

# WEALTH WISDOM

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## The Cost of Keeping the Bank of Mom and Dad Open



### Why Does Graduation Matter to Parents' Finances?

Graduation season is one of the most emotionally charged times of the year for families. But beneath the caps, gowns, and celebrations, something happens financially that often goes unexamined: for parents who have been paying college tuition, a recurring expense is about to disappear.

The average annual cost of attendance at a public four-year university is \$27,146 for in-state students and \$45,708 for out-of-state students. At private nonprofit institutions, that number climbs to \$56,628 per year. For families who have been absorbing some or all of those costs, graduation can create a sudden shift in cash flow.<sup>1</sup>

The question is whether that cash flow is deliberately redirected toward other financial goals or retirement, or whether it quietly gets absorbed into lifestyle spending and continued support for adult children. From our perspective, the families who prepare for this transition come out ahead.



## How Much Are Parents Actually Spending on Adult Children?

The numbers here are striking, and they have been accelerating. According to a 2025 report by Savings.com, half of all parents with adult children now provide regular financial assistance to their grown offspring, up from 45 percent just two years earlier. The average monthly contribution is \$1,474—a three-year high.<sup>2</sup>

The most common areas of support include groceries (83 percent of supporting parents contribute), cell phone bills (65 percent), and vacations (46 percent). For parents of Gen Z adults aged 18 to 28, the average monthly support reaches \$1,813.<sup>2</sup>

A November 2025 AARP survey of adults aged 45 and older found that 75 percent are financially supporting at least one adult child, with average annual contributions of approximately \$7,000. Perhaps most notable: 53 percent of those adult children are reportedly capable of meeting their basic needs with money left over.<sup>3</sup>

And the impact on parents is real. Forty-two percent of supporting parents report financial stress, and 35 percent report emotional stress related to the support they provide. Nine percent have even adjusted retirement because of the demands of helping their adult children.<sup>3</sup>

Working parents who support adult children contribute more than twice as much money each month to their grown children (\$1,589) as they do to their own retirement accounts (\$673).<sup>2</sup>

## What Financial Conversations Should Families Have at Graduation?

Graduation creates a natural opening for conversations that might otherwise feel awkward or premature. The transition from student to working adult is a moment when both generations expect things to change. That makes it the ideal time to clarify financial boundaries, not out of a lack of generosity, but out of a commitment to the long-term financial health of the entire family.

There are several specific questions worth addressing together. When does regular financial support transition from expected to optional? Which expenses will shift to the graduate's responsibility, and on what timeline? What does the graduate need to understand about their employer benefits, including health insurance, retirement plans, and emergency savings? And critically, have the parents communicated what they can and cannot continue to provide without jeopardizing their own retirement?

These conversations don't need to happen all at once, and they don't need to be adversarial. In fact, Ameriprise Financial's 2025 research found that 96 percent of parents who work with a financial professional feel confident they can pursue their top three financial goals. Additionally, 78 percent said their financial professional helped guide decisions related to their adult children. Having a framework and a third-party perspective can make these conversations more productive.<sup>4,5</sup>

## What Should Parents Do with Recovered Tuition Cash Flow?

This is where the opportunity becomes most concrete. For a family that has been paying \$30,000 to \$60,000 per year in college costs, the end of tuition represents one of the largest cashflow shifts they may experience before retirement. Here are a few ideas to consider about deploying that cash flow.

**Retirement contributions.** The 2026 employee retirement plan contribution limit is \$24,500. For those aged 50 and older, an additional \$8,000 catch-up contribution is available, bringing the total to \$32,500. A new provision under SECURE 2.0 allows those aged 60 to 63 to contribute an even higher "super catch-up" of \$11,250, bringing the total to \$35,750. If both spouses are working and contributing, the combined annual opportunity can be worth considering. For many families, the end of tuition payments is the time when retirement limits come into focus.<sup>4</sup>

**Evaluate Roth IRA conversions.** The years between the end of college payments and the start of Social Security and required minimum distributions can create a window for Roth conversions, particularly if income dips temporarily or if timing is flexible. Converting a traditional IRA or 401(k) to Roth accounts during these years can help with tax management and create estate opportunities.<sup>6</sup>

**Build or replenish emergency reserves.** Many families deplete their emergency fund during the college years. The standard guideline of three to six months of essential expenses in accessible savings is worth revisiting once tuition payments end.

**Address insurance gaps.** If a graduate is currently on a parent's health insurance, for example, that coverage can continue until the end of the month the child turns 26 under the Affordable Care Act. But other coverages deserve attention, too. This is an appropriate time for parents to evaluate whether their own long-term care insurance and other policies are still aligned with their current needs and goals. Parents in their 50s and early 60s are still in a favorable position to explore long-term care, but the window of opportunity can narrow each year.<sup>7</sup>

**Review estate documents.** If the last child's graduation coincides with an empty nest, it is also a natural trigger to review wills, powers of attorney, beneficiary designations, and health-care directives. Family dynamics and financial circumstances may have changed since these documents were last updated.

## What Does the Graduate Need to Know?

While this conversation is primarily about the parents' financial trajectory, it is also an opportunity to set the next generation up well. There are a few areas where brief guidance from a parent or financial professional can have an outsized impact on a new graduate's financial foundation.

**Employer benefits enrollment.** Many graduates will make decisions in their first few weeks of work about health insurance, retirement plans and other benefits. Understanding the basics of employer matching, contribution rates, and plan options can be helpful. Remind children that even a modest contribution gives them the flexibility to increase contributions during the year. But if they contribute nothing, employees may have to wait until open enrollment the following year to start their retirement plan.

**Building credit and emergency savings.** Establishing a credit history through responsible use of a credit card and beginning to create a modest emergency fund are foundational steps that can build sound habits when started early.

## **How Can a Financial Professional Help?**

The graduation transition sits at the intersection of cash flow preparation, investment choices, retirement projections, insurance analysis, and family communication. Each of these areas can benefit from professional guidance, and the combined impact of addressing them together can be helpful.

As financial professionals, we help families model what their financial picture looks like once tuition payments end, identify the most effective use of recovered cash flow based on their specific situation, facilitate family conversations about financial boundaries in a way that feels supportive rather than confrontational, and help the graduate see the powerful consequences of early-career financial decisions.

If your family is approaching a graduation milestone, or if you are still supporting adult children and wondering how to balance generosity with your own personal finances, this is exactly the kind of conversation we are here to have. The time to create a strategy for this transition is before the last tuition check is written.

## Sources:

1. Education Data Initiative, "Average Cost of College," September 2025.  
<https://educationdata.org/average-cost-of-college>
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3. AARP Research, "Parenting Longer: Parents Are Extending Support to Their Adult Children for Longer," November 2025. Nationally representative survey of 1,744 adults aged 45+ conducted by NORC at the University of Chicago.  
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4. Internal Revenue Service, "401(k) Limit Increases to \$24,500 for 2026, IRA Limit Increases to \$7,500," November 2025. Official IRS announcement of 2026 retirement plan contribution limits, including new SECURE 2.0 catch-up provisions.  
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5. Ameriprise Financial, "New Ameriprise Research: Parents Balance Retirement and Supporting Adult Children Financially," 2025. Survey of 3,000+ American parents with at least one child aged newborn to 30.  
<https://ir.ameriprise.com/news/news-details/2025/New-Ameriprise-Research-Parents-Balance-Retirement-and-Supporting-Adult-Children-Financially/default.aspx>
6. Once you reach age 73, you must begin taking required minimum distributions (RMDs) from your traditional IRA, 401(k) or any other defined contribution plan in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty.  
  
To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a 5-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.
7. HealthCare.gov, "Health Insurance Coverage for Children and Young Adults Under 26." Under the Affordable Care Act, adult children can remain on a parent's health plan until age 26 regardless of marital status, employment, or living arrangement.  
<https://www.healthcare.gov/young-adults/children-under-26/>
8. ValuePenguin, "Health Insurance at Age 26: Leaving Your Parent's Plan," 2025. Average cost data for individual marketplace plans for young adults.  
<https://www.valuepenguin.com/health-insurance-age-26>

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