



## Helping your kids will cost you in retirement

Many aren't financially prepared to assist family, but they do it anyway



By Amy Hoak  
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Chances are, you'd be willing to help your kids with their mortgage payments if they're struggling. But if you weren't planning on the extra expense, helping them is going to cost you in retirement.

Six in 10 Americans age 50 and older, or 62%, are providing financial support to family members, according to a recent Merrill Lynch survey of 5,415 people, conducted in partnership with Age Wave, a firm that helps companies serve the aging population. The average amount of financial assistance these boomers gave over the past five years: \$14,900. Sixty-eight percent of those who provided funds were helping their adult children, ages 21 and older.

Housing costs are a big reason parents get pulled in to help their grown-up kids financially. Twenty percent of people who gave money to an adult child helped them make rent or mortgage payments, or helped a son or daughter purchase a home. And 19% of those 50 and older with children have a so-called boomerang kid who moved back in with them.

"Parenthood doesn't retire," and as young adults struggle with career stalls, they turn to mom and dad for help, said Andy Sieg, head of global wealth and retirement solutions for Bank of America Merrill Lynch, during a conference call with reporters. That's especially the case when the economic climate in the country is challenging, as it has been, he said.

Given the rocky patches that many young adults have faced, it's not surprising that parents so often are helping with shelter costs. "If one of my children came to me and said 'I've lost my job and my finances are a wreck,' my first advice would be 'We have to keep a roof over your head,'" said Gail Cunningham, spokeswoman for the National Foundation for Credit Counseling.

(As a side note, she advised that people helping with housing costs make the payment directly to the mortgage company or landlord, rather than giving it to the person in distress. Often, people who need this kind of help don't ask for it until they're really in a bind—and they could have several creditors calling. "They're in such financial distress, they might not be thinking straight," she said.)

Likely due to today's tighter mortgage requirements, many are also helping their children buy their first home. A higher percentage of first-time home buyers used help from a relative or friend for a down payment after the financial crisis, compared with before, said Paul Bishop, vice president of research for the National Association of Realtors. This year, 27% of first-time buyers surveyed by NAR said they used a gift from a friend or relative. Twenty-two percent said the same in 2003.

Other reasons people help their adult children financially: To pay for cell phones (18%), buying or leasing a car (17%), education expenses (15%), health-care expenses (15%), paying down debt (13%), insurance (11%), student loans (11%), credit card bills (10%) and legal expenses (9%). Thirty-six percent of these good-hearted relatives didn't even know where their money was going.

Here's the biggest problem with that generosity: Many haven't planned for it.

Eighty-eight percent of people 50 and older never budgeted for financially supporting a family member, 91% never budgeted for caring for an aging parent or relative and 91% never budgeted to help pay for their grandchildren's college education, according to the Merrill Lynch study.

Still, half of people in that age group would be willing to make major sacrifices affecting their retirements to offer that kind of assistance to family. Sixty percent would be willing to put retirement on hold, 40% would return to work after retirement, 36% would have a less comfortable lifestyle in retirement and 20% would be willing to feel less financially secure.

Many aren't expecting anything in return either. Eighty percent of those age 50 and older who have given money said that helping out family in need was simply "the right thing to do," and the most common reason they'd stop helping is if they thought the recipient wasn't using the money wisely.

What's more, a person's financial resources could set them up to be viewed as the "family bank," the person that extended family is most likely to turn to for help, according to the study. "The family bank is generally, but not always, the person with the deepest pockets," Sieg said. Nearly three in five people ages 50 and older said that a member of their family currently occupies this role.

The bottom line: Anticipate and budget for any assistance you might provide to family. And make sure that you're balancing your family's needs with your own financial security, the report concluded.

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