SETTING FINANCIAL BOUNDARIES: BREAKING THE CYCLE OF FINANCIAL DEPENDENCE

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A SLIPPERY SLOPE

It begins innocently enough. Your adult child, your sibling, an in-law, or even a family friend needs financial support and you graciously offer to cover some of their expenses. Maybe your child recently graduated and is searching for their first job; you write them a check for rent so they can afford to live in a safe neighborhood. Or maybe you begin sending money to your daughter every year on your grandchildren's birthdays to help fund their future education. It all started with the best intentions: using your fortunate position to help your family and nurture your relationships.

But over time, what began as a generous gesture can gradually transform into financial dependence. Like when you paid your son's first couple months' rent so he could find a job, but then he struggles to find employment and continues to ask for additional funds. Or when you tell your daughter you plan to stop sending money for your grandchildren's education funds when they turn ten as you are planning to retire, and she and her spouse respond angrily. This was not your intention when you started providing financial assistance to your loved ones.

When financial boundaries with loved ones become ambiguous, you might feel under appreciated, used and even resentful that you are jeopardizing your own financial livelihood and future to support someone else's. However, this dependency is often difficult to broach and even more difficult to undo.

> "Emotional maturity does not occur until an individual achieves financial independence."
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> **Dr. Murray Bowen**
> Psychiatrist and founder of family systems theory

IS IT REALLY THAT BAD?

The reality is that financial dependency in adulthood causes many problems. Financially dependent adults often avoid undertaking tasks or endeavors they find unpleasant or simply uninteresting because they do not rely on their own income to "pay the bills." As a result, sometimes they end up focusing their lives entirely on pleasure-seeking. They may not realize they are limiting their life experiences, and their growth potential, while also putting a financial — and more importantly — an emotional burden on you.

Or worse, when someone continually accepts or demands financial support, they may develop a world view of entitlement and an unconscious, materialistic value system where they evaluate other people primarily by what they have, instead of who they are or their character. They may even become manipulative and coercive to achieve their means instead of developing practical knowledge, skills and a work ethic to support themselves and conduct their relationships with integrity.

This sense of material entitlement is often a cover for a deep feeling of inadequacy. They may think "I'm not worth anything on my own" or "I can't make it on my own, so others have to provide for me." Defensiveness and excuses often mask this sense of worthlessness and helplessness. Certainly, this negative self-image and worth is not what you had in mind when you offered to help.

So how can you break the pattern of financial dependence? We have outlined steps for having a successful conversation with your loved one about what is happening now, what you want to happen in the future and how you can create a plan together to change the financial dynamic. There is no "silver bullet" for making these changes, but in our experience doing nothing or suddenly cutting off financial support can create more hurt feelings and can permanently damage your relationship.

Each situation will be different, but the framework we have provided can help you organize your thoughts, prepare for a productive and conciliatory conversation and approach your dependent without letting your emotions hijack the outcome.

So how can you break the pattern of financial dependence? We have outlined steps for having a successful conversation with your loved one about what is happening now, what you want to happen in the future and how you can create a plan together to change the financial dynamic.

Most of all, it will be important to practice your conversation and to anticipate the responses from your dependent so that you are prepared with well-considered answers.

ASSESS THE CURRENT SITUATION AND HOW YOU GOT HERE

The first step to re-setting financial boundaries and planning for future success is to assess the current situation and understand how you got there. What is happening? How is it impacting your life and the lives of your dependents? And how did everyone involved contribute to the status quo?

Regardless of the individual or circumstances, while it may be time for your dependent to take responsibility for the current situation and how it is affecting both of you, no one gets to this place entirely on their own. It is important that all parties take accountability for getting into this situation and creating the current dynamic.

Going back to our example with your son, after a few months of paying his rent, you may feel it is time for him to work harder and commit to finding employment, pay his own bills and learn to manage his spending based on his own income. But, did you prepare him for the expenses related to his lifestyle and cost of living before he graduated? When you started paying his rent, did you set a time or financial limit? Did you share your expectations for him finding a job? Does he have the skills, connections and resources he needs to acquire gainful employment and support himself?

Or when you feel it is time to set firmer boundaries with your daughter because of your quickly approaching retirement, ever increasing medical bills, or need to provide for other grandchildren, it is important to communicate openly about why you need to make a change. Talk about your situation; do not jump to blaming her. Also, acknowledge that you should have set clearer expectations going in.

More generally, you should ask yourself: Have we talked honestly and clearly about wealth, our goals, and (most importantly) our values with our dependents? Did we wait

Step 1

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until it was too late and everyone was used to the status quo? Do I have trouble saying no because I am afraid it might threaten our relationship? Are my spouse and I on the same page regarding how and when to give our dependents money?

We think it is important for you to understand and acknowledge your role in creating the situation, the impact the current dynamic is having on you, the impact making a change will have on your dependent and the emotions involved. This is the first step to having a candid, effective conversation that creates positive and lasting change.

DETERMINE THE IDEAL OUTCOME

Once you understand what the current situation is and how you got there, we believe you should start thinking about and documenting what you want to change. More specifically, what is your ideal outcome and what are the steps to getting there? This should include how much money you wish to keep giving, for what purpose, and potential stipulations. You should also have a time frame in mind. In our experience, taking gradual steps toward independence is the most effective approach, but it is important to have an end date in mind.

For example, perhaps you will pay your son's rent for six months while he looks for a job, and cut the rent in half for the next six while he gets settled and learns to manage his money. You may also offer to provide help with networking or fund additional education down the road.

Similarly, you may decide to extend your contributions to your grandchildren's education funds, but reduce them gradually over time or help your daughter set up a 529 plan to help fund their education.

We also suggest discussing what you want your relationship to be — now and in the future. More often than not, a change in the financial relationship will naturally impact the emotional one.

Step 2

What is your ideal outcome and what are the steps to getting there?

UNDERSTAND YOUR WILLINGNESS OR UNWILLINGNESS TO MAKE THE CHANGE HAPPEN

We have learned that when you are trying to undo the current pattern, dependents often need to experience real consequences associated with their financial behavior. It is difficult to watch loved ones struggle, but being firm and consistent will be vital, so decide upfront how far you are willing to go. Would you evict your child? Would you withhold funds, even if it jeopardizes her credit rating?

Often, spouses and/or parents and grandparents are not on the same page. As a result, they send mixed messages that can undermine the process, or might also cause discord in broader family relationships. Having an open and honest discussion with all affected parties before you move forward helps make for a smoother, more peaceful transition.

Step 3

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HAVE A MEETING WITH THE DEPENDENT

Once you understand the current situation, your role in it, your ideal outcome and your willingness to make change happen, it is time to sit down with your dependent.

Here is what the conversation should cover:

Start with the current situation, your concerns and hope for change.

Discuss her plans for the future.

- What are her goals? How does she plan to achieve them?
- What is standing in her way of reaching her goals?
- What does she need to achieve her goals?

Talk about what you want to change.

- What are your hopes and dreams for her? Talk about how you think the current situation might be impacting her success.
- What are your own hopes and dreams, and how is the current situation impacting your plans and goals?
- What kind of financial independence do you both want to achieve?

Step 4

It is time to sit down with your dependent.

- What kind of personal relationship do you want to have?
- What steps can you take to make this happen?
- Discuss how this might impact your dependent's future, her plans and goals, and her day-to-day activities.
- Consider what kind of support you can offer other than financial, such as hiring a life and/or financial coach, helping with networking and providing emotional guidance and support.

Reiterate what remains unconditional: your love for her and your desire to see her succeed.

Ground Rules

Remain forward-looking
Do not play the blame game. Take accountability and then avoid focusing on what has happened in the past. Focus instead on how you will move forward.

Stick to the facts
Try to keep judgmental and defensive or inflammatory statements out of the conversation.

Open the conversation in the spirit of trust and caring
Reassure your dependent that you believe in her and this has nothing to do with your love for her.

Be specific
When making your plans, outline a realistic timeline and tangible next steps.

MAKE A TRANSITION PLAN

It is not a good idea to go "cold turkey" and cut off funds to someone who has become dependent on those funds for their livelihood. Not only can it create financial chaos for the dependent, it is also likely to cause a deep rift in the relationship. Rather than just turning off the spigot, we recommend that the flow be diminished over time by creating a transition plan that can lead to financial independence. The first step in creating a transition plan is asking your dependent to keep a spending diary for at least one month. This will give you a starting point for the discussion and is a great exercise in teaching what items really cost and the value of proactively managing spending and following a budget. It is very likely she may not even know how much she is spending in certain areas.

Once she has documented how she spends her money, identify fixed costs vs. discretionary spending and focus on areas where she could make changes to save money and also potential "trade-offs." For example, if she still wants to take extravagant vacations, she could consider cooking at home a number of times each week instead of dining out.

Once trade-offs and areas of improvement have been identified and you have both agreed on what success looks like, you should:

- Develop an itemized budget, timeline and schedule — be specific.
- Devise an action plan for achieving independence and future goals, including areas where you will provide support, like paying for childcare while she goes back to school, or providing for a life coach and/or financial advisor/therapist.
- Share the potential positives and negatives of the changes and talk about how your dependent might overcome them.
- Close by restating what you have agreed to do together and your confidence in achieving the goals.
- Emphasize your continued emotional support and love.

Step 5

Identify fixed costs vs. discretionary spending and focus on areas where she could make changes to save money and also potential "trade-offs."

IN CLOSING, HERE ARE A FEW GUIDING PRINCIPLES TO POSITION FOR SUCCESS.

- **Recognize this is a process not an event.** Change will happen gradually, not overnight. Be realistic about expectations.
- **Learn how to say no** so your dependent experiences real consequences, but provide the right guidance and support so she can land on her feet.
- **Know when to bring in a neutral party.** Identify someone who understands family relationships and can mediate, keep the peace and speak to the facts.
- **Anticipate points of contention,** then role-play and practice holding firm to your principles.

Financial dependency can have a pernicious impact on family relationships and the well-being of the dependent. Like many habits, however, the cycle can be broken if there is a will, a plan to change and a desire to work together for a better financial future for both parties. It is not an easy change and can be fraught with emotional discord if you do not approach it thoughtfully with a loving but firm attitude. The long-term potential results of financial independence, however, outweigh the short-term angst or even anger that can be the initial response. If you approach change prepared to discuss things that may be difficult, take accountability for your part in the status quo, and keep an open mind and heart, you can reset the dynamic, set your dependent up for future and lasting success and still preserve the love, trust and relationship that you cherish.

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