

RETIREMENT

Four Money Mistakes Even Good Grandparents Make With Grandkids

Of course you want to spoil your grandchildren. Who doesn't? You can do it in ways that won't teach them bad habits or set unrealistic expectations, though.



(Image credit: Getty Images)

As a grandparent, I know that there is no greater joy than to experience the phenomenon of being one. And the thrill increases as we become more significant to our grandchildren.

Now more than ever, grandparents are an incredibly important part of their grandchildren's lives. The U.S. Census Bureau reported that 6.7 million grandparents are living with their grandchildren, and about 33% of grandparents who live with grandchildren under the age of 18 are responsible for their grandchildren's care.

Even if you are not raising your grandchildren, you could have a real impact on them. You can use this influence for good or, frankly, for bad. I'm going to discuss the impact you can have on your grandkids' money habits. Your grandchildren are watching you and learning from you. Let's explore if you are the money role model you want to be.

I'll break this down by looking at some of the money mistakes we may make with our grandchildren, consciously or unconsciously, and how we can change our behavior, and hopefully theirs.

Mistake #1: Not encouraging grandkids to earn and save money.

Remember when you were a kid and you picked out something that you really wanted and you worked hard for that? You saved your money and finally bought that bike or Barbie or special gift for Mom. I bet you really took care of that bike, and you may still have that Barbie. Why take that empowerment and joy away from your grandkids?

Help your grandchildren set a goal to save for something they want (not too expensive). Suggest odd jobs that the kids can do around your home so they can earn extra money to reach their goal. This fosters the work-for-pay ethics of how money works. Celebrate when they finally get to buy the item they have been saving for. Do not preempt their work and saving and just buy the gift for them — allow them to feel pride in what they have achieved.

Mistake #2: Spoiling the grandkids.

I know that many grandparents feel that “spoiling the grandkids” is part of the job description, but it's not. (OK, I also know that I just set myself up as the “evil money expert.”) As a grandparent myself, if you are like me, you don't want to foster the “I want, I want syndrome.” In fact, you may be the first one to comment on your kids' parenting, citing that you think that the grandkids are too materialistic and are frankly always asking for things.

This may be no surprise, because you may have contributed to this patterning, this Pavlovian response. Do you always show up with a gift for the grandkids? You may think that this is the role of a grandparent, but it also fosters the “entitlement program,” as I call it. You know how it works — when Grandma or Grandpa show up, the grandkids are entitled to receive a gift.

Just think about your relationship with your grandparents. I bet those fond memories don't include all the gifts they bought you. Mine include the talks and the hugs and the unconditional love. My Grandma Jewel was my biggest fan. That's what I remember. I could call her at any time of the day or night, and she always made things better.

Build those memories with your grandchildren. They want your time. You can do an activity with them. Do you cook or play golf? Those are great activities to do with the grandkids. You can turn all of these into learning activities as well. With cooking, for instance, this involves reading a recipe or following Grandma's, taking a trip to the store to buy the ingredients on a budget and then explaining the science and art of cooking.

Mistake #3: Not preparing your grandkids for their inheritance.

By all estimates, it appears that Baby Boomers are going to pass along more than \$70 trillion in inheritance to the next generations, according to Cerulli Associates. Because many Baby Boomers feel that their children have blown it when it comes to money, much of the inheritance may actually skip a generation and go to the grandchildren.

When considering inheritance, I am not a believer that money should just magically transfer upon your death. This is not the secret you want to keep; it sends the wrong message. You are not your money; you are your values. Let your kids and grandkids know what is important to you

and why you have left them this incredible gift. I'm guessing that their inheritance is not intended for them to drop out of school and drink margaritas on the beach.

Tell your kids and grandkids what your dreams are for them. It may be to pay for college, or to pay for their first home, or for travel. Let the kids also know about your favorite charities and get them involved with those while you are alive. It's way more powerful sharing your passions while you are there to explain why this is important to you.

Mistake #4: Setting up competition with other grandparents.

You may have to take a look in the mirror for this one. Here is the scene: You find out that the other set of grandparents bought iPads for the grandkids, and the grandkids were so excited. Your hackles were raised, and so is the ante. Your inner dark self may feel that you have somehow been outdone, and you decide that you want to be the most important grandparent and decide that you will buy the kids a pony. The gauntlet has been thrown.

Don't be that person. Resist this reaction. It doesn't enhance your role, and it sets up an unhealthy "keeping up with the Joneses syndrome." Be excited with the kids when they receive another gift from someone other than you. Make sure you are helping your little ones to collect memories, not stuff.

Enjoy being a grandparent. As the late author Ruth Goode noted, "Our grandchildren accept us for ourselves, without rebuke or effort to change us, as no one in our entire lives has ever done, not our parents, siblings, spouses, friends — and hardly ever our own grown children."

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