

# Parents - DON'T help your kids



**The trend for Gen Ys to stay at home well into their 20s – and beyond – is having a significant knock on effect: a generation of adults lacking financial skills and parents looking at working well into their 70s to make up for the additional expense of kids at home.**

This type of arrangement can be a **great financial advantage for Gen Y KIPPERS** (Kids In Parents' Pockets Eroding Retirement Savings) who may be saving \$15,000 per year on rent alone by living with their parents<sup>1</sup>. For mum and dad however, **retirement plans are delayed and retirement savings are significantly decreased.**

In the long term, failing to take action to encourage kids to survive on their own and learn the realities of the cost of living could do more harm than good.

## Why do kids stay at home?

The top reasons cited for kids staying at home are:

- financial issues
- convenience
- enjoyment of living with parents

Gen Y is accustomed to the 'good life'. Many are expecting to start their economic life in the manner in which they've seen their parents finish theirs. They often lack any real comprehension of the journey their parents have taken to get there.

Interestingly, the kids are making this arrangement work for them. Less than 1% claim that conflict has led them to leave home. Almost half who leave before their mid 30s return home at least once.

## Why do kids leave home?

Generally they choose to leave home for:

- independence
- relationships
- study
- employment

Research<sup>2</sup> shows kids from middle income families are more likely to co-reside with parents while they go to university. The offspring of higher income families tend to leave home to pursue education – but often with financial help from their parents!

## What's in it for parents?

Many Baby Boomer parents really enjoy the social interactions available in a multigenerational household. They are generally seen as far more 'with it' than their own parents so **their kids want to stay at home longer.** The downside is that many parents feel the financial pressure. They can also often feel their hard work is taken for granted.

Recent research by Commsec<sup>3</sup> showed that Australian Gen Ys have better saving habits than Gen X or Baby Boomers. This was primarily attributed to – you guessed it – **staying at home with mum and dad** for a lot longer. Now this is a great financial trait to have – as long as you're not the parent subsidising their savings while depleting yours.

The same research also showed **they contribute very little to household running costs.** Your kids might leave home at 30 financially independent while you end up financially stretched with little time left to do anything about it!

Not all Gen Y savings are going towards building future wealth either. For those **without a good financial education** those savings are more likely to fund travel, new cars and good times – all of the 'great lifestyle' activities with high appeal to Gen Y.

## How do we help them?

If one of the main reasons for allowing adult children to continue to live at home is to help them financially then parents need to make sure it happens. You need to:

**Teach them how to budget** – show them how to create a budget and stick to it.

**Introduce them to household expenses** – show them the household bills and calculate the value of their share – regardless of whether you make them contribute.

**Charge them board** – this will help establish a savings routine and understand the concept of regular outgoings. They can't prepare for the future cost of living if they don't understand those costs exist!

Some parents may choose to give back some or all of their board money later to assist with a deposit for their first home. Regardless of the path you choose they will be learning about budgeting along the way.

## How do we protect ourselves?

To make it work both the parents and the adult children need clear expectations as well as agreement on how long they will stay, the household rules and the shared costs and/or board.

Anyone who gets a free roof over their head, regular meals, no housework, utilities, entertainment and even use of a car is not going to readily move out. You need to either give them a push or ensure they contribute their share of the living expenses so no one loses out.

1. [www.mccrindle.com.au](http://www.mccrindle.com.au)

2. Melbourne Institute of Applied Economics and Social Research

3. [www.commsec.com.au](http://www.commsec.com.au)



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