

Empty Nest Syndrome

CFN Podcast Transcript

Recorded by CFN'S John Walker and Dennis Jablonoski

John:

I'm John Walker, Director of Business Development at Cordasco Financial Network. I'm joined by Dennis Jablonoski, one of my colleagues here at Cordasco Financial Network. He's one of our advisors and retirement planning specialists.

Dennis:

John, great to be here.

John:

Today we're going to talk about an interesting topic and one I know that is near and dear to your heart. We're going to be addressing the idea, affectionately called, empty nest syndrome. Empty nest syndrome is that stage of life where your children are grown and beginning to transition out of your home, becoming less of a responsibility for you. There is a tendency for folks to have some challenges during that time of their life. There's an emotional component to this. We're also going to discuss the financial component of it, which I think is an under-addressed topic. We'll also cover the risks folks may face during that period of transition and discuss the opportunities that you may have during that transition stage. There are some things from a financial perspective that may give you some hope or confidence for the future. So, Dennis, I know that one of the reasons we wanted to talk with you today is that this is something you personally are experiencing. You've raised a lot of children.

Dennis:

Well, we've been blessed. It is a real-life situation. It's difficult on multiple levels, but let's start with some of the statistics. I've been blessed with eight children, of which five are grown and educated and out of the house. We still have three left that are now into their college years. So, we went from having an extremely busy household to having really no one left during college time. So, they're out, but it's a temporary situation.

John:

Right. They will be back.

Dennis:

They will be back. I think a lot of us are realizing that even after graduation, some of the children come back for different reasons including financial ones.

John:

I did that until I was able to establish myself. My parents were welcoming and kept me around for a little extra time so that I could get my feet under me, get my first job and find my own way until I could afford my own place. It wasn't too, too long, but it certainly helped me. I'm sure it was different for them. I came back as a self-proclaimed adult and had my own life and was trying to balance it, but they certainly helped me out financially so I could get my feet under me.

Dennis:

That's what we do as parents. We try to help our children find their way. When they're younger, we do what we can to nurture them and educate them. As they get older, we still feel a need to provide for them. It makes us feel good because we can help them, whether it's reopening the door, helping them with the cell phone plan, or helping them offset insurance. As adult children, they still feel that they have that attachment with parents because there's a comfort level there and we will do whatever we can to help them.

John:

I'm raising younger children right now. Around the office we talk a lot about the challenges that we face as parents, or just guiding young adults. We've had many discussions about educating children about their money and other things, offering lots of guidance along the way. The energy that's put into that gives us a sense of purpose.

Dennis:

Absolutely.

John:

When that changes, we see the people to whom we offer guidance here at CFN, experience a loss of purpose. It's similar to when they retire or are no longer caring for older parents. It's like a loss of identity.

Dennis:

Sure. It's almost the "watch what you wish for" scenario. We all talk about getting to that goal of retirement, only to find out that some of those that we help have realized that once they do reach the goal of retirement, they have some regrets about retiring. They find that they have too much time on their hands, they find out that they don't have outside interests. So this nirvana, this goal of retirement, doesn't appear to be everything that it was supposedly going to be once they reached that point.

John:

It's the same way with kids when they're very young and you're up late at night, losing lots of sleep. It's a very natural reaction to say, "I can't wait until they're grown and out of the house." You can't wait until you and your wife can start going out on dates again and start doing all the things that you did before you had kids. Sometimes you actually realize that it's not as easy as you thought it would be to have the kids around.

Dennis:

Without a doubt, that has been our experience. We've been married 33 years and have raised, or are in the process of raising, a rather large family. Once that common denominator of the children gets taken out of the equation things change. Whether it's social, school, or sports activities, we realize that the common denominator during much of the time that my wife and I spent together, was based around the children and their activities.

John:

Every relationship faces challenges, whether it's marriage or otherwise, and the kids are a unifying factor.

Dennis:

Without a doubt.

John:

Sometimes having that common cause, allows you to get through many issues because your focus is on the betterment of your children. You can face a lot of things when you know that you have a higher purpose. Sometimes when that disappears, you're faced with the reality of some things that you didn't address in your relationship, whether emotional or financial. We will certainly touch on the financial component of this and some of the risks and opportunities that this timeframe presents. I think it's important to acknowledge that the emotional component is real and it factors into a lot of the decisions you're preparing to have when no children are left in the home.

Dennis:

It's real and it's a bit scary, too. Here's an alarming statistic. Divorce rates in the United States have declined except for one demographic, and that's adults 50 and over.

John:

Startling.

Dennis:

The divorce rate for that demographic has, amazingly, doubled since the 1990s. My wife and I are preparing for the eventuality of a real empty nest. What we have now is a state of limbo because we have a quasi-empty nest. Our children will be back eventually. Statistically, when your children are out of the house in their college years, it's a good time to really start to address some of those things that will eventually become very real when they do leave and go out on their own.

John:

We talk about financial planning a lot. Having a plan at this time of transition into the proverbial empty nest syndrome when your children are out of the house, is a perfect opportunity to recalibrate your plan, and to reassess where you are. We find that a lot of people are concerned about where they are financially. Often, we are able to remind them that there is an opportunity here, and some risks. There are financial pitfalls to watch out for at this period in your life, but there are also some really great opportunities when you reassess and prepare yourself financially for the next stage of life.

Dennis:

You can't be in a selfish mode when you're in the trenches of raising a family, living month to month, trying to stay out of debt. We preach about putting away money and saving for your retirement, but when you have all those extracurricular expenses with raising a family, it becomes very difficult to become selfish. It's hard to say "I need to put more money aside for my retirement" because your main objective during those years is fulfilling your obligation to your children.

John:

Absolutely. We're never going to encourage folks not to save, not be disciplined and not build saving into their budget. Those will always be important and challenging. Sometimes people are stretching every penny to raise their family. For a lot of people, the kids come first and so you put their needs before your own. You may even reach a point where you say, "Have I done enough?" We're going to discuss some opportunities to solve for that, or at least mitigate some of that risk. One risk is having children go out into the world, post-college, with significant debt. Understand that there is risk if you involve yourself in helping them get established. Can you talk a little bit about that?

Dennis:

Absolutely. So, I tend to fancy myself as an expert with filling out the FASFA form, which is the financial aid form for those that are going to college. One of the ongoing risks to consider are the obligations of co-signing student loans. We need to understand that college costs continue to rise, and we all need to

try to save as much as we can in our formative years for their secondary education. The reality for college-bound students that want to go to the more elite colleges, is that there is a significant financial obligation to do so. As a parent you want to be unselfish and fulfill your children's dreams. So, often we take on the obligation and the risks of co-signing loans for them. In doing so, the reality is that debt now becomes yours. When you co-sign this loan, you may think that obligation goes directly to the student. But, by co-signing that debt, you then become as responsible, if not more responsible, for that debt obligation once they graduate.

John:

We have some ideas on what you can do about that. It is a reality for a lot of people, you're fulfilling an obligation and trying to do your best to get your kids set for success. This is just one step you take as a parent. However, the obligation doesn't go away.

Dennis:

Without a doubt.

John:

Let's talk a little bit about some of the more opportunistic things that come at this time of life. It's a time to reassess. The first place to look at is your budget. We just talked about how sometimes while saving and planning for retirement, you may be doing your best, but creating disposable income may be challenging. Take this opportunity to reassess your budget and look at how much you really spend on utilities, grocery shopping, all the things that you may now spend less on while living in an empty nest. If you're in that phase, you may have a tremendous opportunity to save. Many people fear that they won't have enough money to retire. The savings I just mentioned presents an opportunity for you to help catch up.

Dennis:

It does. I hate to use the term selfish, but at this stage, you need to become a bit more selfish. Now is the time you have to really be concerned and concentrate on doing what's best for you and your significant other. From a budgeting standpoint, it's a phenomenal time to reassess. You can also do so

from an insurance standpoint. Take a look at your insurance obligations. The insurance needs that you had when you were raising a family may have changed rather dramatically now that your children have become of age. It's time to reassess your home needs. Do you still need to live in the five-bedroom single home in New Jersey, paying the big taxes at a time when you're not taking advantage of the school system? What seemed to be fair and proper when you were raising the family, may no longer be. Maybe it's time to reassess your mortgage obligation, and home situation. These financial things are also emotional things in your life. Do you see the glass as half empty or half full. As difficult as it is from an emotional standpoint, it's a great time to really take a step back and work together to really reassess those things that need to be assessed at this stage in your life.

John:

Maybe you've been putting money away in your 401(k). Perhaps 5%, 10%, whatever the budget allowed. You've been disciplined. You've been doing the best you can. As Dennis said, look at your debt, decide whether or not you need the big house. If you don't and you downsize, you'll have a little cash windfall there. Look at your insurance needs. Realize that you're not spending as much on utilities and groceries and everything else because you're not caring for the kids every single day. Perhaps now you can increase that savings rate from 10% to 20%, 25% or 30% of your income because your budget now allows for it, while you have 10, 15 years potentially before retirement. You can save a tremendous amount of money in that phase that really will help set yourself up for a more comfortable retirement.

Dennis:

You have the opportunity within your retirement plans, and in your defined contribution plans, to take advantage of a catch-up component. If you're older than age 50, you can max out whatever those limits are depending upon your plan. The IRS now also gives you the opportunity to put additional money away to play catch-up. It's usually around \$6,000. So, by reassessing your financial situation alone, you get the opportunity to play catch-up. With medical advancements we're living into our 80s and 90s, God willing. We have a longer stretch of retirement time, and hopefully when we get to that point, we're going to be in a lower tax bracket. We do have more time to prepare. It's not time to push the panic button, but without a doubt it's time to reassess.

John:

That's the message we want to deliver. It's often a challenging time for people as they transition through this phase of life. This transition has an emotional component and a financial component. Working with a good team is essential. Your advisor should be able to help guide you through and help you reassess your plan. The time of the empty nest is really the ideal time to reassess and recalibrate. Planning is a fluid process. It's not static. Take a look at your budget. Take a look at your debt. Take a look at your housing situation. Take a look at your insurance. Look at all the things that have a financial component. Recalibrate and get yourself back on track or reaffirm that you are already in a great situation.

Dennis:

If you have any questions or concerns or doubts, this is what we do. So, we're not based upon numbers and performance, we manage expectations, we manage lives. We manage everything that happens through the life cycle and we try to be there for every step.

John:

Dennis, I really appreciate your taking some time today sharing some of your own personal experiences and explaining what this transition has been like for you and your family. If you have questions, comments, feedback, we'd love to hear from you. Reach out to us at asksteve@cfnpplan.com. That's asksteve@cfnpplan.com. Or give us a call at 215-558-3500. We do this each and every day, helping people just like you. Dennis, thanks again for the time.