

Moving Back In With Mom and Dad - The New Normal

June 27, 2014 - Forty years ago most American children had a pretty clear idea of what their adult lives would look like. They would graduate from high school and either get a job or go on to college if they were lucky. Either way, they would be out of their parents' house, only returning for brief visits. But things have changed and now 29% of people between 18 and 34 years of age are living with their parents. And even more are relying on their parents for some form of financial support. Is this the new normal?

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The statistics on young adults who require financial aid from their parents have changed dramatically since 1970. 60% of people who fall into this age range are partially or entirely supported by their family. That's up from 10% in 1970.

Ironically, these parent-dependent children are often better educated than their parents. Many of them are among the 1/3 of their generation who have college degrees. Again, this compares to 10% of people in this age range in 1970.

Unfortunately, a college degree may not be the ticket to financial freedom that people think it is. Employers used to view a degree differently than they do now. With so many unemployed and underemployed college grads, many of whom have graduated from less than prestigious schools, employers have been able to increase their hiring standards and lower their wages at the same time.

From the student's perspective, a professional degree from a good school will still provide them with great financial benefits over the course of their career. But liberal arts degree from an online university is more than likely to put the student into a considerable amount of debt without providing any real financial benefit. For many, that college debt will

haunt them for two or more decades.

Many of the millennials who have moved back home are there because they can't afford to pay for rent and also make payments on their college loans. While living with their parents may provide the younger generation with some financial relief, its effect on their parents is something that may also be felt for years.

As any parent can tell you, caring for a child of any age is expensive. If nothing else, you face increased energy and grocery bills. It stands to reason that many of the parents of millennials are spending money on their children that they thought they would be able to put away for retirement. In the end, their children's financial issues may force them to postpone retirement or make the choice to have a reduced standard of living once they do retire. It isn't a pretty picture.

Given the fact that the federal government's most recent economic report showed that the US economy contracted by 2.9% in the first quarter of this year, there is no indication that the class of 2015 will have a greater opportunity to land a dream job than graduates from years gone by.

by Jim Malmberg

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