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BOOMERANG FINANCES: WHEN KIDS RETURN HOME

After all these years, your children have finally decided they like your cooking.

They like it so much, in fact, they have moved back home to eat.

The number of adult children living with their parents has risen since the 1970s, according to the U.S. Census Bureau. [Money mag article, p. 94] Children come home for a variety of reasons: divorce, job loss, newly graduated and seeking a permanent job, poor money skills, or perhaps they are struggling to make ends meet with a low-paying job, high rent and debts such as student loans. And then there are the kids who are simply too lazy and are more than willing to live off their parents.

Whatever the circumstances that bring home a child, it is a financial burden on parents who may have thought they were finally financially free and ready to focus on their own goals. Here are some guidelines to help minimize the financial impact and avoid the potential emotional conflict it often brings.

Don't derail your own financial plans. Unless it's absolutely necessary, parents shouldn't derail their own financial plans at this stage in their life. Parents of boomerang kids have stopped saving for their own retirement or given up planned vacations because of the financial burden. This often breeds resentment and, in most cases, is unfair to the parents.

Set financial ground rules. Before they cross the threshold, returning children should understand exactly what you expect from them financially. How much should they put toward groceries, utilities, perhaps even rent? Write out a contract with firm numbers if you think it is necessary. You also may want to establish a time limit for how long they can remain at home. Children with no financial obligations and

an open-ended stay have been known to hang around for years, either not bothering to get a job or blowing their earnings on just the fun things for themselves.

Review your insurance. One of the first things you want to do is be sure your child is covered by health insurance. You don't want to bear the financial cost of a serious illness or injury. If they are covered at work, great. If not, consider a short-term medical policy, say for six months. Assuming they are in good health, the policy should be only a few hundred dollars. You might be able to add them to your own policy, though that could be expensive. The child should pay some or all of that additional expense if possible.

You may want to put them on your auto insurance, even if they already have their own coverage, to take advantage of the lower per-car cost of same-household discounts. This will depend on their driving record. Again, they should help out with premiums. Also review your disability and life insurance, since your children have become, at least temporarily, financially dependent on you.

Review your taxes. Check with a tax expert, but you may be able to claim the child as a dependent if they make less than \$2,750 for the year and you provide over half of their support. If they are under the age of 24 and meet the definition of a full-time student, you can claim them regardless of their income.[Ernst & Young book, clips] Single parents with single adult children who have lived at home for at least half a year also might save taxes by filing as a head of household.[Kiplinger's]

Teach them money skills. One common reason adult children end up back home is because they have poor money skills and consequently don't manage well the money they make. This may be the case even for young adults who land good-paying jobs but spend excessively or rack up credit card and other types of debts. Perhaps the best financial help you can give them is to show them how to earn, spend, manage and invest money wisely. That way, the next time they come home it will be because they want to visit, not stay.



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