



Tony Stone

Are Your Parents Sponges?

By RUTHIE ACKERMAN

Patrick O'Connor remembers getting his first paycheck and realizing that it was more money than his mother had ever had in her bank account.

The 34-year-old anesthesiologist grew up in Philadelphia with a single mother who works as a secretary. Dr. O'Connor, who is now in private practice, makes more than 15 times as much as she does.

Although his mother, 59, has never asked him to support her, Dr. O'Connor has spoken to his financial adviser about setting aside money for when she retires to help her move into a better apartment and buy a new car.

It isn't uncommon for adult children to out-earn their parents and siblings vastly, especially when a tough job market is holding back many people's earnings. The disparity can cause problems.

"When you put a young person in charge of a lot of money, you add an imbalance of power to the [parental] relationship," says Scott Budge, a psychologist in Greenwich, Conn., who specializes in financial issues.

Tim Sabol, an adviser at Ameriprise Financial in Philadelphia, has seen what happens when young people support their parents without limits: Loans don't get paid back. Parents ask for cost-of-living increases. Tensions with siblings rise.

When adult children are pushed to give beyond what they can afford or what they feel comfortable with, families can be

torn apart.

Mr. Sabol tells his young clients, including Dr. O'Connor, to place their parents on a financial leash. "Be generous, just not with an open-ended checkbook," he says.

The first step in avoiding financial conflict with parents is to write up a budget, outlining necessities like food and housing costs, so the children know how much they can expect to lay out each month for their parents.

Children should differentiate between what a parent needs and what they want, say advisers. How much a child contributes for their parents depends on many variables—how much they earn, what the parent's needs are—but setting limits is crucial.

It is important not to let a parent's poor financial decisions or economic situation make you feel guilty, says Kacy Gott, chief planning officer at Aspiriant in San Francisco.

The best strategy is to devise a policy before a family member requests financial help, advisers say. Instead of bailing someone out of credit-card debt by paying off their bills, for example, offer to send them for credit counseling and pay the fee. Be clear about what you are willing to do—and be consistent—regardless of who is asking. "Try to keep the financial and personal apart," Mr. Gott says.

Stories about boomerang kids who come back to live with their parents after college are common. Less publicized are the parents who move back in with their well-off children.

Jeffery Lemon, a 46-year-old dentist in Aberdeen, Wash., extended an offer for his 62-year-old mother to move in with him, his wife and their three children when her consultancy practice dried up several years ago and her home fell into foreclosure.

The problem? She felt entitled to the help, Mr. Lemon says, and he didn't feel he could say no. His siblings also expected him to step up and help their mother.

"They didn't understand I have three children I am trying to feed and save money to put through college," he says.

Finally, after one year, Mr. Lemon told his mother he couldn't support her any longer, which caused a rift.

The simplest solution may be to not tell anyone your net worth. Mr. Gott says he had a client in his early 30s who sold his technology start-up to another company for good money, but had to hide any trappings of wealth—he drove an older car and didn't buy a new house—out of fear of endless requests from his parents and siblings.

In small towns, financial advisers sometimes suggest using out-of-town banks when depositing large checks to avoid the rumor mill.

Sometimes the best way to share wealth is to take your family on a vacation. It is a way to share a good time and good fortune without raising outside expectations. While a loan may never get paid back and living with a parent can trigger family squabbles, a vacation will be over before you know it.