Another Way Millennials Are Ruining Their Parents' Retirement

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The Bank of Mom and Dad remains open for millennials in their early 20s, about 40% of whom receive parental help with living expenses, the *New York Times* reports. But if Mom and Dad ever hope to retire, they'll have to close up shop, advisors say.

On average, help with living expenses comes out to roughly $250 a month -- although even that accounts for only 20% of the financial support that parents give their children, the *Times* reports. (The bulk of the assistance comes in the form of lump-sum gifts.) Unsurprisingly, young people living in high-cost urban areas receive more than their rural peers; those who studied art and design reportedly get the most assistance.

To be fair, it's been hard for today's young people to become completely independent. The average student debt for the class of 2015 is $30,100 per borrower, according to the Project on Student Debt. Meanwhile, highly skilled jobs are increasingly concentrated in high-rent urban areas, according to the *Times*. The millennial budget simply doesn't have a lot of wiggle room.

Trouble is, the average retiree budget doesn't have much wiggle room either. Some 57% of Medicare beneficiaries 65 and over have incomes $29,999 and under, according to the Kaiser Family Foundation, while just 21% percent have incomes of $50,000 and over. Here's how to avoid ruining your own retirement.

Lay the Groundwork Early

Ideally, you don't want to wait until you're already subsidizing living expenses to talk to your adult child about money. "It's very tough if your first conversation is, 'I'm fed up,'" says Jordan Waxman, managing partner at HSW Advisors at Hightower in New York City. "What gets people in trouble is they think money is a dirty subject."

Before your child leaves for college, tell him or her how much you plan to contribute to education costs -- and introduce the concept of the possible trade-offs after graduation, says Rand Spero, president of Street Smart Financial in Lexington, Mass. If your daughter moves to a high-cost area, for example, she may need to live with roommates. If your son takes a lower-paying job, it might take longer to pay off his student loans.

If you know you aren't willing or able to support your kids after graduation, tell them now. If you're not sure the extent of your future support, at least suggest that it might be limited.

Understand Your Own Footing

Before you subsidize your recent graduate, calculate how much that may set you back in your savings goals. A financial advisor can run detailed projections on how long your nest egg might last, given various savings rates. An online tool such as T. Rowe Price's Retirement Income Calculator can help you calculate your own ballpark.

It might feel only natural to funnel some of what you had paid in college tuition into your child's post-graduate expenses. But a better use of that cash may be catch-up contributions to your IRA or 401(k). The Internal Revenue Service allows savers aged 50 and over to contribute an additional $6,000 a year to their 401(k)s and an additional $1,000 per year to their IRAs.

One pair of just-retired clients in their mid-60s wanted to give their daughter a down payment for a house in the Boston area, Spero says. He helped them crunch the numbers -- and determined they really couldn't afford to give their daughter such a gift.

Instead, they structured their assistance as a loan. The parents didn't need the money at the time, but they would later, he notes. And the daughter needed the money now, but her earnings would rise throughout her career, helping her repay the loan at a modest interest rate. "Everybody was happy," he says.

Demand Accountability

If you do decide to financially support a grown child, you have a right to put conditions on your assistance, advisors say -- limiting types of spending, or the duration of help, for instance. Joe Heider, founder and president of Cirrus Wealth Management in Cleveland, mentions a client who is still subsidizing her 40-something daughter in New York City. "Those are the dangerous scenarios," he says. The other siblings have indicated that they have no intention of continuing the support after their mother dies.

You may want to examine your child’s expenses, to see if there’s anything to trim. Waxman has wealthy clients whose children spend hundreds of dollars a month on smoothies alone. If you’re footing the bill, Waxman says, you're allowed to say, “Instead of going to out for $13 coconut-chia smoothies, make your own.”

You’ll be doing your adult children a favor if you teach them how to make a budget and stick to it. “Millennials are going to face economic challenges long after we’re out of the picture, so we need to arm them with money management skills that will help them be financially resilient through some really uncertain times,” says James Nichols, Head of Voya Financial’s Customer Solutions Group, over email.

It's true that none of these conversations is easy. But ask yourself: Do you want your adult child to have to support you in your old age? If you don’t have enough saved for retirement, the tables will eventually be turned -- and you’ll be dependent on a child who might never have learned to live within his means.