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Parents' property help could harm

Financial planners are warning parents not to help adult children buy homes with large mortgages that could ultimately become unaffordable.

Rising house prices - especially for homes at the more affordable end of the scale - and economic uncertainty are prompting young people to stay within the bosom of their family longer, and many parents feel compelled to help but with cash hand-outs. But some experts say it might do more harm than good.

"The message we give to older clients (is) if you are helping a child get used to a lifestyle they can't afford, you're not helping them in the long term," said Landmark Financial Management director Paul Little.

"Ultimately they need to stand on their own two feet and live in the kind of house they can afford." Mr Little said he had seen many clients at his Brisbane-based financial planning agency who were worried about their kids' ability to enter the housing market. And their children had much higher expectations for a first home in the expensive inner city, for instance, rather than in a more affordable fringe suburb - than would have been the case a generation ago.

"Each generation wants more and expects more and having lived at home, you have all the nice mod-cons," Yellow Brick Road Investment Services advisor Louise Lakomy.

"Well you just expect that, 'Hey, that's my standard of living'," said Yellow Brick Road Investment Services adviser Louise Lakomy.

"More and more parents, because of children's demands, are helping them out in getting that first property," she said. Some offered to go guarantor; others might make provide a cash gift on a no or low interest loan.

"Parents are much more generous," she said. "I try to encourage them not to do it."

Wayne Barber, senior adviser at Maximum Wealth Strategies in Wodonga on the NSW-Victorian border, said many young adults had enjoyed luxuries such as international travel. Consequently, they had no assets behind them and lacked the saving ethic of generations past.

"The children have got to demonstrate an ability to stand on their own two feet," he said.

Ms Lakomy said one of the reason more adult children were staying at home longer was because many things cost much more than they used to. Home affordability, as measured by the Housing Industry Association, sank in the September quarter by 3.3 per cent to 147.9 points from 153 points. With interest rates on the rise, affordability is set to fall even further in coming months.

At the same time, home prices have risen, almost continuously, since 1986.

Ironically, the impact of adult children living at home longer may be adding to house-price pressure, some say, which is already soaring because of a combination of migration, a shortage of housing stock and a relatively strong economy.

ANZ Bank real estate economist Paul Braddick said that to the extent that the trend of adult children living at home "is permanent, then it will increase the demand (and prices) for these types of homes- in part because it delays the downsizing by "empty nesters".

George Bougias, senior economist at Charter Keck Cramer, a property consultancy firm, said there was a clear increase in the number of young adults staying at home longer.

"Because they are delaying - because of affordability - they're saying, 'If I've got to delay, I'm going to get something really good.' In a sense, they're almost causing their own unaffordability.