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10 Answers to Money Questions From Your Grandchildren

They don't need to know everything, but they do need to know some of it

By Bruce Horovitz, AARP



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Perhaps it's because your grandchildren are two generations behind you that they also seem to always be two giant steps behind financially.

They're not. But that doesn't mean they don't need monetary help from grandma and grandpa every now and then. In the end, it's up to you how much of your [retirement savings](#) is for them to use – or not. But how to make those decisions?

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cars? For their new homes? And what about all their birthdays and holidays — should you be parting with your money for those, too? What if your grandchild specifically asks you for money? Or what if they don't ever ask, but you see they could use it?

AARP asked [certified financial planners](#) what's reasonable — and what's not — when it comes to your grandchildren and your money. One overarching response from all of them: Watch your own financial back before doling out money to your grandchildren.

“Grandparents should be very careful about giving away any money that will affect their ability to maintain their current lifestyle during retirement,” says Mitchell Kraus, a certified financial planner in Santa Monica, California.

Here are 10 of the most commonly asked questions that financial planners say they hear from grandparents about how to financially assist their grandchildren. Some of their answers might surprise you.

1. Should I offer to help pay for my grandkid's college costs?

In a word: Yes.

In seven words: Only if you have the financial wherewithal. College costs are exorbitant and many students leave college with such enormous [debt on their student loans](#) that it stops them from taking other important steps into adulthood, such as purchasing a home, says Kraus.

So, he suggests that helping to pay for their college expenses — or to help pay down their student loans — is one of the most impactful things a grandparent can do.

Many grandparents do this by regularly contributing to [college 529 plans](#).

If you put the 529 in your own name it might give you more control, but if you put it in the grandkid's name, it might simplify things a bit and give your own children better ability to keep track of it. For students seeking more financial aid, it can be advantageous for the 529 to be kept in the grandparents' name, he says.

2. Should I offer to help pay for my grandchild's home loan?

In a word: Maybe.

If you do this, do so very carefully — with your eyes wide open. For his part, Kraus discourages grandparents from making substantial contributions to their grandchildren's homes because it can get very expensive over time. "You have to be prepared to treat all grandchildren the same as far as housing payments are concerned and most don't have enough to do this for all of their grandkids," says Kraus.

Think twice, because your financial assistance may unintentionally be steering your grandchild to purchase more house than they can actually afford, warns Michael Whitty, a certified financial planner in Chicago.

That said, most grandparents were raised to believe that owning a home is very important, so helping with a grandkid's down payment or assisting with the home loan can be extremely satisfying, says Christopher Rand, a certified financial planner in San Diego. "It reduces the probability they'll do something irresponsible with grandma's hard-earned money, like buying a Ferrari," he says.



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3. Should I leave money in my will to my grandchild?

In a word: Maybe.

Rand says his clients are generally split on this one. Many of his clients have adult children in their 50s and 60s who are already financially secure. Even though their adult children don't really need the money, they still feel like they're "supposed" to leave their money to them — and not to their grandchildren. "I encourage clients to have conversations with their children about this," says Rand.

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For a grandchild who is a minor, suggests Whitty, have the funds go to a Uniform Transfers to Minors Act (UTMA) account with a parent, aunt or uncle as custodian so that no guardianship is required.

4. Should I offer to help pay for my grandchild's car?



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In a word: Iffy.

“The first thing to consider is, what’s your goal in giving them this gift,” says Rand. In other words, find out what your grandchild’s specific plans are for the car. If it’s to drive to work — or to college classes — that’s a reasonable argument to help them get a car, he says.

You probably should check in with your own children (their parents) first, advises Kraus. Some parents want to teach their kids about the work ethic and might be upset with a surprise “handout” from grandparents for a new car, he says.

5. What should I get my grandchild for college graduation?

In a word: Cash.

College graduation is a turning point for many young adults, so the best gift is often something that helps them move up to the next step, says Rand. That can be anything from help with a down payment on a new house to a down payment on a new car, he says.

Practical cash gifts that help your grandchild achieve his or her dream can be huge, says Catherine Valega, a certified financial planner in Winchester, Massachusetts. That can mean helping to pay off student loans to covering their moving expenses if they have to move for a new job, she says.

6. What are the best holiday or birthday gifts for my grandchild?

In a word: 529.

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impact than regular contributions to your grandkid's 529 plan, says Rand. He has three daughters who are each fully aware that for their birthdays and for Christmas, their grandmother contributes money to their 529 college accounts.

He keeps separate accounts for each child — and he occasionally reviews the balance with each of them so they can see how their own account is growing. At the same time, their grandmother typically gives them small gifts for these occasions as well, but the bulk of her gift giving is to help make certain all three of her granddaughters get to college.

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7. Should I check with my children before giving cash gifts to my grandkids?

In a word: Yes.

The best parents are always working on ways to teach good spending habits to their kids and large [cash gifts from grandparents](#) to their grandkids can totally disrupt that, advises Rand.

Some parents, says Kraus, also discourage direct cash gifts from grandparents to grandkids out of concern that the money might actually be used to purchase things that rarely get the parental seal of approval: drugs or alcohol.

8. What if my grandchild asks me for money?

In a word: Teach.

If a grandchild asks you for money, think of it as a unique opportunity to teach them a good lesson about money, says Nadine Burns, a certified financial planner in Ann Arbor, Michigan. “Determine if it’s a need or a want and have a discussion with them about how you can — or can’t — help them solve the problem,” she says.

If the reason is a good one — perhaps they need help buying a car for a new job they just got — that’s when you should also pull the parents into the discussion, she says.

9. What if my grandkid doesn’t come to me for money, but I see they need it?

In a word: Talk.

First, talk to the parents and make sure it’s okay to make the offer, says Kraus. Next, make 100 percent certain it won’t enable future poor spending habits. For example, if you help to pay off their [credit card debt](#), he asks, what lesson have they learned? That said, if you’ve helped them through a one-time emergency — such as an unexpected medical expense — a small financial gesture from grandparents “can become a great life change,” he says.

10. Do I speak out if I see my grandkid wasting money?

In a word: Nope.

“One generation’s frivolous spending could be another generation’s basic lifestyle,” says Kraus.

Bruce Horovitz is a contributing writer who covers personal finance and caregiving. He previously wrote for The Los Angeles Times and USA Today. Horovitz regularly writes for The New York Times, The Wall Street Journal, The Washington Post, Investor's Business Daily, AARP The Magazine, AARP Bulletin, Kaiser Health News and PBS's Next Avenue.

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