

## Boomerang Economics

by vcmorris - Thursday, May 07, 2009

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In the past, young singles almost always lived at home compared to today's singles that were less likely to do that. So why are we now seeing an increase in the number of young adults returning home? The recession.

In his book, "The Age of Independence", Michael Rosenfeld, a social demographer at Stanford University says in 2005 almost 41% of singles ages 20-29 were living away from home compared with just 11% in 1950. He concludes that the boomerang phenomenon is nothing new and that it has just hit the radar of Baby Boomers and "flatters our Baby Boomer parental sense" that our adult children need us more than they think.

I'm a Boomer. I disagree with his conclusion. The primary justification for *this* boomerang is economic and it's real.

Real wages for young people peaked in 1973 - four years after I got my first, full-time job and the year my eldest child was born. We Boomers were coming of age, were independent, making lots of money and therefore tended to have the same expectations for our offspring. So while Rosenfeld and other Census Bureau types may see this boomerang trend as trivial or just "a blip on the sociological radar that has attracted undue attention from Baby Boomers" - it's about the money and it's about an empty nest becoming populated again. Boomer mentality is: it's not supposed to happen that way. But then along came this thing called a recession - and family money matters meant a full house instead of your empty nest.

According to the 2008 Census Bureau figures, 20 million people ages 18 to 34 live at home with their parents - which represents a third of that age group. There are valid reasons for returning home. I just suggest that parents and adult children agree that such a move requires what I call "cooperative economics": everyone understanding that each person must sacrifice some individual financial rights for the good of the family.

"Cooperative economics" means the returning adult child agrees that:

- utilities have peak hours and low hours and use them accordingly
- it's more economical for everyone to eat the same meal rather than creating multiple meals
- a friends and family plan for the phone means no one can go over the allotted minutes
- if the parents are covering car insurance, the adult child must respect the rules of the road
- gatherings at home with friends should be limited in frequency and scope
- dating should be outside the home as should overnight encounters

Many psychologists say this trend to return home must be a carefully orchestrated and discussed move otherwise there's the potential that while returning home helps the adult child save money and prepare to

relaunch on their own, there's the potential that going home again will leave them unable to become financially self-sufficient and torpedo their parents' retirement future.

The last time grown children migrated back to their parents' nest in very large numbers was during the last recession in 2001. But back then, many parents felt financially equipped to deal with the situation. That's not the case now - especially since their parents are now in their mid-50s or older, considering or nearing retirement and should be watching their money carefully. Boomers have less time to make up for losses - not to mention the dramatic ones of late - and fewer years of potential earning power.

What should parents do to better ensure that the return home works for everyone?

- Set new ground rules. The adult child may be returning to his or her childhood room but the expectations and responsibilities are different. Have a discussion *before* the move back is made so that everyone is clear about what the rules of the house will be so the returning adult child can realistically readjust to their parents' domestic expectations.
- Determine the financial contribution the adult child will make. Living at home rent free shouldn't be an option. So insist on them assuming this responsibility. Permission to return home is a decision of the heart. Making a regular contribution to the household expenses is not only the responsible thing to do but necessary so that the parents' financial goals, needs and plans won't get derailed.
- Set a date of departure. The return is temporary and should be a one-time event. Knowing when the returning adult child plans to leave should be a discussed and negotiated deadline. Whether it's based on them saving a certain amount of money (while still making the agreed upon monthly contribution to the household) or getting a job - a set departure date will help everyone's sanity. When it's open ended - it's problematic. Setting goals and attaining them are part of a smart money discipline. They're also what parents deserve at this point in life when their window of earning money is narrowing.

The inability for young people to be financially independent - for the most part - isn't for lack of trying. True - there are many boomerang kids who can't make it financially because their parents babied them and didn't teach personal financial responsibility. But most young adults today are just struggling to make ends meet. They're not slackers. They're just trying to get started in the midst of the biggest financial meltdown since the Great Depression and they're often saddled with a small fortune in college debt. So cut them some slack (but don't let them return home to old childhood habits of expecting to be taken care of).

The boomerang return to the family nest can even happen to people who are themselves parents and have reached middle age; or to the very elderly who can no longer afford a retirement community or senior housing facility any longer and are now finding themselves living under the same roof as their 60-something offspring.

Researchers say any *inter-generational cohabitation* arrangement tends to force all involved to communicate and negotiate in ways they haven't before and can lead to a healthy adult relationship between parent and adult child - if it is done with a plan and if the return serves as a safety net while the boomeranger makes a transition based on a clear-cut need.

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