

How Not To Go Broke If Your Kids Move Back After Graduation

The after-college reality is much different from a generation ago. Two thirds of college graduates owe significant money after graduation. According to the Project on Student Debt, debt levels for graduating seniors with student loans from 1997 to 2007 more than doubled from \$9,250 to \$19,200 – a 108 percent increase.

That's why it's now very common for graduating seniors to move back to the family manse for some time after graduation. For those who don't have ready employment, it's probably a necessity. For those with jobs, moving back in with the folks is a way to save for a down payment on a car or possibly a home.

It's absolutely fine to welcome family back home, particularly if it means you really have an opportunity to help your kids. But it's not a terribly good idea to welcome home what the experts are calling "boomerang kids" if you've put your own retirement savings on the back burner and you're also facing both expense and strain from taking care of elders.

Like all family transitions, this one requires some planning, and it may not be a bad idea to get some advice. A CERTIFIED FINANCIAL PLANNER™ professional can give you advice not only how to manage the financial aspects of your relationship with your grown child, but how to make sure the other aspects of your financial life are healthy.

Here are some steps:

- *Promise not to overextend yourself.* Don't let the return of the prodigal son or daughter derail your own retirement or debt repayment plans. Parents may also have some challenging financial problems to solve, and your child should understand that you should be helping each other.
- *Still your house, still your rules:* Granted, your kid's now an adult, not an 11-year-old. But if your child is moving back in, you need to set specific rules for the way you want him operating under your roof. If you want him to pay rent (it's probably a good idea), set those terms in writing. Set terms for household expenses if you prefer. And to make sure there are no misunderstandings, make sure you both understand where you stand with non-financial issues – how much of their stuff you'll want them to move in, overnight guests, checking in when away, etc.
- *Set an endpoint:* If your child needs a year to start paying off credit card bills or tuition debt or is hoping to scrape together enough for a down payment on a condo, discuss it and figure out how long that's going to take. Deadlines enforce goals.
- *Chores are necessary:* You may charge rent or demand payment in kind, but a mixture of both is best. You're not running a B&B. You might insist that your child handles laundry, makes (not buys) dinner a few times a week or helps with a major home renovation project if they have those skills.

- *Supervise their financial planning:* Some parents bail out their kids entirely. Instead, work with them to build better financial habits. Help them set a budget after you both figure out their net worth – a real eye-opener for many young adults. You might consider, however, matching the amount that they're putting toward debt or a home down payment each month. If you don't want to take full responsibility for that training, you might set up one or a series of meetings with a CFP® professional to get them started the right way. Consider it a graduation present.
- *Keep records.* Even if you never share these with your kid, make sure you keep track of payments, chores and other in-kind efforts made by your "tenant" during the term of his or her stay. It's a way to look back and see what's gone on during this phase in your relationship.
- *What about the rent?* If you are in a relatively good financial position and you don't need your child's rent to pay your own bills, you might consider investing those amounts on behalf of your child to chip in for his or her home down payment or possibly a wedding.

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This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Angel McCall, CFP, a local member of FPA. You will find additional informative articles at www.AngelMcCallCFP.com.