



FINANCIAL PLANNING FOR THE MULTI-GENERATION FAMILY

It wasn't all that long ago a family was only three generations deep—grandparent, parent and child. But as life expectancies increase, four generations are common and five generations are no longer unheard of.

The financial impact of this demographic change has been dramatic. Instead of a family focused only on its own finances, it may have to deal with financial issues that cross generations. Here is a sampling of some multi-generational financial issues.

Aging parents. Where once people lived only a few years into retirement, now they live 15, 20, 30 years or more. If the parents can't take care of themselves, or they can't afford to pay for high-cost, long-term care either at home or in a facility, their children may need to step forward. A geriatric care professional may be helpful here.

A host of financial issues are involved. One of the keys is to have a heart-to-heart, money-to-money talk about health-care issues, long-term care needs ("What nursing home would you want to go to, mom?") and how likely the aging parents can pay for them. Do they have assets to tap? Should their children buy long-term care insurance for them? Or are their assets so few they will likely qualify for Medicaid assistance? What can the children realistically do for their parents without jeopardizing their own financial future?

Passing on the estate. This is the opposite issue—grandparents who have more than enough financial resources to take care of themselves. The question is, what do they intend to do with their money? Will they pass it on to their children and grandchildren while they are still alive to make their heirs' lives easier, to see their gifts enjoyed, to teach their heirs how to use the assets and to ease a potential estate tax problem? Or will they wait until death to pass on their estate? Will they spend as much of it as they can before they die? Or do they prefer to donate it to their favorite charities and force their heirs to make their own way in life? Answers to these questions have tremendous financial planning ramifications for the generations that follow.

Business succession. Business owners need to decide well before they want to retire what they want to do with the family business. Do they want to sell it to outsiders or keep it in the family? Is anyone in the family willing and able to run it? Don't look down just one generation. Perhaps a

grandchild is the best choice. What tax issues are involved? This is a complex multi-generational issue that will require the services of financial professionals.

College versus retirement. This is a multi-generational issue many families are familiar with. How do you provide children with advanced education while continuing to adequately save for your own retirement (and perhaps take care of aging parents)? The answer many financial planners give these days is to make your retirement the priority. Kids can find financial aid and work their way through college. You don't get financial aid for retirement.

Here's where another generation can help, too. Grandparents, particularly grandparents who may face an estate tax issue, can directly pay their grandchild's tuition without the payments triggering a gift tax.

Loaning money. It's not uncommon for parents to stake their children's first home or for grandparents to help a grandchild start a business. But family loans are fraught with potential family friction if the loans aren't paid back, and there are tax issues, as well. Do you bail out a financially struggling family member who doesn't deserve to be bailed out? What impact will the loan have on the lender's own financial goals, such as retirement?

These are only a smattering of the many multi-generational financial issues that may arise. The issues often are complicated by the fact that people don't like to talk about their money and that different generations often view money and its use in different ways. That's why it's important to try to bring the generations together at a meeting to discuss interconnected issues. Consider bringing in financial professionals. They can explain complex issues in understandable terms, provide needed expertise with an independent viewpoint, and motivate action.

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