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Advancing family identity for children through kinship care worldwide

Kinship International Network

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Pulling heartstrings and purse strings: American grandparents spend \$179 billion annually on their grandkids

- THE US NOW HAS 70 MILLION GRANDPARENTS, UP 24% FROM 56 MILLION IN 2001
 - MANY OF THEM – 40% – ARE WORKING EITHER FULL TIME OR PART TIME
 - THE AVERAGE AGE TO BECOME A GRANDPARENT IS NOW 50, UP FROM 48 IN 2011
- ABOUT 7% HAVE TAKEN ON CREDIT CARD DEBT OR CO-SIGNED PRIVATE STUDENT LOANS TO HELP PAY FOR COLLEGE

Originally published at CNBC.com by Sarah O'Brien, 10 April 2019

Grandparents are a generous bunch when it comes to their big bundles of joy.

At 70 million strong — up 24% from 56 million in 2001 — the group spends a collective \$179 billion on their grandkids annually, according to new research from AARP. The average spent is \$2,562.

Some grandparents, though, are shelling out far more on their grandchildren's education costs alone, with 21%, or about 14.7 million, providing an average \$4,075 annually. About 7%, or 4.9 million grandparents, have taken on credit card debt or co-signed private student loans to help pay for college.

The study, which includes a survey of more than 2,600 grandparents, takes a broad look at the relationship between them and their grandkids. It shows that the youngest grandparents are about age 38, and most adults — 96% — are in that role by age 65. The average age to become a grandparent is 50, up from 48 in 2011.



SPENDING ON GRANDCHILDREN

Category	Share who spend	Average annual amount (USD)
Gifts	86%	\$805
Vacations	26%	\$1746
School/college tuition	21%	\$4075
Day-to-day expenses	14%	\$1491
Weekly monthly or yearly allowance	8%	\$1086
Major expenses	5%	\$4033
Other	5%	\$1273



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14 Youlden Street Kensington, 3031 Australia
t: 03 9372 2422 e: director@grandparents.com.au
w: <http://kinshipcarersvictoria.org/>

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While the nation's \$1.56 trillion student loan debt is shouldered largely by millennials, Federal Reserve data shows that in 2018, Americans over age 50 owed more than \$260 billion in student loans, up from \$36 billion in 2004.

The AARP research shows that among survey respondents — 40% of whom work either full time or part time — the amount put toward college costs ranged from below \$1,000 to \$90,000 annually (most grandparents have, on average, four to five grandkids, the study shows).

Certified financial planner Ronald Myers said that when clients want to help with a grandchild's college costs, he makes sure any gift would have little impact on their income in the future.

"We try to make sure the gifts are small enough relative to our clients' overall assets and income so it's inconceivable that it would cause a reduction of lifestyle in later years," said Myers, a managing member at Fortune 360 Group in Plantation, Florida.

"My personal opinion is that my clients, in general, worked hard to accumulate their assets, and it wouldn't be right or fair to risk that," he said.

For co-signing a private student loan, the tricky aspect is that it might seem innocuous enough at the time. However, if your grandchild can't make the payments at some point down the road, you could find yourself responsible at time when you're relying solely on retirement income to stretch across the rest of your life.

"The concern I would have in a grandparent co-signing a loan is that depending on the nature of the loan — the terms, the amount, etc. — they could be putting their future lifestyle at risk," Myers said. "I would certainly want to make sure I fully understood the maximum possible commitment and all of the loan terms."

Of course, college tuition isn't the only line item with a big amount next to it. More than a quarter (26%) of survey respondents spend an average of \$1,746 on vacations with their grandkids, including travel to see them. For the 5% who cover major expenses — i.e., mortgage, rent, medical costs — the average annual outlay is \$4,033.

Additionally, 13 percent of survey respondents struggle with the financial expectations of being a grandparent, which can make it more difficult to save for retirement or manage their own expenses.



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