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THE EXPERTS

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THE EXPERTS: RETIREMENT

Your Kids Will Still Ask for Money When You Are Retired

What's the biggest lie we tell ourselves about retirement?

KEN DYCHTWALD: Perhaps the biggest area of self-delusion regarding retirement is that "parenthood" retires when you do. The truth is that in today's uncertain economy, many adult children and grandchildren are struggling with stalled careers, steep college tuition costs and a wide variety of financial difficulties. As a result, they are increasingly turning to parents and grandparents for a helping hand. At the same time, large numbers of us simply don't know how to say "no" to our kids nor are we very comfortable setting boundaries or fair terms for this financial support. In this new era, it seems that PARENTHOOD NEVER RETIRES.

To better understand how family financial interdependencies can impact our retirement lifestyles, my firm, Age Wave, in partnership with Merrill Lynch, just completed a landmark survey titled, "Family & Retirement: The Elephant in the Room." The survey queried more than 5,400 people age 25 and older to understand how retirement is no longer just an individual matter, but truly a "family affair." You can download the entire report at www.ml.com/retirementstudy.

We were somewhat startled to discover that 20% of America's 50+ men and women still have an adult child living with them and a whopping 68% are providing financial support to adult children. Tens of millions of boomers are *regularly subsidizing their adult children's rent or mortgage payments, insurance, cellphone bills, car purchases or leases and tuition expenses.* And this assistance is often offered without expecting very much in return. "*I'm not looking to get back the money I lent my daughter," said a focus group participant. "I'm just happy I could help her when she needed it."*

The amount of this support can be substantial. In fact, family subsidies averaged a total of $9,200 over the past five years among people with less than $250,000 in investible assets, and $19,100 for people with between $250,000 and $500,000 in investible assets. And among the very wealthy (those with more than $5,000,000 in investible assets), the average five-year family outlay was $313,000! As one of our focus group participants commented: *"I thought I would be supplementing my grandchildren's college funds. It turns out, I* was *the college fund."*

Those lending a hand to family members rarely do so because they expect future help or financial payback. Reflecting an incredibly high level of generosity, older adults are 20 times more likely to say they are helping family members out because "it is the right thing to do" than because they "will help me in the future."

This level of never-ending parenting is heartening, but it's also important to keep in mind that providing financial support when you're near or in retirement—maybe a larger amount, or for a longer period of time than you ever imagined—can deplete your own retirement savings. Are you the "family bank? Are you sure you can afford to be? While your generosity might be helpful to your family now–will you have enough saved to fund your personal retirement dreams?

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