

National Grandparents Day: Three Things to Consider Before You Make a Gift to Grandchildren

As grandparents, you likely love the opportunity to shower your grandchildren with gifts. In most cases, these gifts are given on holidays and birthdays and commonly consist of an item that may have been at the top of your grandchild's wish list. While experiencing the joy on your grandchild's face when they open a new doll or new race car is immeasurable, it is not uncommon to want to leave more substantial and meaningful gifts to your grandchildren. Christmas and birthday gifts can leave lasting impressions on your grandchildren, but you may want to provide them with a gift that can assist them in building a savings account, furthering their education, or purchasing their first home, to name just a few. We hope this information will assist you in analyzing the important details of making a gift that can often be overlooked.

1. When do you want to make a gift?

When considering making a financial gift to your grandchildren, the first crucial decision is when to give them this gift. Various factors may influence your choice of timing. If your grandchildren are slightly older and are exploring college options, you might consider gifting them funds to assist with their chosen educational path. Similarly, if you have adult grandchildren preparing to buy a home, planning a wedding, or expecting their first child, you may wish to offer them a monetary gift sooner rather than later to support these significant life moments. Making a gift during your lifetime allows you to witness the impact it will have on the recipients, which can be incredibly rewarding and meaningful.

However, there are instances where a gift given after your passing can carry equal significance. If you have younger grandchildren, planning for their postsecondary education, purchasing their first home, or starting their own business may be in the distant future. In cases such as these, you may feel more comfortable leaving money to your grandchild at your death since their need is not immediate. Your gift, although delayed, can still help support their future, it can provide them with much-needed financial assistance, and ultimately, it will leave them with a lasting memory of your love and generosity.

2. Can you afford to leave a gift to them?

If you have not already, consider meeting with a financial advisor to help you develop long-term plans that align with your financial goals and take into consideration the ever-changing costs of living. A responsible advisor will likely perform an analysis of your current financial situation, along with your goals for the future, and help you determine the best methods to prepare for your financial future. This may involve your advisor recommending that you not take certain risks or make any considerable gifts.

If it is your desire to leave a gift to your grandchildren, you will need to assess if it fits within your current financial capabilities. Planning for your future requires careful consideration of the potential costs for care, especially if more substantial or institutionalized medical or long-term care becomes necessary. The Administration on Aging estimates that at least 70 percent of people who are 65 today will require care in some context.¹ Notably, the national median annual costs for nursing home care in 2023 have risen to approximately \$108,405 for a private room, compared to \$92,376 in 2016.² The average length of stay in long-term care is 3.2 years. Just over 20 percent of residents will require care for 5 years or longer.³ For those who are currently married, it becomes essential to not only thoughtfully weigh your own current and future needs, but also those of your spouse. With the rising costs of care, you must consider whether your surviving spouse will need to rely on your remaining funds for their livelihood.

While your intentions to provide a significant gift to your grandchildren are admirable, it may not always be practical or feasible given your current and future financial situation. If you wish to create a plan that includes a gift for your grandchildren, consulting with an experienced estate planning attorney is recommended. Together, you can devise a well-crafted plan that ensures that the gift is made when both you are no longer living, if funds are available. This way, you can better align your intentions with your financial circumstances, which ultimately safeguards your family's future

3. What impact will the gift have?

Lastly, you should consider both the potential positive and negative aspects of gifting to your grandchildren. Gifting to a grandchild and the gift's subsequent impact may depend largely on your goals in making the gift. As it is, giving your grandchildren monetary gifts can enable you to provide them with opportunities that may not have been available to you earlier in life. Gifting can allow your grandchildren to have new experiences, build a nest egg, and invest in their future. Ultimately, these gifts can result in a profound and lasting impact on your grandchildren's future.

On the other hand, depending on how the gift is structured, it could impact your grandchild's ability to receive assistance with education by impacting the amount of assets required to be listed on their Free Application for Federal Student Aid (FAFSA). In some cases, providing a large sum of money to a child or young adult can have the negative consequence of disincentivizing them to obtain or maintain employment or

¹ Claire Samuels, *Long-Term Care Statistics: A Portrait of Americans in Assisted Living, Nursing Homes, and Skilled Nursing Facilities*, A Place for Mom (Dec. 13, 2022), <https://www.aplaceformom.com/caregiver-resources/articles/long-term-care-statistics>.

² Jeff Hoyt, *Nursing Home Costs in 2023*, SeniorLiving.org (Aug. 18, 2023), <https://www.seniorliving.org/nursing-homes/costs/#national-median-costs>.

³ Samuels, *supra* note 1.

continue or complete their education. Large gifts can provide a false sense of financial security and result in excessive or irresponsible spending habits.

You should carefully consider the potential unintended consequences of gifting. Luckily, most negative effects can be mitigated by working with an experienced estate planning attorney who can create a strategic plan to leave an inheritance while avoiding potential pitfalls of gifting.

If you would like to gift money or property to your grandchildren in a way that is protected and has a lasting impact, give us a call so we can help you plan the perfect approach.