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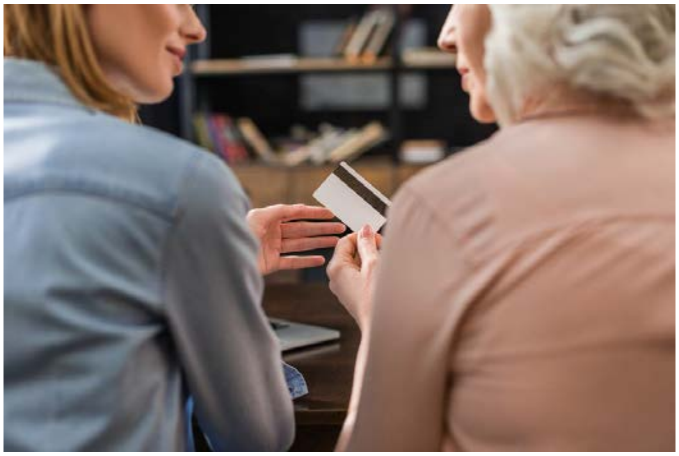
The High Cost of Financially Helping Children into Adulthood



Half of parents surveyed by Age Wave/Merrill Lynch Wealth Management said they would pull money out of saving accounts to help an adult child. PHOTO: GETTY IMAGES/ISTOCKPHOTO

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Being a grown up—that is, a person taking on the financial responsibilities of adulthood—used to start somewhere between the ages of 18 and 21. Today, not so much.

Many young adults are still learning the basics of adulting well into their late 20s and beyond, and that delay is having a profound effect on *their* parents, especially when it comes to money.

To understand what parenting looks like today, my firm, Age Wave, in partnership with Merrill Lynch Wealth Management, surveyed more than 2,500 parents of children of all ages. One of the most surprising results was just how much--and for how long--parents are providing financial resources to their children.

It's no secret that parenting is expensive. Since 1960, the base cost of parenting a child to age 18 has skyrocketed from $25,200 to $234,000, according to the U.S. Department of Agriculture's 2017 Expenditures on Children by Families. It’s no wonder that nearly twothirds of parents in our survey report encountering financial difficulties associated with parenting, and a majority experience stress about their finances.

Most important, though, is that spending on children doesn't stop when they leave the nest. Today's parents continue to serve as the "family bank," with 79% of parents whose oldest child is 18-34 providing them at least some financial support, according to our survey. This support can range from big-ticket items, such as higher education and weddings, to supplementing everyday expenses, such as groceries, cellphone service and even paying for vacations.

When emotions and finances become intertwined, parents often choose their children over themselves. As one parent told us, "I hate to see my son struggle, trying to make ends meet now that he is living on his own. I'm grateful that I can help him out financially."

In fact, 82% of parents we surveyed say they would make a major financial sacrifice for their adult child, most notably pulling money out of saving accounts (50% said they would) or living a less-comfortable lifestyle (43% said they would).

And parents are, indeed, sacrificing for their adult children, sometimes without even realizing the real cost.

Parents contribute a total of $500 billion annually to support or supplement their adult children, according to our calculations at Age Wave. We took into account parents' contributions, as reported by adult children ages 18-34, covering 14 categories, including cellphone/phone, internet/cable/Netflix, health insurance, out-of-pocket health-care expenses, car purchase/payment, car expenses, transit expenses and miscellaneous expenses (including meals out and entertainment).

That's twice what they put into their own retirement accounts, according to our calculations. Twice!

This high level of support can seriously jeopardize a parent's own financial security in retirement. Sacrificing your own financial well-being for your adult children in the short term can ultimately have a negative effect on those children's finances in the longer term. If parents enter retirement without the necessary savings, adult children may need to step up to support their aging parents—right when they need to be putting their own children through college and saving for their own retirement.