

AHWATUKEE FOOTHILLS NEWS

How Parenting Can Impact Retirement Income



October 9, 2019 by Dr. Harold Wong

“The Financial Journey of Modern Parenting: Joy, Complexity and Sacrifice” was conducted by Age Wave and funded by Merrill Lynch. In June, 2018 there was a survey of more than 2,500 who are over 18 and parents to children of any age. Of the parents surveyed, 93% said that parenting is the most rewarding aspect of their lives and 92% say that their best memories are with their children. While parenting is expensive, 94% said that it’s worth every penny. However, 72% of parents said that they have put their kids’ interests ahead of their retirement savings; and 63% report having sacrificed their financial security for the sake of their kids.

There is a very interesting analysis concerning 3 factors: Most Rewarding; Most Challenging; and Most Expensive. For parents with children in the infant to toddler state: 51% said that this stage was “most rewarding”; 31% said “most challenging”; and 11% said “most expensive”. For parents with kids in the elementary to high school age: 20% said that this stage was “most rewarding”; 57% said “most challenging”; and 44% said “most expensive”.

For parents with adult kids: 29% said this stage was “most rewarding”; 12% said “most challenging”; and 45% said “most expensive”. At the infant-toddler stage, 51% “most rewarding” vs 11% “most expensive” is a 4.64 benefit-cost ratio. At the

adult children stage, 29% “most rewarding” vs 45% “most expensive” is a 0.64% benefit-cost ratio. Parents with infant-toddlers enjoyed 7.19 times the benefit-cost ratio compared to parents with adult kids.

Parents with adult kids spend an estimated \$500 billion on them, which is twice what they contribute to their own retirement accounts. Of this, one-fourth is help with their kids’ college expenses. The average cost to raise a kid to age 18 can be over \$230,000. In addition, 5 years of college could be \$130,000 total for an in-state public school and double for a private school if the parents paid all the cost.

Case Study: if family has 2 kids and pays half their college expenses, the total cost is \$590,000. Assume they have completed these expenses by age 50 and they could have earned an average 5% annually on any savings. If they had no kids and had saved this \$590,000 by at age 50, they would have \$1,565,445 more retirement funds by age 70 than if they had kids. The \$500 billion that parents spend annually on their adult kids does not even include the occasional big-ticket items. About 60% help pay for their kids’ weddings and 25% help pay for their kids’ first home purchase. For parents with adult children age 18-34: 60% pay for all or some of their food; 54% for their cell phone; 47% for their car expenses; 44% for school or vacations; 36% for rent or mortgage;

and 27% for student loans.

Parents make amazing financial sacrifices for their adult kids: 50% would pull money from a savings account; 43% would live a less comfortable lifestyle; 26% would take on debt; 25% would pull money from a retirement account; and 19% would work longer and retire later. Asian, African-American and Latino parents are all more likely to sacrifice their own financial security to help their kids.

Conclusion: Many parents face a retirement crisis because they have helped their kids too much. Yet, many of their kids will not either want to or be able to return the favor if the parents run out of money in retirement.

Free Seminar: “Your Financial Future: Lessons from Warren Buffett” will be held 9:30 am -12 noon, Saturday October 19, 2019, at the Ahwatukee Event Center, 4700 E. Warner Road, NW corner of 48th Street.

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Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.