

## WHEN AND HOW TO STOP PAYING YOUR KIDS' BILLS



**By: Mia Taylor - October 4, 2018**

We all want to help our children succeed in life, and for many parents, that includes paying some, or all, of their child's bills well into adulthood.

Supporting your children financially for too long, however, can be a bad idea for everyone involved.

Not only does it drain you of resources, often near or during retirement, it also prevents children from learning how to master their own finances.

"Paying bills for dependents who should be able to handle their own finances is financial enabling and it causes financial dependency in your children," said Derek Hagen, founder of Hagen Finance, a financial coaching firm. "It's difficult to say 'no' to your children, but it is what's best for them in the long run."

It's a lesson many parents have yet to learn. A recent study from Instamotor revealed that despite leaving home and starting careers, many millennials still rely on their parents to cover at least some of their expenses. About one quarter of millennials who work full-time say their parents pay at least one of their bills. What's more, nearly four in five millennials whose parents are footing their bills no longer even live at home.

So, what are the most common bills paid by parents? Cell phone bills take the lead by far at 53 percent, followed by car insurance at 30.7 percent, and car payments and utilities at 29.7 percent.

For those who are ready to cut the cord and usher their children into financial independence, here are six tips, tactics, and insights from financial professionals on how to do so.

### Identify a transition period or specific date.

Some experts suggest a cold turkey approach – to stop paying for a child's bills once they graduate from college and land their first job, for example. Others recommend a more gradual transition, phasing out one bill at a time. Whichever path you choose, it's important to begin with clear communication.

"First, parents must have a conversation with their kids to tell them there will be changes and help them prepare for these changes by taking a hard look at their

finances," says Chelsea Hudson, personal finance expert for TopCashBack. "To not overwhelm their kids, they should start by giving them small financial responsibilities like taking them off the family phone plan and insurance."

This approach allows kids to become accustomed to paying their own bills without overwhelming them completely while adjusting to "adulting," said Hudson, who also advocates setting a plan on a calendar that outlines when the adult child will take on each financial responsibility in full.

How you treat children during this transition period is also key.

"Parents should stay supportive and help them with any financial questions without getting involved or saving the day when their kids go over their limit or miss a payment," Hudson explained. "Adult children must learn from their mistakes and take responsibility slowly while gaining new financial freedom."

### Teach children to budget.

Knowing how to create and maintain a budget is key to long-term financial success. But it's a learned skill, not something that necessarily comes naturally.

One practical way for parents to help their children is by sitting down with them to create their first few budgets together, says Hudson. Teach them the importance of planning for each of their monthly expenses to help guide them down the path to financial responsibility.

Debt resolution attorney Leslie Tayne also recommends educating your children about shopping wisely as part of the budgeting discussion.

"Teach your children about smart shopping so they maximize the value of their dollar and are able to live within a budget that responsibly supports their everyday 'must-have' household expenses," said Tayne. "Help them identify their needs versus their wants so they can map out a budget that allows them to concentrate on tending to necessary household expenses before indulging on any luxury type desires."

### Consider engaging a financial professional in the discussion.

For parents who may not be comfortable leading these types of financial discussions, yet another option is

bringing your child to a financial professional.

"We have clients who bring their children in and we have a joint conversation with them," explained Mike Windle, retirement planning specialist at C. Curtis Financial.

The discussions can cover not only how to budget, but also the importance of saving, creating an emergency fund and more.

### Are there any bills that make sense to pay jointly?

There are some instances when it can make sense to maintain a shared bill with a child or allow a child to remain on your accounts, but they are rare. The primary example is a cell phone bill, says Windle.

"The only bills that make sense are the ones where everybody's getting a discount by grouping the bill together, such as cell phones," explained Windle. "I don't see anything wrong with a child staying on a parent's plan, if they can get a phone line for \$20 a month that way, versus \$80 on their own."

### Affluent parents are not excluded.

There are certainly plenty of families who have ample resources, for whom paying an adult child's bills hardly poses a challenge. However, even if money is no object, it is still a good idea to help a child learn to handle their own finances.

"You're not always going to be around, so you still want to prepare your child right now," said Windle. "Even if you have the money to pay their bills and you don't notice the \$600 or \$1,000 a month you spend paying their bills, you still need to teach your child financial responsibility."

### Lead by example.

While many parents may have kept family finances private from their kids in the past, it's important to be transparent with your adult children about any financial struggles you've had and how you dealt with them.

"During this period of detachment, adult children will be observing your spending and financial habits," said Hudson.

"Teach by example and pay all bills on time, save as much money as possible, and set reminders on a calendar so they visually see you keeping track of your bills."

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