

Adult Children Moving Back Home

Don't Let "Boomerang Kids" Derail Your Goals

They're back. The "Boomerang Kids" -- young adults who left to go to college, get married or just strut their independence -- are moving back in with mom and dad. Boomerang Kids can be a mixed blessing for parents, both emotionally and financially.

The trend is cyclical. Especially during tough economic times, adult children head for home. Census figures show that 56 percent of men and 43 percent of women ages 18 to 24 today live with one or both parents.¹ Some never left, while an estimated 65 percent of recent college graduates have moved back in with their parents.²

The reasons are many, the first being economics. According to the Bureau of Labor Statistics, 10.9% of 20-to-24-year-olds were unemployed in September 2003 vs. 6.7% in September 2000. The jobless rate for 25-to-34-year-olds had also risen to 6.3% from 3.7% over the same period. That sent a lot of young folks back home.

Plus, there is the matter of debt, especially college loans. For as many as 40 percent of recent grads, it makes smart economic sense to move back in with their parents -- where life is comfortable and rent is either low or nonexistent -- while they get their finances in order.³ Then, of course, some return for personal reasons, to recover from a divorce or illness, or just because they cannot afford their parents' lifestyle living on their own.

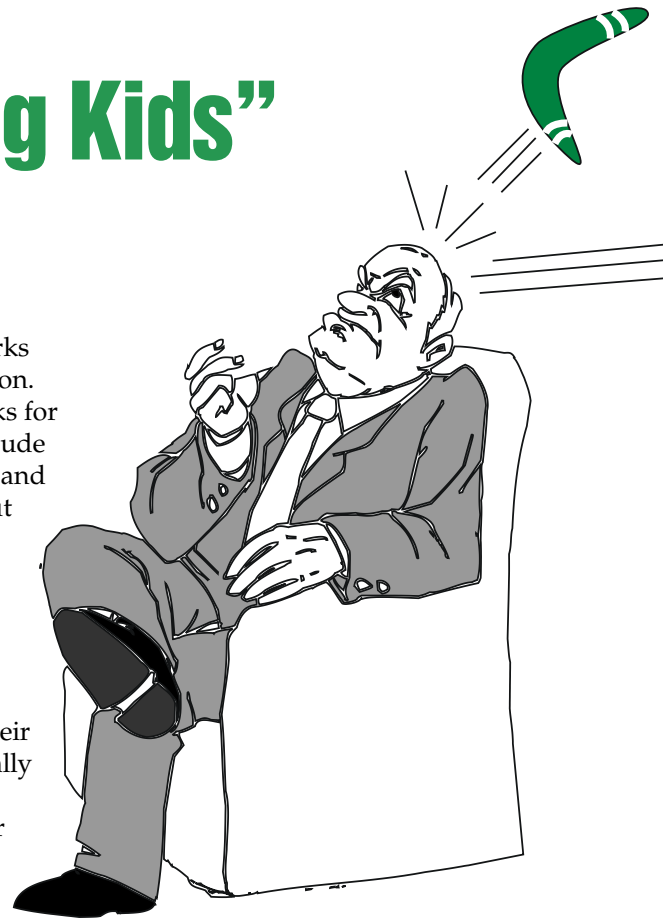
Caution: Parents are often happy to help out, both emotionally and financially. As a result, the

arrangement often works to everyone's satisfaction. However, there are risks for the parents. These include not just family tension and misunderstandings, but also money.

The return to the nest can become a financial burden that can derail the parents' plans and jeopardize their financial future, especially retirement, as they try to do too much for their children. For example, if parents pick up a son's college loan, that payment is money not going toward their own savings, very often at a time when the parents need to be stashing cash at an accelerated pace to meet retirement needs.

Success factors: Studies show that the return to the nest works best when several factors are present.

- The boomerang kid **pays rent or contributes** to the household in a tangible way. (About half make a payment of rent.)
- The boomerang kid **gets along with mom.** (The relationship with dad seems to be less important.)
- The return is **temporary** and a **one-time** event. (Children who repeatedly boomerang find that relations with parents worsen each time.)



- The parents are in a **long-term marriage.**
- The return is a safety net while the boomerang kid makes a **transition, based on a clear-cut need.**
- The boomerang kid is cheerful and **good company.** (Mothers, especially, like the company of the young person and see it as a benefit of the return to the nest.)⁴

Continued inside...

¹ "Returning to the Nest," The Baltimore Sun (Feb. 29, 2004); web page: www.theeagle.com/business/technology/022904returnnest.htm

² "Boomerang Kids Keep Coming Home," CBS Evening News (Jan. 9, 2004); web page: www.cbsnews.com/stories/2004/01/08/eveningnews/main/592186.shtml

³ "Mom and Dad, I'm Home -- Again," BusinessWeek online (Nov. 3, 2003) web page: www.businessweek.com/magazine/content/03_44/b3856124.htm

⁴ "Boomerang Kids," by Mary Bold, Center for Parent Education, University of North Texas (2001). Web page: www.unt.edu/cpe/module1/blk5boom.htm

The Solution for the Ages

Long-Term Care Insurance

“What are the best options for Dad?” Or, maybe it’s Mom. That simple question is like a latchkey that can unlock a floodgate of emotional distress and financial sacrifices that, for years to come, can cascade across the lives of every generation in a family... from aging parents pressing against the century mark, all the way down to our children’s children.

Or it can open the door to kept promises and fulfilled objectives that ripple positively through the entire family. What makes the difference, in many cases, is the presence of long-term care insurance.

The cost can be high when a family member requires additional care. Nursing home costs average \$57,700 a year in America.¹ The entire family can be affected. Providing care can exhaust caregivers and deplete savings accounts.

Protect your life savings and independence from the high cost of long-term care

Averaging \$57,700 per year,¹ the cost of long-term care represents one of the largest financial risks many Americans face.

Now you can get free quotes on high quality, low cost Long-Term Care Insurance.

Long-Term Care Quote
(a one-stop comparison shopping service and independent agency recommended by the American Academy of Family Physicians) will shop up to 15 policies to find the three most cost effective, benefit rich plans for you. Plus, no agent will call or visit and, you may be eligible for a discount. To request your free quotes, call **1-800-587-3279**.

Fortunately, one family member’s care requirements need not become a drain on other members or their resources. There are several ways to prepare.

Very often the best solution is long-term care insurance. With many LTC policies, benefits are available to help pay home health care costs as well as nursing home bills. These benefits can help protect assets that might otherwise be required to provide care. Instead, they can be used for your spouse and eventually go to your heirs.

How long-term care insurance can make a difference across the generations:

- Though Granddad must receive special care, he can still keep his promise to help pay his favorite granddaughter’s college tuition.

- In spite of Mom’s loss of independence, her daughter-in-law is free to continue working, knowing that home health care is provided and paid for.

- Though Grandma’s health is failing, her 35-year-old grandson does not have to take time away from his family to grocery shop and clean the house... but instead he and the kids can come by strictly for social visits.

- Even though her husband requires more care than she can provide, a wife does not have to dip into their life savings to pay for it.

- Even though a centenarian parent must enter a nursing home, her adult children -- themselves retired and in their 70s -- know that they have met their responsibilities to their aging parent without jeopardizing their own financial security.

We live in complicated times, when even such a simple question as, “What are the best options for Dad?” can have far-reaching consequences. Fortunately, there is also a solution: Long-Term Care Insurance...the solution for the ages.



Meet the Super Seniors

More men and women are living into their 90s and beyond, making this the fastest growing population group in the country.

Example: The number of men and women who have celebrated their 100th birthday has risen to approximately 80,000 today, according to U.S. Census Bureau statistics. Their ranks are projected to swell to 274,000 over the next 25 years.²

If you don’t have super senior parents, remember that your children might!³

¹ “Average Annual Cost of Nursing-Home Care by State, Kiplinger’s Retirement Report, March 2004

² U.S. Census Bureau; web site: www.census.gov

³ U.S. Census Bureau, Dept. of Commerce statistics (2002)

Rules Determine Your Credit Rating

The Ins and Outs of Credit Scoring



If you want to buy a house, obtain a credit card, lease a car, even order cable for your house, you rely on credit. A good rating means easy access to credit at advertised rates; bad credit means paying a higher rate if you are approved at all. The decision by lenders is often based on a complex set of rules known as "credit scoring."

Credit scoring has been around since the 1950s. It is based on a mathematical model that rates credit worthiness on a scale from 350 to about 850.¹ The higher the score, the better your credit rating.

The scoring method is not universal for all lenders, according to the Electronic Privacy Information Center (EPIC).² While lenders evaluate scores according to their own standards, generally a score above 680 is considered prime. A score of 680 to 575 often results in loans at higher interest rates. Below 540 can mean denial of credit.

Key factors in your credit score,

according to EPIC, include, but are not limited to:

- Payment history (approximately 35%).
- Amount of money you owe (30%).
- The "newness" of your credit, or if you have opened a number of new accounts recently (10%).
- Length of credit history (15%).
- Type of credit mix, with creditors preferring a "healthy mix" (10%).

How to maintain a good credit rating or correct a poor one:

• Monitor your credit files.

Contact the credit reporting agencies for a report. It may cost you a few dollars, but worth the expense. Here are the numbers:

Equifax (800) 525-6285
Experian (888) 397-3742
Trans Union (800) 680-7289

• **Address mistakes.** Federal law provides recourse for correcting errors. Contact the Federal Trade Commission for details at (877) 382-4357.

• **Boost your credit score** by paying your bills on time, not opening up new lines of credit, paying down balances and closing unneeded accounts.

• **Learn more about how credit scores are determined** by visiting E-Loan at www.eloan.com.

Your credit rating is based on a complicated set of criteria.

However, that doesn't mean you are helpless. Maintain a solid credit rating and you can pretty much be assured of obtaining the credit you need, when you need it, at the best possible rate

"Boomerang Kids" continued



How to make it work: Most researchers agree that you as a parent can take steps to create a win-win situation.

1. Set house rules. Put them in writing. Make it a contract. Remember, it's still your house.

2. Set a departure date, whether it be three weeks or three months.

3. Insist on responsibilities, which may include paying rent and/or payment in kind, such as taking on household chores – doing laundry, making dinner two nights a week, buying groceries.

4. Help them restructure debts, rather than simply bail them out. Then teach them how to avoid new debt. One option is to match debt-reduction payments, with the understanding that they put away credit cards and live within their means.

5. Do not sacrifice your own financial future. Decide how much you want and can afford to help. Children tend to think their parents are wealthy, while some parents provide more financial support than they can afford. Remember that your children have decades to build their financial security, while you may be only a few years away from retirement. Ironically, if you are not careful, you could end up depending on your children for help in your old age.

Having your darlings return to the safety net of their home can be a wonderful time of family closeness. Setting the tone, laying out the ground rules, and making smart-money financial decisions can help create a positive, supportive environment that is in the best interests of you and your returning family members. Good luck.

¹ "Managing Your Money," USA Today, 3/28/02. Web page: www.usatoday.com/money/perfi/credit/2002-03-29-credit-scoring.htm

² "Credit Scoring," Electronic Privacy Scoring Center, 12/11/03. Web page: www.epic.org

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FINANCIAL FOOTNOTES...

Be wary of bump-up clauses on many credit cards. Get the card for a great rate. However, miss a payment or pay late and the rate automatically goes through the roof. Source: USA Today (1/26/04).

The trend is on to having bigger families. Between 1995 and 2000, the rate of women of childbearing age having three or more children jumped from 11% to 18.4% (USA Today, 3/10/04). If you're part of this Gen-X Baby Boom, your need for life insurance has never been greater. Review your needs today.

Thinking about selling your home and cashing in on the \$125,000 tax exclusion? If the house is in the name of both spouses, only one need be 55 years of age or older. However, if the house is in the name of the spouse who is under 55, the tax break is not available.

Your FINANCIAL HEALTH

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