Are you still supporting your college graduate kid? Here's how to wean them off your money

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Congratulations: Your child is now a college graduate and ready to embark on adulthood. Or is she?

Many parents are helping their adult children pay for everyday expenses, from groceries and cellphone bills to rent and student loans.

In some cases, the support is putting the parents' financial security at risk.

A Bankrate survey last month found that half of American parents with adult children say their financial help has jeopardized their retirement savings. A survey last year from Merrill Lynch found that half of parents would draw down savings and a quarter would go into debt or pull from their retirement to help their adult kids.

"As parents, we love our children and want to help them when we are financially able to," says Satoru Asato, a certified financial planner in Bloomington, Minnesota. "(But) if parents are financially tapped out, they can't help their children. In some cases, they can become financially dependent and a burden."

That doesn't mean that you can't help your kids. But you should do it with the same careful consideration as any other financial decision.

Here's what a handful of financial planners recommend doing.

Know what you can give

Don't be a 24/7 bank for your children. Instead, run the numbers or work with a financial planner to determine how much money you need to save to meet your retirement needs and what is left over.

Determine how long you want to help your adult children and be upfront that this is a temporary arrangement, says Deborah Badillo, a financial planner at The Lubitz Financial Group in Miami. She also recommends putting it in writing.

“For the adult children to really get the message, this message needs to be repeatedly given to them,” Badillo says.

It’s also smart to have a contingency plan if you lose a job, have an unexpected expense or another emergency that alters what you can provide. Your children should understand those circumstances, too.

Allowance

A self-described “softie,” Leon LaBrecque, chief growth officer at Sequoia Financial Group, recommends providing the opposite of a graduated allowance that kids got when they were little. Instead of increasing the allowance amount, you reduce it each month by a certain amount until it’s eliminated.

“(The) rules of engagement are simple: Don’t bug us for more than your stipend unless it’s life-threatening,” LeBrecque says. “So think of it as ‘financial weaning.’”

Encourage saving

Help your children plan for the down the road and get ahead on retirement savings, something that many Americans lack. Give them seed money to fund a Roth IRA or cover what they lose from their paycheck after they put 10% into their 401(k), says Sean Pearson, a financial adviser at Ameriprise Financial in Conshohocken, Pennsylvania.

“That will be easier to wind down than if you are paying for a car or insurance,” he says.

Lend, don’t give

“The big boost I'd recommend is if the parents have the ability to help the children by purchasing a home, and being the mortgage company,” says Joseph Clemens, owner of Wisdom Wealth Strategies in Denver.

Clemens says parents can offer a lower – but still fair – interest rate than a traditional bank and require no down payment. The loan can also be structured so the children get a tax deduction if they take it, and the mortgage payment to Mom and Dad provides a stream of fixed income. This can also work for purchasing cars.

Boomerang twist

If your children are living with you, help them get into the habit of paying rent, says Matthew Gaffey, senior wealth manager at Corbett Road Investment Management. Set the rent at a smaller, very manageable amount and after say, three months, the rent will increase by an amount that you set. That sends a simple message to your kids, Gaffey says.

“We're here for you. We love you. We support you. At some point though, the goal is for you to move on and move out,” he says.

Here’s another thought: Save some or all of that rent money in an account that you can gift to them later for a down payment on a house.

Skip the smaller stuff

Instead of picking up monthly bills for your child, consider giving a one-time gift to help them get started. You can follow up with unexpected giving afterward, but not so consistently that your child becomes dependent.

“Helping with rent, regular bills or providing a monthly stipend makes it very hard for a young person to feel the need, or the success, of achieving independence,” says Elizabeth Miller, president of Summit Place Financial Advisors in New Jersey. “The trouble is, that time and time again, we have seen when families provide a safety net, it is very hard to pull it away.”

It’s not just money

If you can’t afford to provide financial assistance – or not as much as you’d like – you can still help your child learn to manage money. Educate them on what things cost and how to find deals. Discuss the importance of having good credit, saving for emergencies and investing for the long term.

"Share the way you manage your budget," says Katrina Soelter, director of wealth management at KCS Wealth Advisory. "Knowing what works and doesn't work for an adult they respect can help children navigate their own way to budget."