

Planning is a must when kids move back home

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By **PAMELA YIP / The Dallas Morning News**

Parents have mixed feelings when children leave the nest to strike out on their own.

Their feelings are even more mixed when the children return.

In today's economy, a growing number of parents who believe they've fulfilled a large chunk of their financial obligation to their children are being faced with new concerns and questions.

Whether it's due to a job loss, divorce, financial setbacks or some other reason, returning children bring with them unique financial issues. But experts say the problems also contain the seed of opportunity for helping resolve the situation.

Mickey and Larry Junell's son and daughter, Casey and Brandy, moved back into their Garland home after they lost their jobs and had financial difficulties.

"It's just hard for those guys to get out on their own when there's no stability in the job market," said Ms. Junell, a school testing coordinator. "My hopes of them being free and independent are gone again."

Families such as the Junells have to work through questions about the kids' contributions to the household, of setting a goal for their return to independence, and issues such as health and car insurance.

"The real key here is to identify the rules of the road in terms of what expectations are," said Mallery Tytel, president and chief executive of ETP Inc. in East Hartford, Conn., a nonprofit health and human resource development corporation.

"What's my contribution, not only financially but in terms of the operations of the house? The bottom line is you have respect for each other," Ms. Tytel said, "and that you recognize the roles and responsibilities each brings to the situation."

More families are dealing with kids returning to the nest, she said.

"There's much more of a trend toward this happening than 10 years ago," Ms. Tytel said. "It represents a variety of things that we're seeing – a flat job market, student debt, high cost of living."

According to the 2000 Census, among 18- to 24-year-olds, 56 percent of men and 43 percent of women lived at home with one or both of their parents.

Handling the change

How much the return of an adult child to your home impacts your finances has a lot to do with how you handle the change, experts say.

"Everybody's better off if there's some sort of structure or incentive for these kids to learn to stand on their own two feet," said Jim Lacamp, senior vice president and financial consultant at RBC Dain Rauscher in Fort Worth. "It's not good for the kids to not give them some sort of incentive to get going again. If you create the mentality that everything comes to them for free, they don't have an incentive to work and stand on their own two feet and create something that's going to help them later in life."

It's a delicate balancing act. You don't want to be uncaring to your kids, but you should set boundaries.

"I would not call it being cold," Mr. Lacamp said. "Tough love is what I'd call it. It's being constructive with your child and teaching them the value of life's lessons that things come to people because they have to go out and work for them."

First of all, discuss with your child how long he or she is expected to remain in your home.

"Establish and communicate a time limit for how long the child can remain at home," said Michael Busch, a certified financial planner and president of the Dallas/Fort Worth chapter of the Financial Planning Association, which represents planners.

The Census shows there is hope. For 25- to 34-year-olds, only 12 percent of men and 5 percent of women lived with at least one of their parents.

Brandy and Casey Junell, who shared an apartment, were laid off from their jobs as network engineers at Southwestern Bell Internet Services.

Casey, 21, tried to support the both of them after his sister lost her job first, but he was trying to pay off bills of his own.

"We were like, 'This isn't working for us. Let's move back home,' " he said.

After they returned home, Casey continued to work for Southwestern Bell for a year until he too was laid off. Because he wasn't paying rent, he was able to slice his credit card bills by about half.

"It was supposed to be a short, temporary thing, and a year later, here we are," said Brandy, 25, who's working temporary jobs and waiting tables to earn money.

Their parents decided that coming home was the best option for their children.

"They would see us struggling," said Brandy. "I would call home crying, 'How am I going to pay the rent?'"

It may take longer for Brandy and Casey to find the jobs they want, according to the results of a recent survey by outplacement firm Challenger, Gray & Christmas Inc.

Challenger said 67 percent of callers to its annual holiday job search advice call-in believed it would be more difficult to find a job in 2003.

"This may be the most discouraged we have seen callers in the 17-year history of the call-in," said Rick Cobb, executive vice president of Chicago-based Challenger.

Health insurance

One of the first things you should discuss with your kids when they fly back to the nest is health insurance.

"A lot of young people have a tendency to think they will be young and healthy forever," said Larry Akey, spokesman for the Health Insurance Association of America, which represents health insurers. "Even for the young and healthy, accidents can happen, and the financial consequences of not having health insurance can be significant. A single health event can have the same impact as having a student loan."

Check with your employer about family health insurance benefits. Policies vary, but generally, employers' health insurance policies will cover a child until age 18, Mr. Akey said. If the child is a full-time student, the age limit rises to 24.

Consider buying an individual health insurance policy if you must, but be aware that individual policies often don't provide as much coverage as group policies and often are more expensive to make up for the insurer's increased risk exposure.

Casey currently doesn't have health insurance.

"I don't see it as a priority for me because I just have myself to take care of," he said.

Brandy has health insurance through her waitress job.

Auto insurance is another issue to discuss. Will they be paying for their own insurance, or will you have to add them to your policy?

If you do, the premiums will depend on whether it's your daughter or son, the type of car, what kind of coverage you already have and what discounts are available to you, said Keith Androff, spokesman for State Farm Insurance.

Pitching in

Although it may be awkward, talk with your kids about contributing financially to your household as best they can.

One option is to charge a low rent in the beginning until your child gets back on his or her own feet.

"Escalate the rent to the point where the longer they stay, the more they pay in rent, so that gives them an incentive to go back on their own," Mr. Lacamp said.

The rent can also be used to try again to teach the children about savings.

"Save the rent in a separate account," suggested Shashin G. Shaha certified financial planner at Financial Design Group in Addison, "and when the child is ready to go out on his own, have it ready for his use to ease the burden of expenses and deposits."

But sometimes that's easier said than done.

"Good luck collecting on it," Mr. Junell said.

The Junells asked their kids to pay \$50 each a week in rent.

"We think realistically that's very fair," Ms. Junell said. "Most of the time we never get it. You don't want to sound like the big, bad wolf either."

Their children try to help their mother by picking up some milk or bathroom supplies.

"We try to help out once in a while when she needs extra money," Brandy said.

She also helps with housework, which is a good way to get kids to contribute to the household if they can't do so financially.

Protecting your assets

While you may want to help your kids, don't take your eyes off your own financial goals.

"Don't put yourself in a situation where you're being disadvantaged more than you have to be," said J. Richard Joyner, a partner in personal financial counseling at Ernst & Young in Dallas.

The Junells, who love their children dearly, can appreciate that advice.

"It is very difficult to have grown children move back home," Ms. Junell said. "It is hard financially on us, as we are reaching retirement age."

That's why putting a timetable on their stay is so important, experts say.

A prolonged stay isn't "good for the parents because most people don't have enough money to where they can take on additional costs forever, especially if they're retired," Mr. Lacamp said. "If you don't pass along some of these costs, it's a new burden on the parents."

Ms. Junell understands the need to help her children become independent.

"I know they should be on their own," she said. "I know that the best gift I could give them is their independence."

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