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Lynn's Top Five Providing Financial Help to Struggling Adult Children

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A reporter recently called me to discuss my thoughts on how to help our young adult children if they are struggling financially. On the one hand as parents we want to do anything and everything we can to help our children succeed, but on the other hand we don't want to create an unhealthy financial co-dependency situation with no end in sight. After all, destroying our own financial stability to help them out with no end in sight won't end well. But are these stressful economic times so unusual that we are "allowed" to break all the rules of financial sanity to help them out? How do we draw some lines and some boundaries? Let's explore some practical ideas this month.

1) Don't berate, support! It's SO easy to slip back into the parent-child role. However, keep in mind that our young adult children are probably emotionally very vulnerable and embarrassed about their situation. If they are in financial straits due to the economic downturn and not foolhardy behavior, this is a time to step up to the plate and let the family values you have instilled and nurtured for many years guide the way. Talk with them as you would an adult friend. Ask them to explain their situation and what they think good solutions might be. Guide them with advice as you would a good friend. Don't tell them what to do. Don't just swoop in, write checks, and hope it will all magically be better.

2) One time behavior or the norm? If the adult child is in a mess financially because of irresponsible financial behavior, figure out if it's a one-time thing, or if this is becoming the "norm" for that child. For this child, it may be about more than providing support --- it may be very appropriate to insist that any financial support that is provided comes with the absolute condition that the adult child will meet with a financial counselor to work on personal financial behavioral reform.

3) Decide with your own planner what you can afford to do. For some, it may be a free place to stay - if so, create a realistic end date in advance. For others it might be financial support. Decide if it's a gift or a loan, again, based on what you can afford. Creating financial instability in your own life to help a child in the long run hurts everyone.

4) Loaning the money? Make it practical. If it's a loan in full or part, think realistically about how long you can afford to extend the loan, and what realistically they can be expected to pay back, and when. You might decide to waive interest to make it a partial "gift." For some of you it may be a better investment to charge your children 2 percent interest than keep the money in a CD!

5) Keeping it "fair" to siblings. This might be the toughest one of all for many. If one child is receiving a lot more financial support than others, this can create a lot of resentment and a long-time trend of family tension. If you are helping a child financially who may not be in the position to repay the debt anytime soon, to be fair to all siblings, you might think about putting a provision in your estate plan that would equalize things by deducting any imbalance from their share of your estate when you pass away. This will help with the "fairness" factor which is frequently important to take into account in these situations.

Many of us have kids coming home from college who aren't launching financially as both they and we had envisioned. These young adults often feel like failures and are paralyzed with worried about their futures. We feel financially drained and spent just to get them through school, and are worried about them in different ways. Open up an honest, forthright conversation, just as you would with a close adult friend. They are, after all, adults now. Do what you can to be helpful, but as much as possible, let them "own" the solution. It will bring them not only great pride and satisfaction, but the ability to navigate stormy waters they may experience again later in life when you are no longer there with the lifeboat.

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