trouble.

> Shine a light on the problem "Parents are most effective when proactive," Dungan says. When you're in the dark, you need to get a conversation started. "If a young adult is scrambling, say, 'Let's explore a move home to save money.'" Dungan calls undiscussed financial issues the 8,000-pound elephant in the living room. For young adults inexperienced with managing money, the instinct to hide or ignore problems can be strong.

> Let the child lead Once the facts of the situation are on the table, let your child make the financial proposal. You aren't granting an allowance, after all; you're making an investment in her maturity. If you have to begin with an emergency bailout, make it step one in a plan to halt future monthly shortfalls. Agree on deadlines for her achieving goals—three months, six months, a year—along with the financial obligations of each party.

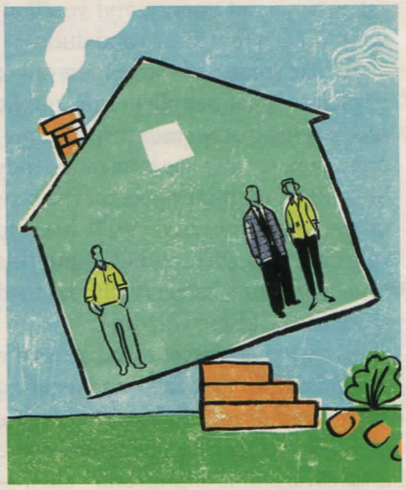
> Get the numbers If you're going to play the role of banker, reserve the right to review details of your child's finances so you know what he can and cannot pay for. Keep records of your cash gifts or loans and any terms you set—and suggest that he keep his own records of spending and saving, which will help make fiscal responsibility a habit.

> Draw the line Sometimes the most helpful solution is to say no to a request for money. "Most young adults really do want to earn their own money," says Dungan. "For example, it's not appropriate for parents to take a home-equity loan to pay off kids' credit card debt." Russ Phillips, now 34, is proud his mother was strict with him through rough times in his early 20s. Now a father himself, he says he's glad she gave him only enough to get by. "Otherwise," he says, "it doesn't give you any reason to try."

> Know when to call for help What happens if all this communication and care comes to nothing? Sometimes, says Dungan, you need a debt counselor, a financial planner, or another neutral party to get some heavy emotional baggage checked at the door. If your child has an addiction or psychological problems, a difficult spouse, or a child of her own whose behavior complicates the picture, make clear that you see a problem that's more than you and she can handle. ■

Anne Cassidy is the author of Parents Who Think Too Much *(Dell, 1998).*

Balancing Act



Letting grown children live at home can be the best deal for them and you, as long as getting them launched remains the goal. For Mary Ann and Jim Lakeman of Buffalo, New York, it made perfect sense that their daughter, Melinda, would remain at home after high school and build up cash. While the Lakemans never asked her to pay her keep, Melinda helped out with care of her grandfather as well as the shopping, cooking, and cleaning.

That was ten years ago, and Melinda's still at home. The problem: she began her working life by racking up $8,000 in credit card debt, helped along by big weekends getting away from the folks. Today, having trimmed her debt, she's at long last looking for an apartment, and has no illusions. "I know it will be a struggle," she says, "so I'm doing whatever I can to lower my bills."

With good communication, allowing young adults to live at home offers parents an opportunity to teach fiscal responsibility. It also gives children "financial breathing room," says Tamara Draut, author of *Strapped: Why America's 20- and 30-Somethings Can't Get Ahead* (Doubleday, 2005). "If it's an option, let your kids stay as long as possible." —*A.C.*

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