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From Parents, a Living Inheritance

By RON LIEBER

For all of the conversation this week about Mitt Romney's views on federal income taxes and personal responsibility, his insistence that "I have inherited nothing" may be the most thought-provoking.

His comment, which was among those he made in the video of a fund-raiser that Mother Jones magazine posted Monday, has inspired a few skeptical reactions, given his privileged background. But leaving the breadth of his advantages aside, the comment speaks to an often unspoken distinction among families that can determine who gets ahead, who gets along and who merely scrapes by.

Some parents help their adult children financially, while others cannot or do not.

This living inheritance comes in many forms. It exists along a range from the free room and board for a 23-year-old intern to a stay of years for a 43-year-old single parent who has lost a job or recently divorced. The contribution can be as small as a first month's rent or as large as the 25 years of payments that many parents now make on college loans they took out so their children would not have to.

The less help you have as an adult starting out, the harder you have to work to make the next geographic, career and economic step up. If you lack that help, any and all mistakes (and there will be plenty) often have much bigger consequences. And the lack of any family help can have a compounding effect on the millions of people who have negative net worths well into adulthood thanks to their student loan debt.

In certain respects, it's bewildering that this is our current state of affairs. How can it be that the more tuition costs rise, the fewer opportunities there seem to be for educated people in their 20s and 30s to move seamlessly into jobs that offer health insurance and pay enough to cover their living expenses?

The parents of adult children don't have good answers to this question; they simply write checks, if they can. Patrick Wightman, a postdoctoral fellow at the University of Michigan, points to data showing that nearly 60 percent of 23- to 25-year-olds report receiving some kind of financial assistance from their parents.

To parents like Kevin O'Brien, a 70-year-old retiree who divides his time between Park City, Utah, and Naples, Fla., this is simply the new order of things, something that needs to be part of every parent's financial planning.

He methodically ticked off the help he has provided his three children during divorce or job loss and transition and the assistance his sisters and close friends have provided. "We see it again and again," he said. "Most people don't like to talk about it, but the people you spend a lot of time with, the stories come out over lunch or a drink."

This has required a bit of sacrifice from Mr. O'Brien, a retired physicist, and his wife, a retired pediatrician, but not so much that they don't do it willingly. "When they get in trouble, I don't want them to go so far downhill that they'll never get out," he said. "As a parent and grandparent, I think it's a fundamental responsibility for me and one I'm gladly willing to fulfill."

Indeed, parents who provide financial help often speak in the language of necessity. To Karen Kline in Orinda, Calif., the idea of her lawyer son and graphic designer daughter not having health insurance was "unacceptable." So she paid for it until they qualified for the benefit at their jobs. Ms. Kline, now 63 years old, has savings and will retire in two months with a pension, so she was able to afford the help.

Then there are the scores of young adults taking up temporary residence in their childhood bedrooms. The author Sally Koslow refers to a bed and cable access as "the middle-class trust fund" in her recently published book "Slouching Toward Adulthood."

Her son Jed, a lawyer, availed himself of the room in Manhattan more than a decade ago during a brief period of career and geographic transition and said his arrangement provoked a bit of jealousy. "So many friends who had moved to New York City for the first time after college said that they would totally live at home if they had that opportunity," he said.

When I suggested to Mr. O'Brien that all of this parental assistance might strike people as so much coddling, he responded swiftly with a barnyard epithet. Things are different now, he noted. When he went to work for Bell Labs in 1969, his $16,000 salary was enough to afford a $32,000 family-size home in New Jersey. Today, that home would cost $500,000.

These parents don't deliver the usual platitudes about the next generation doing better than the last. They're merely trying to guard against downward mobility, which is a natural instinct.

But many young adults don't have families that can cushion their entry into adulthood. Jenna Leigh Wilson has just over $100,000 of student loan debt after earning degrees from Villanova and the University of Pennsylvania. Her mother died three years ago of breast cancer, she still has three siblings in college or younger and her father isn't in a position to help her financially.

Ms. Wilson, now a 27-year-old high school history teacher, is able to manage the debt thanks to the federal program that allows her to make student loan payments based on what she can afford. Any remaining balance will be waived in another decade or two depending on whether she sticks with full-time teaching.

She tries not to resent peers who have it easier. “I think what is most upsetting to me is that the decisions I made at 17 and the perspective I had at 17 now completely color the future I’m going to have at 27,” she said.

Indeed, without any family assistance in their 20s and 30s, people like her have little margin for error. They’re the ones who believed the well-meaning grown-ups who told them as teenagers and 22-year-olds to go to the best college and graduate schools they could. They accepted the gospel that any education debt was good debt.

Alexandra Kimball, a 34-year-old Canadian writer, has seen this predicament from two starkly different sides. Her essay in the online magazine Hazlitt about trying to make it as a young journalist has been ricocheting around the Web for the last month, and reading it forever changed the way I will look at every résumé I see.

For years, she was deeply in debt and lacking the kind of personal safety net that comes from having access to money even if you don’t have your own savings account. “People are not necessarily rich, but they are middle-class and can sometimes borrow from their families,” she said.

Ms. Kimball was on welfare for a brief period when she couldn’t find work in any field. “You just wind up in this mad scramble,” she said, having defined it in her essay as a sort of vocational Whac-A-Mole. “I have to pay $400 by the end of the month. What am I going to do? When you’re doing that kind of short-term financial planning, what kind of gets lost is this idea of a career trajectory.”

Unless you get lucky — as Ms. Kimball did. A surprise inheritance allowed her to retire her debt and pursue her chosen field. In an instant, everything changed. “The really stunning thing for me was the mental freedom,” she said. “The rodentlike quality of my broke life, which was this scrambling feeling inside of me all the time, is gone.”

Ms. Kimball was fortunate. But there could be another option even for people who can’t count on an inheritance or a loan from their parents. Forward-thinking families might consider establishing a loan pool, a concept that was new to me until I heard about it this week.

“It started when my grandmother died,” said George Lewis, an 82-year-old lawyer in Quincy, Ill., one of nine siblings who grew up on a small farm and all graduated from the University of Illinois. “She had a strong belief in education. Because of her, instead of flowers, we started a fund for college scholarships."

Today, the nearly 50-year-old fund actually lends money interest-free, and the funds are now available to scores of members of the extended clan. Any family could mimic this pretty easily and hand out loans to young adults in a number of circumstances.

The fund that Mr. Lewis has helped administer now holds $111,000, having grown larger over the years from bequests and the proceeds of auctions at family reunions. "I don't think any of us in our wildest dreams thought it would get to this point," said Matt Lewis, George's grandnephew, a 25-year-old college basketball coach who benefited from the fund. "We don't realize how lucky we are that our family has something like this."