Financially Empowered
Empty Nesters

Financial Lessons for Parents with No More Children at Home

We provide financial education for clients and our communities. Our agency facilitates hundreds of classes, workshops and presentations on personal finance EACH year. This includes schools, colleges, businesses, nonprofit agencies, government programs, churches, and more.
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Theory of Change

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Signs that there currently are or may shortly be financial troubles in your finances:

- **DEBT:** You have taken out a student loan for a child.
- **DEBT:** You have co-signed a loan for a child.
- **DEBT:** You have purchased another car on credit so that your child has transportation.
- **DEBT:** You are borrowing or, worse, spending from your retirement account to pay for your child’s education.
- **DEBT:** Your credit card balances have gone up since your last child left home.
- **DEBT:** You have opened a loan or a line of credit against the equity in your home in order to finance your child’s education or business ventures.
- **BUDGETING:** You are not regularly reviewing your household budget.
- **BUDGETING:** You continue to subsidize your child’s lifestyle at the same level they had while living at home (vehicle, electronics, activities, furnishings, etc.).
- **SAVINGS:** You have used money from your savings to pay for your child’s education, transportation, bills, or other expenses.
- **SPENDING:** You overspend on groceries while you adjust to feeding/cooking for fewer household members.
- **SPENDING:** You feel freer to dine out and enjoy greater recreation, so you spend more on these activities.
- **GENERAL:** You feel like you must work a second job or overtime to pay your child’s expenses.
- **GENERAL:** You lose sleep due to financial worries.
Unique financial pressures on Empty Nester wallets:

- Family loan for vehicle, first and last month’s rent, living expenses
- Taking on college loans
- Travel for child to and from college
- Supporting an adult child (paying their bills, rent, debts, etc.)
Numbers (statistics) and their sources

- 73% - the percentage of middle aged parents who were financially supporting an adult child
  www.pewsocialtrends.org/2013/01/30/the-sandwich-generation
- 7% - the percentage of parents with children in college who withdrew funds from their own retirement account to pay for college expenses (1 in 14 parents)
Share the example and feel free to share personal examples here.

From USA Today
(www.usatoday.com/story/money/personalfinance/2016/04/03/open-letter-adults-who-accept-financial-support-their-parents/82073458)
• Father (a firefighter) is proud to welcome his son to the same engine company.
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From USA Today
(www.usatoday.com/story/money/personalfinance/2016/04/03/open-letter-adults-who-accept-financial-support-their-parents/82073458)
• Father (a firefighter) is proud to welcome his son to the same engine company.
• 6 months later, the son asks for help to pay off $6,000 of credit card. The father does it but can barely afford it. Loan? Gift? What? It was not specified.
Share the example and feel free to share personal examples here.

From USA Today
(www.usatoday.com/story/money/personalfinance/2016/04/03/open-letter-adults-who-accept-financial-support-their-parents/82073458)
• 3 months later the son drives up to the firehouse in his brand new $36,000 pickup with $580/month payments
Share the example and feel free to share personal examples here.

From USA Today
(www.usatoday.com/story/money/personalfinance/2016/04/03/open-letter-adults-who-accept-financial-support-their-parents/82073458)
• 2 months later the son asks for help with a $10,000 medical bill
Share the example and feel free to share personal examples here.

From USA Today
(www.usatoday.com/story/money/personalfinance/2016/04/03/open-letter-adults-who-accept-financial-support-their-parents/82073458)
• Meanwhile, the son’s credit cards are back to where they were before
• And what do you think has happened to the relationship between the proud father and his son
Is it so bad that I want to co-sign a loan with my son or daughter? Let’s assume your child asks you to cosign a loan to purchase a home. What could possibly go wrong?

- Child misses payments and you have to pay
- Child misses payments and your credit suffers
- Damages your relationship and trust in your child
Is it so bad that I want to co-sign a loan with my son or daughter?

Let’s assume your child asks you to cosign a loan to purchase a home. What are the alternatives?

• Authorized user credit card
• “The budget talks”
• Help them set priorities
• Short-term damage to your relationship with your child
40% - The number of cosigners who end up paying some or all of the outstanding balance  
www.thefiscaltimes.com/2016/06/06/Here-s-Why-You-Should-Never-Co-Sign-Loan

90% - The percentage of private student loans requiring a parent cosigner  
www.consumerfinance.gov/about-us/newsroom/cfpb FINDS 90 PERCENT OF PRIVATE STUDENT LOAN BORROWERS WHO APPLIED FOR CO-SIGNER RELEASE WERE REJECTED

100% - the amount of the loan you are required to pay as a cosigner if your child does not pay, regardless of the reason
• “Lending” money to adult children without putting it into writing may as well be considered a gift. Yes, written contracts provide the parents some peace of mind, but they also provide the adult child with details that they need in order to responsibly repay the debt, build self-esteem and more confidently move toward independence. What are the basics to include in such a contract?
• Using the handout, “Keeping It in the Family,” circle the possible items that you feel should be included in an intra-family loan promissory note (“contract”).
Compare the potential financial impact that the “school or retirement” decision can have on empty nesters’ futures.
• Complete the “Education Funds Prioritizer” handout to help you determine which option is the best for your family.
  • What are the pros of paying for your child's education with your retirement funds?
    • Help child earn a diploma and get a better job
    • Allow child to focus on school work rather than earning food money
  • What are the cons of paying for your child’s education with your retirement funds?
    • Puts the parent(s) behind in their retirement plans
    • Possibly a withdrawal penalty
    • Likely a tax penalty
  • What are the pros of forcing your child to fund his or her own education?
    • Skin in the game means the child is more likely to focus and concentrate to move through college expeditiously
    • Teaches them independence and helps them to build self-confidence
    • Opportunity to teach them the value of budgeting
  • What are the cons of forcing your child to fund his or her own education?
    • They may have student loan debts for decades
    • They may over borrow
Many new empty nesters choose activities and make purchases that they could not do or have while their children were still living at home. Evaluate the potential positive and negative financial and emotional consequences that might result from new empty nesters doing any of the following:
Many new empty nesters choose activities and make purchases that they could not do or have while their children were still living at home. Evaluate the potential positive and negative financial and emotional consequences that might result from new empty nesters doing any of the following:

- Attend weekly concerts, plays, musicals and other cultural events that your child did not enjoy
- Buying a new motor home to hit the road
- Buying a luxury vehicle
- Going on a dream vacation
- Having a garage sale to get rid of extra bedroom items
- Host weekly parties with your other empty nester friends
- Move to a new home to be closer to your child
- Moving into a nicer home
- Purchasing home gym equipment and turning the child’s bedroom into an exercise room
- Take up new hobbies such as Tae Kwan Do, Yoga or Bicycling
- Traveling regularly to visit your children
What is the ONE step the students can take today that will get them closer to their own financial goals? Allow the participants to come up with their own answers.
NEXT LEG OF THE JOURNEY

• Complete additional workshops or webinars?
• Have the budget talk with your child(ren)
• Save an extra $100
• Other?