

# What To Do When Family Members Need Financial Help

By Eve Kaplan, Certified Financial Planner™

Welcome to the Sandwich Generation! You're a member if you're "sandwiched" between helping adult children and aging parents. Americans see themselves are more "independent" and sometimes less family-oriented than some other cultures but you still may be on the hook to support adult children in their 20s, 30s and beyond – while simultaneously savings for yourself plus helping prop up your parents in their 70s, 80s and 90s.

A generation ago it wasn't uncommon for a 25 year old man or woman to be married, own a home, have young children and already be holding down a full-time job. It was possible to support a growing family on one salary – almost unthinkable these days. *Our* 25 + year old children may still be living at home, still be in school and may still need significant financial support. At age 30 or 40, they may not have enough to buy a home or to save enough money for *their* children to attend college.

As a financial advisor, my biggest concern is making sure my clients don't end up financing family members at the expense of taking care of their own financial needs. Money is a highly emotional area so you need to tread carefully. Here are some recommendations on how to walk through this potential mine field:

1. Don't immediately commit yourself to helping until you've had time to assess the situation. You need and deserve the time to review all the options before making a commitment.
2. Do you know what you can afford to give – or lend? Do

you have a financial plan that tells you if you can afford to cover your current/future retirement expenses and escalating health care costs as you age? If you don't have this information, you can't possibly know if help to family members jeopardizes your financial future. A thorough financial plan that assesses your income vs. expenses for the coming 30+ years helps answer this question. One of the best gifts you can give your adult children is not having to rely upon them – in turn – for financial support as you age.

3. Consider intra-family loans. Sometimes a family loan can make more sense than outright gifting. Knowing what you can afford to give or lend (see point 2, above) is key before you make any decisions. Family loans can be structured by specialist firms so loan repayment is made to a 3<sup>rd</sup>
4. Consider outright gifting if you can afford to do so, possibly in trusts or via 529 Plans (college funding for grandchildren). If you determine you're able to provide financial support and help to your adult children, consider the emotional and estate planning pros and cons of intra-family lending vs. outright gifts.
5. Are there tax or other implications to gifting or lending? Perhaps your nephew needs to borrow \$75,000 for 6 months. If you don't have the cash handy, you may end up selling investments that incur capital gains. Even if you charge a market interest rate (so there is no "gift" element in the loan), you could end up with a capital gain of some thousands of dollars on the \$75,000 you lend. Who pays that?
6. Talk to your aging parents about long-term care insurance Can your aging parents fund their current or future medical/nursing expenses out of pocket? Or do they have long-term care insurance? Become informed by asking them. Your discussion also should include asking them what their preferences are if/when they need extra

help. Medicaid will support this type of care if their personal assets are virtually depleted. This is a default plan of last resort.

7. Consult with an elder care attorney or estate attorney  
Before you make any decisions about helping your aging parents, get solid advice from an elder care attorney or estate attorney if there are sufficient assets to require a degree of planning.
8. When to “just say no” There are no hard-and-fast rules here but you should decline help if it’s going to affect your own living standard adversely. Instead of chipping in to cover your adult child’s rent, perhaps let him or her live with you (assuming you all can tolerate each other...) for a specified period. Maybe you save your parents from hiring a bookkeeper to keep their finances straightened out by helping them in this area.
9. Who can you turn to for advice? Having a neutral professional (e.g. a financial planner or estate attorney) weigh in with some facts can take some of the emotional sting out of financial decisions.

Money discussions can be heavily freighted with emotion. There’s nothing that can tear a family apart faster than unreasonable demands or disagreements about money.

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