Tips for Financially Helping Your Children...Even When They're Adults

You can help your children financially in many ways, even after they are well into their adult years—and most of those ways don't involve giving them money. Here are a handful of tips about how to make your children's financial lives a little easier, often in ways you might not expect.

Teach them good money management skills and money values. Sure, you can donate cash to their savings account, EE bonds in their name, or shares of stock or mutual funds. But the gift that really keeps on giving their entire lifetime is a sound financial education backed by the demonstration of your sound money values.

Also give them money management material designed for children of different ages and have them take classes geared toward their ages. They need to learn such financial skills as budgeting, investing, retirement planning, insurance, taxes, charitable giving, how to read a pay stub and balance a checkbook, and what role money should play in their lives.

They may never thank you for this gift, but these skills and values will likely earn them far more money, and make better use of that money, than all the monetary gifts you ever make to them.

Set a good example. You can teach them the best money management skills in the world, but if you don't exemplify good money management judgment yourself, they probably won't either.

Open an IRA. Okay, okay, this involves giving them cold cash. But think of it as seed money, pump-priming money, a chance to reinforce the message that they will likely have to fund most or all of their retirement, as employer pensions are disappearing and Social Security may only provide minimal help.

When they first start earning taxable income from outside jobs or even from household chores such as mowing the lawn, have them open an individual retirement account. Most experts recommend a Roth IRA, which is funded with after-tax money, because the tax-savings benefits of a traditional IRA are minimal for children earning little income. With the Roth, they can later withdraw the contributions and the earnings tax free.

Explain why they need an IRA (for that retirement they've got to fund, remember). Then match dollar for dollar whatever amount they can realistically invest in it (your combined contributions can't exceed their earned income for the year or the 2007 maximum of $4,000, whichever is smaller).

Take care of your own retirement. Fund your retirement even if it means your children have to pay their own way through college. They can get loans or go to a less expensive school. There's no financial aid for retirement if you fail to save enough, and you want to avoid asking them for handouts in your old age.

Don't be a financial burden on them. This means not only making sure your retirement is properly funded, but that you can pay for medical care and possibly long-term care—two huge expenses during retirement many people overlook. Review your medical coverage, including possible retiree health benefits, Medigap insurance once you start Medicare, and long-term care insurance. Spare your children the financial burden of having to financially assist you at a time they're probably trying to save for their own retirement and put your grandchildren through college.

Have an estate plan in place. Basics include a will, a financial power of attorney, a living will, and a health care power of attorney (also known as a health care proxy). You may or may not need additional planning, such as trusts or a family limited partnership, but those four basic documents will go a long way in giving your children flexibility and guidance should you become incapacitated (when powers of attorney become invaluable) or when you die. An updated estate plan also will ensure that your children inherit what you wish them to inherit.

Keep your financial records in order. Give your children a general idea of the value of your estate and your plans for it, and let them know where they can find financial documents upon your incapacity or death. This is sensitive stuff, but it beats leaving them with a financial mess at a stressful, emotional time.

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