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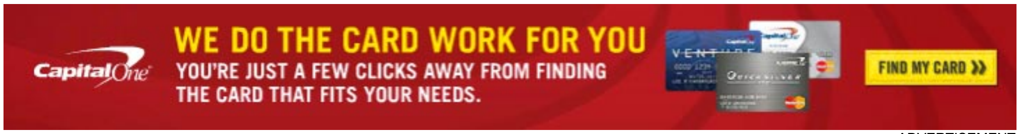

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When is it time to 'cut off' your financially dependent parents?

By Teri Cettina

If you're a parent, you may be used to helping out your kids financially. But what if the tables turn and your mom or dad starts coming to *you* for money? How much should you help out?

This can be tricky territory, acknowledges Topher Shipp, a credit counselor for Rural Dynamics Inc., in Butte, Mont. Shipp says older parents may face medical crises, job losses or even hits to their retirement accounts that make it tough for them to cover their expenses. "When they get stuck, the first person they turn to may be their working adult kids," says Shipp. "My own parents have certainly borrowed money from me on occasion, but not because they wanted to. They just didn't have any other options at the time."

There are also cultural issues to consider. "Some cultures -- including Latino and Asian ethnic groups -- may have strong expectations about taking care of aging parents. It's simply expected that you will help out older family members," says Brad Klontz, a financial psychologist, partner in an asset management firm, and co-author of "Mind Over Money: Overcoming the Money Disorders that Threaten our Financial Health." "Even within that situation, however, it's important to work with your parents to take care of themselves and not threaten your financial well-being."

At the other end of the spectrum may be elders who make poor financial choices: They spend money on things they can't afford or fail to plan for the future, and end up in significant credit card debt. According to data assembled by the multi-institutional Consumer Bankruptcy Project, bankruptcies among Americans age 55 or older are increasing faster than among younger filers. Among those filing bankruptcy, the percentage of those in the 55-plus age group nearly tripled between 1991 and 2007. The most common reason cited for filing: Credit card interest and fees.

Assess the need

Part of your decision about whether to give your parents money may depend on why they need it: Is this a temporary situation -- such as a one-time loan to pay an expensive medical bill -- or an ongoing pattern of dependency? An isolated emergency might be a good reason to offer a loan or financial gift.

However, if your parents repeatedly ask you for financial help because they make poor choices -- they gamble, miss mortgage or rent payments, overdraw their checking account, or run up credit cards -- it may be time to cut them off, even though you may feel a bit guilty doing so, says Klontz. "Giving them more money to try to cure a money problem is akin to giving alcohol to alcoholic," he says. "It just furthers the problem and prolongs the suffering."

Also, if you're feeling uncomfortable or resentful about how much money you're giving your parents or are going into debt yourself to help them, that's a signal that something needs to change, says Tricia Schobert, director of Consumer Credit Counseling Service of the Tennessee River Valley in Chattanooga. "You don't want to end up not having enough retirement savings yourself -- because you've been helping your parents -- and then later end up relying on your own kids in the same way," says Schobert.

So if it's appropriate to wean your parents off your pocketbook, here are some strategies to consider:

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National Average	15.01%
Low Interest	10.33%
Balance Transfer	12.66%
Business	12.98%
Student	13.27%
Cash Back	14.84%
Reward	14.97%
Airline	15.30%
Bad Credit	22.73%
Instant Approval	28.00%

- **Offer an "allowance."** If you want to help -- and can afford to do so -- tell your parents you can give them X amount per month, but no more, suggests Klontz. "That way, you can feel OK about helping them, but have the power to say no to expenses you can't afford," he says.

  A similar alternative: Open a secured credit card with a very strict limit (such as $500) that you authorize your parents to use. "They don't need to ask you every time they need money, so they save a little dignity," suggests Shipp. However, insist that your parents make the card payments themselves, and closely monitor the account. If they stop paying, close the account.

- **Set guidelines.** If overspending is the problem, require your parents to start seeing a financial counselor in exchange for your ongoing help. Or make a deal that they'll sell the too-expensive car or show you evidence of their on-time credit card payments. Your parents can find a counselor through the Association of Independent Consumer Credit Counseling Agencies or National Foundation for Credit Counseling who may see them at no charge. The Financial Therapy Association can refer you to counselors who treat people with serious money disorders such as gambling or shopping addictions.

- **Create a change timeline.** Give your parent several months' notice that you'll no longer be able to give or lend money. A clear deadline helps your parent adjust to the financial change, and gives them time to find cheaper housing, start saving or otherwise get financially organized. "It is much kinder than pulling your support cold-turkey," says Schobert.

- **Be ready for an "extinction burst."** This is the technical term for what is really an adult temper tantrum, says Klontz. When you withdraw financial help your parents have come to rely on in an unhealthy way, they may ramp up their bad behavior and guilt trips for a while, says Klontz. That's a natural reaction. However, if this gets tough on you, consider getting some emotional or financial counseling of your own.

- **Offer other help.** In lieu of money, help your parents access social services. For instance, Schobert says some communities offer emergency housing assistance or help low-income residents pay for their utilities. Your parent may also need help filling out paperwork to qualify for Medicaid or the Supplemental Nutrition Assistance Program (also known as food stamps). If your parent is heading toward a home foreclosure, a credit counselor may be able to negotiate a loan modification or repayment plan. Counselors can also help your parents decide whether they need to consider filing bankruptcy.

- **Close questionable accounts -- as soon as you can.** If you co-signed on a loan or credit card with a money-burning parent, you are in a tough spot. If your parent defaults, dies or files Chapter 7 bankruptcy, you're on the hook for the entire balance, warns Shipp. You may have to remove your parent's name from the account, take over payments and close it as soon as you can.

  Sadly, your own credit may be temporarily damaged by your parent's financial mismanagement. "That's why you should always think twice before co-signing on anything with a parent -- or anyone -- who might not be financially responsible," says Shipp.

Although these tough-love tactics might feel a bit harsh, in the long run they may do a lot of good. "A part of your parent may feel terrible about asking for money, that this isn't the way things should happen, even if he or she acts otherwise," says Klontz. Cutting off your parent financially may actually help him or her regain some much-needed integrity and self-esteem, he says.

See related: Lending to friends and family: Your 4-step guide, How to control elderly dad's financial blunders, Video: How to talk to your aging parents about money

Published: February 4, 2014

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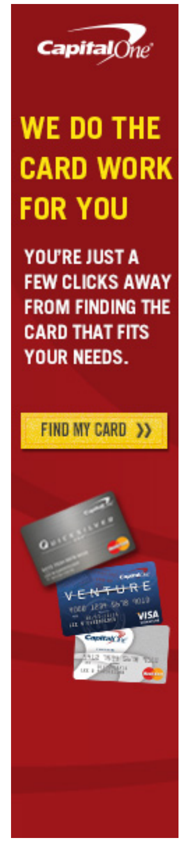

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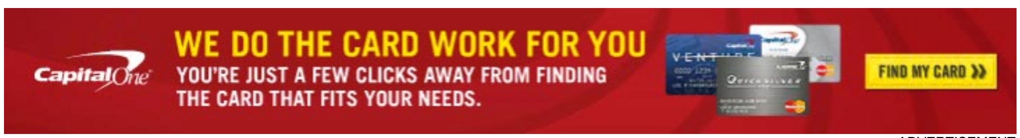

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