

EVEN IN TOUGH TIMES, GRANDPARENTS CAN STILL HELP THEIR GRANDKIDS GET A GOOD FINANCIAL START

Though grandparents are among the millions who have taken a big hit to their portfolios in recent years, careful planning can ensure a healthy contribution to the education and financial future of their grandchildren.

The first step involves a talk between grandchildren and their adult children. According to 2008 research from The Hartford Financial Services Group, 65 percent of grandparents surveyed reported that they plan to contribute financially to their grandchildren's college education, but that less than one third of all survey participants talked with their adult children about those plans.

Statistics show the amount of money that changes hands between grandparents and their grandchildren is substantial even before the kids head off to college. Hartford reports that more than 40 percent of grandparents spend more than \$2,000 annually on their grandchildren before they reach 18 years old. And once it's time for the kids to head off to school, over half of grandparents who plan to contribute will give more than \$10,000, with a quarter of those planning to give more than \$30,000.

A visit to a CERTIFIED FINANCIAL PLANNER™ professional can help grandparents and their adult children coordinate a gifting strategy that makes sense. In the meantime, there are several options to consider:

Talk: Adult children and their parents might find it difficult to talk about money issues in general, but discussing a positive goal like funding a child's future can pave the way to make discussions later about the grandparents' estate issues and end-of-life care a little easier to handle. But initially, these discussions will hopefully deliver a reality check. The Hartford survey points out that 60 percent of the grandparents surveyed believe that financial aid will be the most likely way their grandchildren will pay for college in an era where federal aid is declining and grants and scholarship cover only an estimated 15 percent of total college costs.

Start early: While many families don't turn to relatives for help until there's an immediate need, earlier planning almost always produces better results. Grandparents already know that saving for a child's college education is easier if it starts at birth. The same is true for the next generation, so grandparents or adult children need to set a plan in place as early as possible for maximum benefit.

Coordinate college support with overall estate planning: Grandparents should look at their support for their adult children and grandchildren as an overall part of their estate strategy. A CFP® professional, in concert with estate and tax experts, can help grandparents and their adult children settle a series of estate issues at one time, saving time, money and worry later.

Consider the 529 plan option: A 529 college savings plan is an investment vehicle operated by a state or educational institution designed to help families set aside funds for future college costs. It is named after Section 529 of the Internal Revenue Service Code, which created these

plans in 1996. If parents have set up a 529 plan for their child, grandparents can contribute to that plan or they can set up their own 529 plan account with their grandchild as the beneficiary.

Watch the fees: No matter what savings or investment options you choose, make sure you're not overpaying fees. A stock mutual fund may charge in excess of 1 percent of assets; you can certainly find quality mutual funds that charge less. Two good resources: Morningstar.com can provide you a general review of most mutual funds you might be considering. The second is the [Security and Exchange Commission's online Mutual Fund Cost Calculator](#) which can help you determine how the fees and other costs associated with the fund will add up over time.

Offer some investing training wheels: Grandparents have a unique relationship with their grandchildren. They can teach without "lecturing" like their parents, and for that reason, they might consider setting up an investment account with a small balance that the kids can monitor and discuss under the supervision of the grandparent.

Make the grandkids beneficiaries: Naming your grandchild as the beneficiary of a retirement account or insurance policy can be a tax-smart way to provide financial support for college or possibly a first home.