

What retirees should do when the kids come back

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You're sitting pretty in retirement. Kids gone. Empty house. Vacations. Hobbies. Walks. You and your spouse are getting to do all the things you dreamed about doing when you became empty nesters.

Then, it happens. Your grown kids tell you they need your help, and they need to come back home. The big question is, how do you help your children and keep your retirement on track?

"First piece of advice is, 'Don't panic,'" says Lynn Ballou, managing partner of Ballou Plum Wealth Advisors in Lafayette, Calif. "Take a deep breath. Listen to your children tell you what they think they need. It may not be as horrible as the first panic call would lead you to believe."

How to Age in Place.

There are two different scenarios where children return, planners say:

- **Kids returning from college.** Parents have spent thousands on college tuition only to find that the kids cannot get a job after graduating and now must move back home. If the parents are still saving for retirement, the question here is how to keep your retirement savings on track — especially since you likely just spent big bucks on tuition.

"You sat with advisers," says Brian Schwartz, premier wealth adviser with HSBC in New York. "You put a plan together. You find yourself at this crossroad where debt is not a big part of your plan. All of a sudden something like this happens. It can be a detriment to parents, whether its kids coming from college or young adults coming home from a horrific, costly divorce."

The emotional cost is real, says Ballou. "I think parents are feeling a little betrayed. They saved and scrimped to get their kids the best education they could, and come to find out a part-time job is the best these graduates can do, through no fault of their own."

And so are the monetary costs, says Matthew Curfman, senior vice president of Richmond Bros. in Jackson, Mich. "All of a sudden your kid comes home and you can spend another extra 20 grand a year. You have to learn when to say no. More people get into trouble because they say yes to too many things than when they say no to too many things."

• **Grown kids suffer a setback, such as a divorce or unemployment, and need to come back home or just need financial help.** "It's coming up more and more with unemployment at current levels," says Curfman. "If you are working with a planner and you are retired, get your financial planner involved." One way the planner can help: "If I need to be, I can be the bad guy," Curfman says. "It takes away from the human toll on the relationship between parent and child."

Financial experts say parents must plan, in more ways than one. And they must talk openly about the issues and the potential problems.

Average people pay an enormous amount to send their children to college, says Lance Roberts, CEO of STA Wealth Management in Houston. It can hurt everyone if the children don't get a practical degree. "The kids are going to school and getting degrees in liberal arts or basket weaving and not a functional degree that gets a job when they graduate," Roberts says. "The problem for parents with kids in school is they are funding an education that will have little benefit. They are bankrupting themselves going into retirement. There is no law that parents have to pay for kids going to school."

"Parents welcome kids home because they are parents," says Schwartz. "It is a human instinct. That said, most parents don't create some kind of plan. That's where as an adviser I step in. I think of everything as a business, and every business need a plan."

The plan should include things like parents collecting rent or sharing the cost of utilities, and parents should not feel bad about that. There are quite a few hidden costs that parents don't anticipate, like food, car insurance and cellphones. I think a time horizon should be set. I tell parents a year and a half is an adequate amount of time for kid to regroup, re-strap on his boots and get back out there."

Alex Vicencio, senior vice president at Wells Fargo Advisors in Miami, says sometimes parents will take his advice, and sometimes they will want to help their children at all costs. He will do what they ask, but sometimes he has to warn them of the consequences.

"The focus of my practice is making sure that everyone has an up-to-date, working financial plan," he says. "When I encounter those situations, I find that one approach that worked well is to show the client how that particular help they are planning to provide, how mathematically that will affect their plan, whether it be retirement income or lifestyle. If it will have detrimental effect on my clients' financial well being, I will let them know that is something that would not be recommended," he said.

The keys to helping your kids while you keep retirement on track

- **Communication.** "I think the key to having adult children settle back in successfully is to be upfront and explicit about your expectations and about the rules of the house," says Bornstein. "Things have changed in the years or decades since kids have lived with you, and a lot of families go on the assumption that they will be able to return to old pattern, old life, and that's not true."

"Conversation is key," he says, "about boundaries, about shared space in the house, about the rules, if, for example if your adult children have children of their own. The key to making it work is to have that conversation and have it early and bring up uncomfortable topics instead of sweeping them under the rug. You can be sure of one thing — old family conflicts and dynamics, which may have been dormant for years, and may re-emerge when you are back in the same space."

- **Talk to your financial planner and revise your financial plan.** Sit down with your financial adviser and figure out what you can afford to do, says Ballou. "Kids tug at our heartstrings. We will do anything for them, but that doesn't mean we can afford to do anything for them. Your financial adviser will help you figure out what you can and can't afford," she says.

- **Prepare emotionally.** "If you are a person who planned your retirement, and had a preconceived notion of what it looks like — popping in on kids, and popping out, reading the paper and listening to NPR — then suddenly, emotionally, there will be another game plan," Ballou says. Their energy level is much different than yours. And they might have unexpected surprises. "A friend had a daughter who moved back with a pit bull," Ballou says.