

Grandparents May Need to Balance Gifts and Goals

Grandparents Day falls on Sept. 11 this year. While not as widely observed as Mother's Day or Father's Day, Grandparents Day nonetheless serves a valuable purpose in reminding us of the importance of grandparents in the lives of their grandchildren. If you're a grandparent yourself, you already know the joy your grandchildren bring you, and through the years, you have probably been generous with them in many ways. At the same time, though, you probably need to strike a balance between your heartfelt *gifts* and your financial *goals*.

It can be challenging to achieve that balance. For one thing, you and your fellow grandparents have not been stingy in your giving over the past several years. America's grandparents provided an estimated \$370 billion in financial support to their grandchildren between 2004 and 2009, according to a survey by the MetLife Mature Market Institute. This averages out to \$8,661 per grandparent household over that same period. However, many of these same grandparents may not be accumulating sufficient financial resources to enjoy the retirement lifestyle they've envisioned. In fact, the median balance of retirement accounts for 55- to 64-year-olds is only about \$100,000, according to the Center for Retirement Research. That's not a lot of money for an age group that could spend two or even three decades in retirement.

So, as a grandparent, what steps might you take to bolster your retirement savings while simultaneously helping your grandchildren? Here are a few ideas:

- *Maintain permanent life insurance.* Once your children are grown, you may feel less compelled to carry life insurance. But the right type of life insurance can benefit you throughout your life.

Permanent life insurance offers you the chance to build cash value, which you may be able to access, depending upon the specifics of your policy. And you can name your grandchildren as beneficiaries of your policy.

- *Open a 529 plan.* Use the money you're already gifting to fund a 529 plan to help your grandchildren pay for college. These plans have generous contribution guidelines, and withdrawals are tax-free, provided the money is used for qualified expenses. There may be state tax incentives available to in-state residents who invest in their home state's 529 plan. And a 529 plan offers you a degree of flexibility; if the beneficiary grandchild decides to forgo college, you can transfer the unused funds to another grandchild, tax and penalty free. However, withdrawals used for expenses other than qualified education expenses may be subject to federal and state taxes, plus a 10% penalty.

- *Contribute to a Roth Individual Retirement Account (IRA).* The Roth IRA is a powerful retirement savings vehicle. You can fund your IRA with virtually any type of investment, such as stocks, bonds and government securities, and your earnings grow tax free, provided you don't take withdrawals until you're at least age 59½ and you've held your account at least five years.

Your grandchildren may appreciate your generosity, but they'll also no doubt want you to enjoy a comfortable retirement. As always, you need to do what makes sense for your situation. You may find there are ways to help both your grandchildren and yourself.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.