Smart saving ideas for empty nesters

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For many parents, it's hard to imagine the day when their children leave the family home to head out into the world and begin their own lives. Some people may be excited about this new chapter, while others have a hard time adjusting. While this transition can be bittersweet, many personal and financial opportunities can arise from an empty nest.

How to prepare for an empty nest

When the day comes that it's just the parents left in the house, they may find themselves fluctuating between excitement and heartache as a new routine sets in. Fortunately, becoming empty nesters can free up more time to pursue hobbies and provide the ability to capitalize on financial opportunities that weren't always possible with dependents in the home. As a budget opens up and spending slows down, the focus commonly shifts back to life as a couple. This is a perfect time to revisit a retirement plan, make any adjustments, and hopefully allocate more funds toward savings to ensure greater financial freedom for the future.

Financial advice for empty nesters

For those who've had children in the home for at least 18 years or longer, the focus was likely on the family's needs. Now, as an empty nester, it's time to ask some key questions and prioritize finances in several ways that might not have been considered before.

1. Should an empty nester consider downsizing?

Many couples sell their home to downsize to a smaller house or condo once their children leave the nest. This can often lower bills, lead to less upkeep, and potentially give some equity from the sale to pay off debt or put toward retirement. If moving is on your mind, there are important factors to consider before making this big decision. Do you currently own your home? How is the real estate market? Will your kids come home often to visit? For those who enjoy their home and neighborhood, it may make more sense to stay put. When thinking about downsizing, decide if it's a step forward or backward and if it will help you achieve the lifestyle you envision for the future.

2. How can an empty nester revitalize their retirement plan?

The cost of raising a child to adulthood is incredibly expensive. While many would agree every penny is worth it when it comes to raising a family, other financial goals may take a backseat during a child's younger years. Now that they're adults, it may be time to look for new ways to revitalize a retirement plan and contribute more to your financial future. Perhaps that involves diversifying a portfolio or exploring higher risk/higher reward investments. For individuals looking to grow their retirement savings without downside market risk, a fixed index annuity (FIA) may be a good option. This solution could also turn a nest egg into a guaranteed stream of income throughout retirement.

3. Should an empty nester update their estate plan?

Like a retirement plan, this can be an ideal time to revisit an estate plan and make any necessary updates. As a couple ages, they may want to list their adult child as a financial executor or their medical power of attorney. If a will was created when the children were young that would put money in a trust, this may need to be updated now that they're grown. It can also be a good time to review any life insurance coverage and who is listed as beneficiaries. Taking time to review and update an estate plan now can allow the focus to remain on today, knowing personal wishes for tomorrow can be covered. Over the years, the level of Social Security protection for women has strengthened, but it can't cover all financial needs. That's why it's vital to make plans and consider alternative methods to save money for retirement. Having a plan that doesn't solely rely on Social Security money to fund a nest egg is something all women should research.

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What needs to be included in a financial plan for empty nesters?

To make the most of this next stage of life, there are several important steps that can help polish up a financial plan:

- Review and revise a budget and household expenses
- Pay down debt, such as credit cards, student loans, or car loans
- Maximize retirement contributions
- Discuss tax implications of lifestyle changes with a tax professional
- Re-evaluate retirement plan and/or investment portfolio
- Set aside money for life events like weddings, home renovations, or a grandchild's education
- Review estate plan and life insurance policies

How parents can help children make smart financial decisions

Just because children leave home doesn't always mean they stop relying on you financially. Perhaps parents are still paying for college or student loans or helping with other living expenses. This is a good time to establish a timeline for transitioning away from paying for a child's needs and helping them become financially independent. By teaching children about budgeting and money management when they're young, they are more likely to carry those positive habits into adulthood and rely less upon others for financial support when they're grown. Since this may be the time for a couple to start maximizing their savings for the future, consider setting financial boundaries for adult children about borrowing money or returning home. Parents may also want to consider life insurance to help provide for their children's financial future, as well as their own. Life insurance policies that feature cash value growth potential can create a legacy to leave to loved ones and also help supplement retirement income. Consider discussing your goals with a financial professional to find the right solution for you.

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