Financial Wellness Made Easy

How Your Retirement Affects Your Kids' Retirement

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As if parenting weren't already hard enough, a recent survey brings to light yet another way that parents influence their children long after they leave the nest—retirement planning.

The survey, conducted on behalf of TIAA, looked at the relationship between how millennials think about retirement planning and their perceptions of their parents' financial security. Exactly how parents impact the younger generation varies, but there is a clear link. "People's financial habits and retirement planning are shaped by the experiences of their parents," says Dan Keady, chief financial planning strategist at TIAA.

For many millennials, seeing their parents struggle in retirement has been a nudge for them to do better. In fact, 61% of respondents said they are taking a different approach to finances to avoid making the same mistakes as their parents. Nearly half of respondents said they are avoiding taking on significant debt while 38% said they are consciously limiting their spending.

This isn't to say parents shouldn't worry about setting positive examples. While many adult children have witnessed the consequences of poor planning on the part of their parents - and have taken steps to avoid those mistakes - parents who are proactive in their planning can be a positive influence. "They've had disciplined investing routines, and they've talked to their children about it," Keady says.

Talking is the operative word here.

"Most parents want what is inherently best for their children and help them learn from their mistakes," says Adam Paoli Sr., financial strategist at Penn Mutual's Lakeshore Wealth Strategies in Chicago. "As a result, I find most parents who feel their retirement savings amount is inadequate, or have a poor strategy, are often vocal with their children about what they should do to avoid the mistakes they have made."

Given that personal finance isn't a part of the curriculum in most schools, parents should take this role seriously. "Like many other important life lessons, parents are wise to take the lead in educating their kids about money," Paoli adds, noting that among his clients those with above-average savings habits credit open communication with their parents.

It's never too late to start the conversation. In fact, among financial planners, more are encouraging clients to bring other generations into the equation. "The big thing I took away from the study is just how important it is to think about planning in terms of the overall family," says Keady, adding that there are behavioral and practical implications for planning.

Multi-generational planning conversations are becoming more and more common, he notes, which is a far cry from a generation ago. Even so, there is still room for improvement, as many millennials have a warped view of their parents' retirement readiness. In the TIAA survey, 72% of millennials rated their parents' financial outlook as good to excellent, but just 58% of boomers rated their own outlook as high.

The big takeaway: Parents should start money conversations early and encourage good financial habits can make a lasting impact. Keep the conversations going at every stage. Whether parents have struggled financially, made savvy money moves, or a little bit of both, there is great value in sharing that wisdom with the next generation.

“In many ways, we become our parents: We often mimic their movements, patterns of speech, and even their money habits,” says Brent Weiss, co-founder and head of planning at Facet Wealth. “All are learned over decades of unconscious reinforcement, and they will not change overnight.

Fortunately, it is possible for people of any age to “rewire” themselves to have better habits, says Weiss. That’s where a good financial planner can earn his or her keep.