

Financially Empowered Empty Nesters!

Financial Lessons for Parents with No More Children at Home

Teacher's Guide

Series: Financially Empowered (Part 3)

Program Length: 20-30 Minutes

Audience: DRS Clients age 40-59



Financially Empowered Empty Nesters

by Debt Reduction Services Inc

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An empty house? How can this be? It seems like just last week that you were changing diapers, arranging for babysitters and talking to teachers and principals about grades and homework. Now, you are an empty nester. What to do next?

Whether from across the street, across town or across the country, phone calls and emails from our children can remind us that the hopes and responsibilities of parenthood do not end when a child moves out. Whether our kids are off working full-time, studying at college, or raising their own family, they often come back to their moms and dads for both financial advice and financial assistance.

If your last child has flown the nest, whether you are married or not, you have joined the ranks of the empty nesters. This lesson is for you. It addresses new and continuing financial concerns that you will likely encounter in the coming years.

LEARNING OBJECTIVES

Participants will:

- I. List the signs of financial trouble common to parents in their 40s and 50s whose last child has recently left home.
- II. Identify the potential dangers of cosigning a home, car, business or other loan for a child, describe your options and select the best one given your situation.
- III. Create the outline of a written contract for a scenario when you are asked by your child for a loan. You will be prepared to assemble an appropriate, written contract spelling out each party's responsibilities.
- IV. Compare the potential financial impact that the "school or retirement" decision can have on empty nesters' futures.
- V. Evaluate the financial consequences of choices many new empty nesters make, such as going on dream vacations, traveling to visit children, moving into a nicer home, etc.

Topic: ... Preventing and Eliminating Debt

Time Required: 20-30 minutes

SUPPLIES, MATERIALS & EQUIPMENT

- Projector and screen (optional)
- PowerPoint
- Participant handout booklets (4 pages)

PREPARATION:

- Review and prepare presentation in this Guide
- Review PowerPoint as needed
- Consider using relevant personal stories or other stories to highlight the important points within the lesson
- Copy/Print enough Participant handout booklets (4 pages) for each participant

PARTICIPANT HANDOUTS:

- 4-pages include:
 - "Keeping It in the Family" Activity Sheet
 - "Education Funds Prioritizer" Activity Sheet

Discussion Question: What's the biggest financial challenge about being an empty nester?

INSTRUCTOR TIPS

Discussion Question:

The Discussion Question is meant to grab the participants' attention and interest, encourage engagement, and begin them on the steps up Bloom's taxonomy of learning (Remember, Understand, Apply, Analyze, Evaluate & Create). It addresses ideas that are relevant to the participants' lives from a top-level perspective.

Personal Experience:

Consider sharing a personal experience that you, a family member or close friend had as an empty nester that was financially difficult.

Current Event Ideas:

A 2013 survey found that 68% of empty nester parents would rather lend financial support to their children than have them move back home¹.

Story Relevant to Participants' Lives: Director of Education, Todd Christensen, worked with a couple in their 60s going through bankruptcy because their son had been in default on his cosigned loan for nearly a year. The lender finally contacted the couple and requested that they pay for nearly \$8,000 of back due payments and penalty fees.

I. List the Signs..... Recognizing Financial Trouble

Suggested Time: 5 minutes

- What are some everyday signs or indications that there are currently – or soon may be – financial troubles in your life as an empty nester? How do you know you're in – or about to be in – financial trouble?
 - 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.

II. Identify..... Potential Dangers of Cosigning Loans

Suggested Time: 5 minutes

- Is it so bad that I want to co-sign a loan with my son/daughter? I'm helping them buy a home/purchase transportation/start a business/travel the world. What could go wrong and what are the alternatives?
 - What could go wrong?
 - If the child begins missing payments, you will not likely be notified as the cosigner for six months or more, at which time the lender may ask you to pay all of the back due payments immediately.
 - Any late payment to the account will also be reported to the cosigner's credit report and stay there for seven years.
 - What are the alternatives?
 - Help child build credit as an authorized user on your credit card (does not need to possess it or use it)
 - Work out a reasonable budget with the child to eliminate unnecessary expenses
 - Help your child realize what they can afford and what they can do without, particularly with regard to homes, vehicles and travel.

III. Prepare and Create Intra-family loans

Suggested Time: 10 minutes

3. "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").

IV. Compare College Expenses or Retirement Contributions?

Suggested Time: 5-10 minutes

4. 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?
 - What are the cons of paying for your child's education with your retirement funds?
 - What are the pros of forcing your child to fund his or her own education?
 - What are the cons of forcing your child to fund his or her own education?

V. Evaluate Consequences of Empty Nesters' Financial Choices

Suggested Time: 5-10 minutes

5. 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 smaller family 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

INSTRUCTOR TIPS

Quote:
Your child can borrow money to pay for their education. You cannot borrow money to pay for your retirement.

Personal Experience:
Consider sharing a personal experience that you, a family member or close friend had as an empty nester that was financially difficult.

Statistics:
In 2014, a Pew Research Center report found that 73% of middle aged parents were financially supporting an adult child, with half of these parents identifying themselves as their adult child's primary source of income!²
According to a 2014 Sallie Mae and Ipsos survey, 7% of parents with children in college withdrew funds from their retirement account to pay for college expenses.

Did you know...?
If you take an early withdrawal from your retirement account to pay for your child's education expenses, not only could you be hit with an early withdrawal penalty fee, but you may have to pay income tax on a portion or the full amount of the money you withdraw. Additionally, withdrawals from 401(k)s and IRAs are considered household income and could reduce the amount of financial aid your child is eligible for. Yikes!

References

1. http://www.huffingtonpost.com/2013/10/12/empty-nesters-happy_n_4086142.html
2. <http://time.com/money/page/parents-adult-children-financial-support>

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