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Can Your Boomerang Kid Ruin Your Retirement?

By Brian O'Connell | 08/05/15 - 10:15 AM EDT

NEW YORK ([MainStreet](#)) -- Thanks to sky-high U.S. rental prices, many younger Americans are turning their backs on the apartment life and instead taking the prodigal child approach by moving back in with mom and dad.

[Zillow](#) is reporting that rental prices are up 4.3% from June 2014 to June 2015. On its own, that figure tells a tale of a tougher apartment market for all Americans. But it's the ripple effect that should concern parents with adult kids living at home.

That's because it costs money to add another mouth to feed to the parental home, money that some financial experts say is coming out of mom and dad's retirement fund. Consequently, parents are the ones who are really paying the price for junior's move back into the house, and that price is coming right out of the savings mom and dad have set aside for their golden years.

"More Millennials are moving home to avoid high rents under the guise of 'saving money,' but this significantly impacts mom and pop's retirement savings," explains Chris Carosa, a financial expert and investment book author based in Rochester, N.Y. "And you might be surprised by just how much it's costing them."

Carosa says in many cases, it could cost parents who support their adult child between \$8,000 per year on the low end and \$18,000 per year on the high end, a figure that is supported by other [financial experts](#).

"At \$10,000 per year -- the total 10-year expense is \$80,000 -- it really adds up," he adds. Instead, he says, you could put that money into a retirement savings plan and earn the average long-term rate of return of 10% a year.

By suspending contributions to your retirement plan to pay the living expenses of your adult child, you stand to have between \$140,000 and \$175,000 less in your retirement account when you retire in ten years (the gap is larger if you are retiring in more than ten years), Carosa estimates.

For parents facing a "prodigal" return, Carosa advises taking direct, financial action. "The child should be working and should be paying rent," he says. "The parents should only pay for expenses where economies of scale justify it -- for example, buying 'family size' packages at discount stores -- and the children should be responsible for their own discretionary spending."

He's not alone among financial professionals on the topic. Others say adult children living at home need to step up to the plate, and fast. "Able-bodied kids living at home should do everything in their power to get a job and pay reasonable rent to their parents," says John O'Donnell, chief knowledge officer at the Online Trading Academy in Irvine, Calif.

O'Donnell, a father himself, adds that the habit of monthly expenditures will help them grow as individuals and will assist parents in paying mortgage and utilities while saving for retirement. "They also need their own auto and health insurance paid either by themselves or by their employment," he explains. "Even adult kids need to check their egos at the door and not feel above 'burger flipper' work and pay rate."

One way parents can save on home costs with adult kids in the abode is to get creative and find savings where you can. "If your child is under 26 years old, it may be cheaper to add him or her back to your family health insurance plan," offers Grant W. Moore, a financial advisor at Savant Capital Management in Rockford, Ill. "Since COBRA payments are often pricey, adding an adult child back onto your health plan can often be a cheaper and often overlooked option."

Moore also recommends making a one-time gift or paying only for specific items. "If your children are hurting, but still employed, it may make sense to give them a one-time gift to help them get back on their feet," he says. "This check could help pay off old bills or credit card debt. Keep in mind that the annual gifting limit is \$13,000 per year per person and that it's tax deductible."

Above all, dig in your heels and stand fast against any abuse of house rules, or overspending for an adult child living at home.

"Learn to say 'no,'" advises April Masini, founder of the relationship advice web site AskApril.com. "Adult children should not be the reason you can't afford the retirement you want. They may not realize that you would rather have your retirement with them working

as a barista at Starbucks than a lesser retirement with their living at home -- your home, that is."

"If you want them to be independent, you have to act like it," she adds. "Otherwise, don't expect them to read your mind."

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