

Financial Planning

The boomerang effect



Millennials may need financial help from their parents, but they also need to learn lessons in order to gain independence

By Beatrice Paez | November 16, 2016 10:50



Achieving financial independence can be a steep challenge for many millennials. With their struggle to secure gainful employment and pay down student debt, young adults often turn to their parents for help. Those parents are often willing to cover some expenses or even allow the children to move back home.

"They want to give their children everything — things they themselves didn't have," says Noel D'Souza, a financial advisor with Money Coaches Canada in Toronto. "[The parents] may not realize that those aspects of life actually shaped them, made them who they are now."

In the long run, these clients' willingness to provide generous financial support to their adult children can prolong dependency and hurt your clients' prospects of achieving a comfortable retirement.

As their advisor, you can warn your clients of the impact their financial contributions can have on their goals and help them take steps to cut the financial cord.

Whether clients are offering financial support to grown children who are living on their own, or helping by allowing them to stay in the family home, D'Souza suggests the following ways to help your clients steer their millennial children into financial independence:

> Entrust them to make financial decisions

Your clients' children might not be fully aware of all the costs associated with maintaining the household and subsidizing their lifestyle. The best way to train children to become financially independent is to give them control over a budget, D'Souza says. Advise clients to involve their children as early possible in the process of making financial decisions.

Children enrolled in post-secondary education and living on their own should be responsible for making do with the money that has been allocated to cover monthly expenses. Clients should make sure their children account for necessities in their budget, such as paying utility bills, which are often overlooked.

> Moderate a family meeting

Many parents are uncomfortable discussing money issues with their children, regardless of their age. Sometimes, D'Souza says, an unbiased outsider can initiate the dialogue about the parents' financial concerns and provide much-needed perspective on the risks they face.

As an advisor, you can offer to hold a family meeting with millennials, especially if you fear that your clients' supporting their millennial children is putting their long-term goals in jeopardy.

"We can bring other people's experiences to bear, and [share] what has worked," D'Souza says.

> Recommend a modest charge for room and board

A dose of tough love may be needed if clients find themselves saddled with the costs of caring for their boomerang kids — those who have returned home after a measure of independence.

D'Souza suggests that parents consider asking their millennial children to contribute to household expenses by paying a monthly fee for room and board.

Some parents might park that money in a separate account and give the money back as a surprise gift when the child is ready to move out

This is the first part in a two-part series on helping clients' adult children gain financial independence. Next: Working with millennials.

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