

# THE BOOMERANG BIND

With high youth unemployment and rising real estate values, more adults are bunking with Mom and Dad. But without proper planning, supporting your grown children may put your finances at risk.



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Agnes is enjoying retirement. The 70-year-old is relishing being an active grandmother. She saved diligently for her retirement, and is now reaping the rewards of her hard work. But, just a few months ago, her 35-year-old daughter told her that her marriage was over. Her daughter was now trying to finish her college diploma, and it was going to be financially tight for her to start a new life on her own with her two children. Agnes, being the kind heart that she is, offered to put her up temporarily.

“I think my daughter was hesitant about moving home,” Agnes says, “but she was at an in-between stage in her life where it would be really hard to fend for herself. I wanted to help.”

Agnes, who was enjoying a quiet retirement with her husband, is now faced with a chaotic home filled with her daughter, two grandchildren (ages 8 and 6), two dogs and a cat. Moreover, she must suddenly re-adjust her retirement savings to support her daughter and her family.

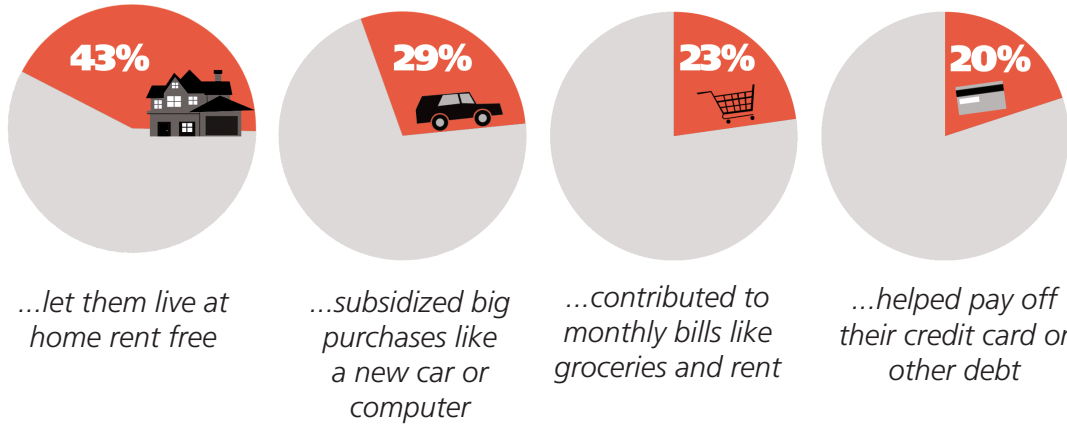
Agnes knows that this is not going to be cheap. She admits that she doesn't know how long her daughter and family will be bunking with her; she estimates anything from a few months to two years. For that time, extra food and utilities will mean a few hundred dollars on top of her normal monthly expenses. And the support she provides to her daughter won't just be financial help. Agnes, a former teacher, will look after the kids when necessary, and could end up picking up the tab for other living expenses until her daughter finds a job.



**High youth unemployment, tuition, and a very expensive real estate market means many have to rely on their parents well into adulthood, and even periodically throughout their lives**

JOANNA MAZIN, TD Wealth

**Research from TD Canada Trust shows the majority of baby boomer parents have financially supported their adult children in some capacity...**



(Source: TD Bank/EnviroNics Poll)

"I don't mind," she says. "I'm actually excited to have them here, and they are welcome for as long as it takes to get back on their feet."

Agnes isn't the only one out there with a soft spot for her now-grown children. In fact, a poll conducted by TD Bank Group showed many parents with adult children have already supported their kids in some capacity — like letting them live at home rent free, subsidizing big purchases like a car or helping them pay off debt. In fact, one in five boomers admits they would even consider putting their own security and financial future at risk to help support their grown children.<sup>1</sup>

"High youth unemployment, tuition, and a very expensive real estate market means many have to rely on their parents well into adulthood, and even periodically throughout their lives," says Joanna Mazin, TD Wealth. "It's natural to want to help your children, but it's important this support does not compromise your own financial stability and goals."

Dr. Gina Di Giulio, director of psychology at Medcan in Toronto, says that it's important to put boundaries in place, so that you don't find yourself in a dire financial situation, or even just picking up their socks and doing their

laundry. “You may be creating a generation that is dependent on their parents,” warns Di Giulio, “robbing them of very important life skills that one needs to be a fully-functioning and successful member of society. These kids might have a much harder time in the workforce if they don’t learn to become independent.”

So if your adult child shows up at your door, boxes in tow, here are a few tips to keep your savings and sanity in check:



*One-in-five Boomers (19%) admit they would consider putting their own security and financial future at risk to help support their adult children. (Source: TD Bank/Environics Poll)*

## **1** **Set Rules**

Agnes admits that she hasn’t set out a plan, or even discussed household obligations with her daughter, but Di Giulio warns that, just because you’ve lived with each other previously doesn’t mean the rules will be the same this time around. Coming home to live as an adult should come with different rules and expectations, and writing it down is a good move. Spell out financial obligations for your child — rent, groceries or the household bills he or she will be responsible for. “Contributing to the household expenses is a great way to establish a boundary, or paying ‘rent’ for the privilege of living back home, even at a rate that is significantly lower than living elsewhere,” Di Giulio says. “Chores and other responsibilities should also clearly be delineated.”

## **2** **Pay Yourself First**

It is important to have discipline with your own savings plan so that you don’t sacrifice everything for your children. Using pre-authorized payments to contribute to RSPs, TFSAs and other savings and investment accounts is one way to ensure you stay on your financial game plan. In Agnes’ case, she uses pre-authorized payments to contribute to a TFSA. If the money isn’t at your disposal, you’ll be less likely to splurge on your kids while ignoring your own financial future. “It’s vital to prioritize

retirement savings when you are earning, and have a careful budget when you aren't," says Mazin. "So parents should think about that when considering support for their children."

### **3 Budget for Kindness**

Rework your budget to factor in all your new extra monthly costs. Some are obvious like more groceries and utilities. But there are also some hidden costs to children moving home. Auto insurance, for example, may rise with another driver in the home — since there would be a reasonable expectation that your new houseguest will drive your vehicle, even if infrequently. Who will be responsible for your child's healthcare or dental costs? Even if your children don't return home, it can be hard to say no to a child in genuine need. It's prudent to add a line in your budget for helping out the children.

Think about the different ways you would like to help your child. It may

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*percent of the 4,318,400 young adults aged 20 to 29 lived in the parental home, either because they never left it or because they returned home after living elsewhere. (Source: 2011 Census)*

be a down payment on a home, help with a graduate degree, or helping with daycare costs for grandkids. Then set a realistic and affordable limit to how much you will put aside for it. "Before helping with big purchases, talk with a financial advisor about whether you, and your child can afford it," says Mazin, "especially if there will be mortgage or loan payments that will need to be carried in the future."

### **4 Model and Preach Financial Literacy**

Agnes says that one of the reasons that she isn't stressing out about her daughter moving home is that she was very proactive about teaching financial literacy to her kids while growing up. She used every opportunity to teach them about saving and spending. And certainly, teaching these principles to your children at a young age can prevent a

cycle of dependency later in life. “For parents who are caught in that cycle today, they’ll need to move from financial aid to financial coach,” says Mazin, “and help children get control of their finances so they can move towards greater independence.”

Mazin says setting them up with a financial advisor who can discuss their goals and help them start envisioning a future can be helpful as well. Practice what you preach and model responsible financial behaviour.

Agnes is looking forward to having her family back at home, and doesn’t foresee any issues with her daughter and financial dependency. She is putting faith in the money values she’s taught her kids, and she doesn’t mind spending any disposable income on her family. But for parents who might not feel so confident about their boomerang children and their money habits, setting some boundaries is a great start. Being a role model and stressing the need to look after your finances could help your boomerang kids to stand on their feet again.

“Having a successful, independent child who is contributing to society is one of the greatest rewards a parent can receive,” says Di Giulio. “So don’t be afraid to have a hand in helping to develop healthy and independent children, of any age.” – *Denise O’Connell, MoneyTalk Life*

<sup>1</sup>TD Canada Trust. “Boomers risk straining finances to support boomerang kids: TD poll.” May 7, 2013. Accessed March 3, 2016. <http://td.mediaroom.com/2013-05-07-Boomers-risk-straining-finances-to-support-boomerang-kids-TD-poll>

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