HOW DO YOU HELP ADULT CHILDREN WHOSE FINANCIAL INDEPENDENCE IS IN JEOPARDY WHILE TRYING TO MAKE UP FOR VALUE DECLINE IN YOUR PORTFOLIO WHEN RETIREMENT IS NEAR?

By John Ludlow, CFP® Vice President, Senior Financial Planner

If you're a parent faced with supporting adult children during this economic crisis, you're probably feeling financial pressures from all sides—and you're not alone.

In a recent Harris Poll®, 68% of parents of U.S. adults (excluding students) between the ages of 18 to 39 have provided financial assistance to their children. Nearly half of the parents assisted with rent, mortgage, food, utilities, cell phone, and transportation expenses; 44% provided a place for them to live.[1]

While it's extremely generous to help your adult children when they're in a financial bind, your support could impact and pose risks to your retirement goals.

BEFORE YOU OFFER TO HELP

Get or review your plan. Market downturns are a great time to review—or work with your advisor to create—your financial plan. This will give you the insight you need on the longevity of your investments, income sources, proper risk profile, estate planning, and more so you know if you have the means to retire, much less help others.

Remember the basics. One of the basic concepts of investing is "Buy low and sell high." Liquidating some of your investments during a market downturn may result in a sale at a lower price than anticipated.

Look to the future. Your savings are meant to support your lifestyle now and for decades into the future. Keep in mind that, more often than not, a good portion of a retiree's savings is spent on health care needs later in life.

Ask the tough question. Once you have a plan in place and have evaluated your financial situation, it's time to answer this question honestly: "If I support my children now, will I be able to retire as planned?" If "No" is the answer, you need to have a discussion with your children regarding other options.

IF YOU DECIDE TO HELP

Set rules and discuss parameters before giving any money. Once you decide how much financial support you can afford to give, talk with your children about proposed amounts, timeframes, limits, and how the money will be spent. A good rule of thumb is to help provide for their basic needs but not necessarily their desired lifestyle.

Remember estate planning rules. In 2020 you can gift up to $15,000 per person tax-free with no reporting requirements. Gifts in excess of this amount will likely have to be reported as an early inheritance and for taxes.

Consider non-monetary support. Allowing children to live in your home, career mentoring, and meaningful networking are common ways to help struggling family members when you are not willing or able to help financially.

Regardless of your choice, work with your advisor to stay the course with your financial plan. Doing so will help you stay invested at the proper level of risk. Remaining invested will allow your account to participate in market recovery over time.

[1] ©2017, Harris Poll®, "Key Findings – Providing Financial Assistance" Summary, Harris Insights & Analytics. All rights reserved.

The opinions and other information in the above commentary are provided as of May 21, 2020. This summary is intended to provide general information only, may be of value to the reader and audience, and the opinions of Commerce Trust Company expressed herein are subject to change. Past performance is no guarantee of future results.

This material is not a recommendation of any particular security or investment strategy, is not based on any particular financial situation or need, and is not intended to replace the advice of a qualified investment professional, tax advisor or attorney. Commerce does not provide tax advice or legal advice to customers, and while we may provide information or express general opinions from time to time, such information or opinions are not offered as professional tax or legal advice. Consult a tax specialist regarding tax implications related to any product and specific financial situation. Diversification does not guarantee a profit or protect against all risk.

Data contained herein from third-party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed, and is subject to change rapidly as additional information regarding global conditions may change.

Commerce Trust Company is a division of Commerce Bank.

Commerce Trust Company
Wealth | Investments | Planning®

1-855-295-7821 | commercetrustcompany.com

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Commerce Trust Company is a division of Commerce Bank.

ABOUT THE AUTHOR

JOHN LUDLOW, CFP®

Vice President, Senior Financial Planner

John is a financial planner for Commerce Trust Company. He is a member of the financial advisory services team, a dedicated financial planning practice within Commerce Trust that provides objective financial advice to clients. Following a thorough assessment of a client's unique situation and thoughts regarding wealth, John develops holistic and coordinated plans to help clients meet their short-term and long-term goals as well as take full advantage of various planning, tax and investment strategies along the way. John has nearly 25 years in the financial planning industry, working with both individual and institutional clients. John received both his bachelor of science in business management and master of business administration degrees from Brigham Young University. He has also earned his CERTIFIED FINANCIAL PLANNER™ designation.