# Pre-College Conversations: When to Step in Over Money Matters

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*In the final part of our three-part series on pre-college conversations to have with your soon-to-be undergrad, we talk about one of the trickiest issues for a parent: knowing when to step back, and knowing when to step in.*

The college years are a time when you and your child must renegotiate your relationship on every level, including your finances. If you've laid a foundation for open, honest conversations, and have taught your kids money management, then you're already on the right path. But if you haven't talked to your kids about money, you need to start the conversation now, says Jonathan Clements, director of financial education at Citi Personal Wealth Management in New York City.

"Encourage your kids to call you with questions and talk about your own mistakes so you can alert them to possible dangers," says Clements. "If you're too censorious, your kids won't call you, so you should go out of your way to encourage them to call no matter what the situation is. You may be able to stop a problem from snowballing into something bigger."

If your student gets into major financial trouble, you'll probably end up helping them anyway, says Clements. It's always better to know earlier so you can limit the financial damage as much as you can.

**Should You Bail Out Your Kids?**

Whether or not to help your kids always depends on the circumstances. Clements says college can be a learning experience when it comes to finances, but parents need to decide what merits their aid and when to let the kids learn from their mistakes.

"Not every parent is in a position to bail their student out and not every parent wants to," says Jeffrey Cutter, a certified public accountant and owner of Cutter Financial Group in Falmouth, Mass. "Some reasons to help your student might be expenses that neither the parent nor the student knew about. The student couldn't have budgeted for these unknown expenses. This might be a good time to step in and help. This would also be a learning experience for the student on the importance of a detailed budget and having a rainy-day fund."

Clements says that, for instance, if the student makes a late payment on a utility bill or their rent, then the parents should let the student straighten it out by calling the utility company or paying a late fee to their landlord. However, if the unexpected expense comes from a car breaking down and needing a $600 repair, then the parents may want to step in and pay for it or split the cost with their kid. Other examples of times when parents may want to help their kids include when their textbooks cost more than expected or they have travel expenses for a sports team. Excessive spending on partying, though, doesn't merit a parental bailout, he says.

"It's a good idea to let the student learn from their mistakes if they were reckless with their money," says Cutter. "If they didn't have a budget or they overspent their budget, those are times where you should have the student figure out how to correct their mistakes. For example, if they didn't have a job at school, [tell them to] get one. They also could get a job on winter and spring breaks. The student could work more hours the next summer. If the student puts together a plan to correct their mistakes, the parent may loan them the money to get them out of their mess. The parent may want to put this in writing as to how much is going to be paid back and when."

**Setting Expectations**

Cutter says that parents and students need to have clear guidelines and expectations of each other when it comes to money matters. Parents need to be clear about what they're willing and able to pay for.

Andrew V. Tignanelli, a certified financial planner and president of The Financial Consulate in Hunt Valley, Md., says constant oversight is vital for college students when they're in the beginning stages of learning about money management, but those who proved in high school that they're good at managing their finances can be given more independence.

"If a child makes a mistake, the first time is a lesson, the second time is a lesson with punishment, and the third time is strike-out time," says Tignanelli. "You need to make it very clear in a loving way what the rules are and the consequences."

If you've prepped your kids right, hopefully there will be few instances when you need to make the "to bail out or not" decision, but setting expectations clearly up front can make it easier to respond appropriately to your kids' money mistakes.

**Read More:**
Part 1: Pre-College Conversations to Have With Your Kids: Who Pays for What?
Part 2: Pre-College Conversations: How Should Your Kids Handle Their Money?

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