4 Things to Consider Before Committing Financial Support to Your Adult Children



A large part of being a parent is making our children's lives easier which often comes in the form of committing financial support to those adult children. But before writing a check or making a deposit through Venmo to your children, ask yourself these four key questions:

1. What, specifically, is this money for?

The key word here is SPECIFICALLY.

Many parents tend to err on the side of protecting their child's feelings when weighing financial support. We know asking for money can be embarrassing, and we don't want to deepen that embarrassment. Or we're worried that if we ask too many questions the child will become frustrated and hide

serious problems from us going forward.

These are understandable concerns. But it’s also important that you understand whether your child needs support because of something beyond his or her control (a car accident, serious health issues, unexpected job loss) or because they’re struggling with basic adult responsibilities. If your child is making poor budgeting decisions or settling for underemployment, you may be throwing good money after bad.

Be tactful but get to the root problem before you decide if your money is the best solution.

2. What is the real cost to me?

Many parents are already helping their adult children more than they realize.

For example, you might not think much of letting your adult children stay on the family cell phone plan or piggyback on an HBO subscription. After all, it’s only twenty bucks a month, right?

But how long have you been giving your child that monthly free pass? Years? You can also set time limits. For example, tell your child they can remain on the family cell phone plan until age 25 or until they get married, whichever comes first.

Are you helping with larger monthly expenses, like student loan or car payments? When will it finally be time to pull the plug?

Our advice: get it all down on paper. Make a spreadsheet that accounts for the financial support you’re already giving your child, large and small. Seeing how even small expenses accumulate over time will be eye-opening for both of you and help inform a good decision.

3. What are the terms of the bailout?

This is another area that parents tend to tiptoe around because they're afraid of insulting their children. But do you know of any bank that's going to loan your kids money indefinitely, charge no interest, and ask for no repayment? Then why should your money be subject to such lousy terms?

Your children have to understand that your generosity is not open-ended, especially as you near retirement age. You've probably made many sacrifices for them already. You should not sacrifice your financial security or the nest egg that is meant to support you in retirement.

If your children want you to "be the bank," then you have every right to act like one. Set clear terms in writing, including a repayment schedule. In more serious cases, you might want to bring us a copy of this agreement so that we can include it in your estate plan.

4. How else can I help?

It's very likely that your child spent 16 or more years in school without learning a single thing about managing money. Financial literacy just isn't taught in schools. This knowledge gap could be a big reason your young adult is struggling.

Does your child need money suddenly because he or she doesn't know how to budget? Help find that balance between covering current expenses and contributing to savings and investment accounts.

Housing and transportation expenses can be a shock to recent college grads. You could help your child negotiate a car lease. You might help a child who's already chasing after the Joneses by counseling against a rash home purchase that will stretch his or her finances thin.

Introducing your underemployed child to some of your professional connections might lead to a significant career

upgrade.

One key connection you should be sure to tap: your team at WaterRock! We're always happy to help our clients' adult children get on their feet. We consider this a service to our clients because we know that the less you're worried about supporting your children, the more secure your own retirement goals will be.

This article was prepared for Aaron Larson's use.

Plan a Special Vacation to Start Retirement



If you're about to retire but not really looking forward to

it, maybe it’s time to schedule something you will look forward to. Kicking off your retirement with a well-deserved vacation can ease you into this complicated transition and give you a small taste of everything you have to look forward to.

Here are two reasons why you should consider plotting a dream vacation right next to retirement on your financial plan.

1. Avoid “the Monday morning after.”

Many retirees will tell you that the first Monday after retirement is one of the toughest days of their lives. No matter how much you’ve thought about retirement and planned for it with family, friends, and your advisor, those first couple of days without work can be jarring. You might feel a profound loss of identity now that you’re no longer a doctor, engineer, or CEO. You might find yourself staring at a blank weekly calendar, wondering how you can possibly fill all that time. And without the drive to execute important work tasks, collaborate with colleagues, and provide for your family, you might feel like you’ve lost your purpose.

Taking a spectacular vacation isn’t going to erase all those anxieties. But filling in the first big block on your retirement schedule might lead to you scheduling another big bucket list item, and then another. Planning for the activities ahead will give you something to do; anticipating them will give you more and more to look forward to. Pretty soon you’ll be excited about filling in those smaller blocks as well, with things like sports, online learning, volunteer work, or shorter trips to see friends and family.

Taking a big vacation after retirement can also be a great way to unplug from one phase of your life, reflect, and start planning for the future. You might even use some of your travel experiences as cornerstones of your new retirement schedule. If you fall in love with new cuisine, take some

classes when you get home and turn dinner time into its own mini vacation. Explore your destination on foot and you might find you want to make walking or hiking part of your morning routine.

2. Enjoy your best life with the money you have, right now.

We all have things that we want to do “someday” that get pushed off while we’re working and raising a family. Some retirees continue to push off “someday” because once they stop earning a paycheck, they worry about running out of money. For too many of those folks, “someday” never comes.

The earlier you switch from a “saving” mindset to a “reward” mindset, the sooner you’re going to start making the most out of retirement. It’s all too easy for struggling retirees to fall into an unfulfilling routine of puttering around the house until they settle into the couch for the night. A vacation can help you to break that routine before it starts. As you become more comfortable with responsible spending, you’ll start to appreciate the possibilities that all your hard work has secured for you in retirement. Hopefully, that will inspire you to try new things and visit new places while you’re still able.

And once you start to slow down and move into new phases of retirement, your Personal Pathway will be there as you explore new ways to keep living the best life possible with the money you have.

In your life and career, you’ve probably found that the best way to get better at something is to work with a coach. Retirement is no exception. If you’re struggling with your transition into retirement, make an appointment to talk through it with us. Locking down that first bucket list vacation can be the start of a whole new way to think about and enjoy your golden years.

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