

July 14, 2007 – New York Times: **Your Money**

Emptying Nest Eggs, Not the Nests

By ANGEL JENNINGS

Sue and Bob Riccardi put their two children through school, and then some.

Their son, Michael, 23, just moved back home and is looking for a job. Their daughter, Alison, 20, will start graduate school at [Columbia University](#) next month, and they are paying her rent.

In contrast to previous generations, when young people generally took control of their finances and their lives after graduating from college, more parents are supporting their offspring well into adulthood.

In part, it is a matter of economic necessity. College graduates face enormous loan debt. Their entry-level salaries do not come close to covering high housing costs in many parts of the country. And their parents, fearing the worst, agree to pitch in. Then there is the emotional attachment.

“It’s a gift we can give them now,” said Mrs. Riccardi of Hillsdale, N.J. “If we can bite the bullet now, it will help them later.”

This gift is not a couple of \$20 bills tucked into a holiday or birthday card. It is more like **an allowance that extends past adolescence, often into the 30s**. It pays for housing, bills and other expenses. In fact, research shows that **financial strings to the parents’ wallets are never really severed**.

And this has financial specialists, researchers and sociologists on the fence. Some people argue that repeated parental handouts cause children to reach financial maturity later in life than they should. Others say that in the long run, parents actually give their children a leg up.

But this head start could cause a setback for many parents. Though paying a child’s rent might not break the bank, over time, it can slowly chip away at the parents’ retirement fund or leisure money.

“The sooner parents cut off ties, the sooner they learn to do it on their own,” said Suze Orman, financial columnist and author of the book “Young, Fabulous and Broke.”

The common practice of ending financial obligation after their children graduate from high school or college is gone. Parents are carrying their children longer, pouring in thousands of dollars a year if not tens of thousands to their college

graduates.

Thirty-four percent of adults 18 to 34 receive financial assistance from their parents, according to a study by the Institute of Social Research at the University of Michigan and published in “On the Frontier of Adulthood.”

During this time parents can expect to pay on average \$38,340 helping their children transition to adulthood. That is roughly \$2,200 a year.

“While parents are more able, than in the past, to provide assistance some are overextending themselves,” said Robert F. Schoeni, an associate professor of economics and public policy at the University of Michigan and a co-author of the study.

Parents provide more than just financial help. Sometimes just having a place to stay is more than enough for the college graduate.

**Annie Tritt for The New York Times
Alison Riccardi’s apartment is paid for by her parents.**

At 22, Adedayo Kosoko had a psychology degree and very little money. He decided

to move back home to save. He traded privacy for free rent and gave up house parties for family dinners. For two years he lived under the watchful eye of his mother.

While doing so, he put away the money he earned as an admission counselor at Creighton University, his alma mater. Two weeks ago he moved into his own place in downtown Omaha.

“My mom paved the way,” said Mr. Kosoko, now 24. “Her help allowed me to help myself.”

Other parents provide cold hard cash.

The Riccardis pay \$1,300 a month for the Manhattan apartment their daughter, Alison, shares with her fiancé. That takes care of the rent, electricity, cable TV and Internet.

Their son, Michael, just earned his master’s degree at [Quinnipiac University](#) in Connecticut. He returned to his childhood home in New Jersey to warm meals and open arms. He plans to look for a teaching position in the area. Then he will look for a place of his own.

“It’s not forever,” said Mrs. Riccardi, who works for a software company while her husband works the late shift as a computer operator at a bank. “In a couple of years they will both be self-sufficient.”

Kent Sievers for The New York Times

Adedayo Kosoko, 24, moved back home to save money. After two years, he was able to afford to buy a house in Omaha. “My mom paved the way,” Mr. Kosoko said.

Young people today face a different economic situation than their baby boomer parents did. It used to be that grants and scholarship covered tuition. Now college students take out loans to pay for tuition costs that continue to rise even as financial aid falls. It is not unusual to see graduates with loan debt exceeding \$40,000. And students are graduating with an average credit card balance of \$3,400, according to the 2002 National [Student Loan](#) Survey collected by Sallie Mae, a national provider of student loans.

In addition, graduates enter into a difficult job market. And housing costs continue to soar.

Twentysomething, a market researcher that tracks youth trends, estimates that graduates need \$4,295 upfront for a new apartment, deposits, furniture and supplies.

Alison Riccardi zipped through her studies at [New York University](#), completing her undergraduate degree in three years, to save money. Still, she graduated with \$50,000 in loan debt.

For months, she struggled to find a summer job that used her psychology degree. She applied to more than 15 hospitals and clinics. All the jobs in her field wanted more education than the bachelor's degree. Alison ended up taking a part-time job as an assistant.

Her parents knew Alison and her fiancé could not afford their apartment on their small salaries. So they agreed to continue paying for it so the couple could save for a home and a wedding.

“I am really lucky to have their support,” she said. “I know friends that parents cut them off when they graduate and they flounder really hard for a while.”

Financial specialists are quick to point out that while this “boomerang effect” is a recent phenomenon in the United States, other countries have long had this practice. In Italy and Spain, adults live at home until they are married. And parents often provide financial support even after the children leave the home.

The lasting effects here might not be on the adult children, but rather, their parents. Financial advisers find these baby boomers are depleting their resources to give their children support they never received from their own parents.

Instead of preparing for retirement, the parents are dipping into their savings, taking out loans and working extra years past retirement age.

“Parents are financially squeezed, which is why many of the boomers can't leave the work force,” Mr. Morrison said. “In turn, college graduates can't move up in their career.”

Mrs. Riccardi remembers working a full-time job and juggling school. Her mother always told her she wished she could do more for her. So Mrs. Riccardi promised she would do whatever she could to help her children.

The Riccardis cut back on vacations and let some of the home improvements go undone. Though the Riccardis have to make sacrifices, she said, they enjoy watching their children enjoy life.

“I wish I could do more for my daughter, like give her an apartment in the Village,” she said.