Millennial Minute

Closing the Bank of Mom & Dad – when should you stop financially supporting your kids?

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Being a parent is hard – that isn't up for debate. You have these small humans that you are responsible for protecting, loving, teaching, and molding into confident and productive adults who contribute to positively to society. It's a tall order, and most parents will spend most of their parenting years wondering if they're doing a good enough job: Are you giving too little attention or too much? Are you supportive of the right habits? Are they doing well in school, or falling behind? Are they eating healthy enough?

The questions you'll lie awake at night asking yourself are endless, and unfortunately, they never have a definitive answer.

When I asked my aunt once if you ever know you've raised your kids right, her response was "My kids are in their 30s and I still don't know". **Which leads me to believe being a parent will always be your first job, regardless of how old your children are,** where they live, what their family situation is, or what their financial status is. Parents just want to provide for their children and help them have a better life than they might have had.

However, when is it too much? We've heard of helicopter parents who don't wish their child to ever come to any form of harm and always keep their kids at arm's length. Some parents don't like the school system and choose to home school their kids. Others may sit with their kids night after night to help with homework or school projects (some eventually take over the whole thing!). Some parents don't even let their kids do household chores, instead letting "kids be kids" and giving them free reign of their time.

When it comes to our kids, we just want what we think is best for them, even if it comes to interfere with our own lives.

Parents today are faced with even larger issues that parents of the past. Millennial kids, Gen Z kids and even some Gen X kids are faced with some of the highest costs of living and inflationary prices we've seen in a long time. The cost of homes, rent, utilities, even food has sky-rocketed and there is no evidence on the horizon that prices will cool anytime soon. Because of this, **parents can feel like it's their job to help their kids however they can – and that help typically comes in the form of money.**

According to polling firm, Leger, an average of 96% (this is not a typo) of parents have adult children that they were still supporting financially past the age of 18. Many parents are conscious of the cost-of-living crisis and are helping their kids flip the bill for rent, food, bills, insurance, and education.

While the majority of parents are happy to help their children, having to help them further and further into adulthood is going to have an impact on your retirement.

So, when do you officially close the Bank of Mom & Dad?

This is a hard line to define, as everyone's circumstances are different. There are parents out there who can have a cushy retirement and still be able to float their kids a monthly stipend. Most parents, however, need to have a serious discussion and set realistic expectations with their kids when it come to financial support.

It all has to start with the conversation. Once you and your partner have calculated your expenses and seen your financial advisor about your spending plan, you'll have a clearer picture on just how serious the situation may or may not be. From there, you need to start planning your exit strategy.

Maybe you're only floating your kids a few hundred dollars a month, and you can slowly wind that down, giving them a few months to prepare. These conversations could go much easier, as your child might not really need that money anymore or will easily be able to adjust their spending so you can stop the support. However, **you could be helping your kids live the "trust fund lifestyle" without the support of a hefty trust fund.** In these situations, kids may not be working, or working very little. They may be in school or between jobs, or they could just be enjoying the fruits of *your* labour without any regard for *your* future retirement.

These are the tricky situations. **Sometimes our kids can take the news of financial cut-off very hard.** They may not have any experience budgeting or saving their money because they've never had to. Other times, they just don't want to give up their free ride, because who would want to? It's in these moments that parents need to have their retirement plans available to show their children. Don't be afraid to show the scenario where your child will dry up your retirement before you die. Be transparent and show them your budget and your spending plan. Typically, the more information you give, the easier it can be to figure out a solution.

Just because you're cutting off the money, doesn't mean your cutting off the help. If your child lives rent free, offer to have them move home, if you have the space. If they need money for childcare, and you're able, offer to take the grandkids for a few days to ease the daycare costs. Offer weekly family dinners to take some stress off food prices or teach them the best ways to budget their money. Often times our kids could just be spending on things they don't really need and need to be shown where money can be saved. (Just because they're older doesn't necessarily mean they are much wiser!)

Conversations like these are never simple. It takes a lot of care and consideration on both sides to come to a compromise. Open communication and a lot of understanding is key to get through this big life transition; not just for you and your partner, but also for your kids.

Talking with your financial advisor is a great first step. They can help you create a retirement plan that can show visually how much needs to be saved in order to live the retirement you want. This is a great tool to present to you kids so they have the visual in front of them. **You can even bring your kids into a meeting with your financial advisor to get them on the road to a reitreable future.**

Closing the Bank of Mom & Dad can be a hard conversation to have, but it's necessary to not only save our retirement, but to help you kids to plan for their financial future as well.