

# THE B&B ALERT

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## *Providing for Your Grandchildren*

*By Thomas D. Begley, Jr., Esquire*

### *What Concerns Might Grandparents Have Pertaining to Their Grandchildren?*

The relationship between a grandparent and grandchild is a special one. Whether it is due to the difference in age or the fact that grandparents already have raised their own children, grandparents tend to view their grandchildren from a unique perspective. Grandparents often have concerns about the following:

- Pocket money. They want grandchildren to have sufficient pocket money to enjoy the little things in life.
- College. They want the grandchildren to receive a college education without incurring enormous student loan debt.
- Automobiles. They want each grandchild to be able to own a car.
- Home ownership. They want each grandchild to be able to buy a home.
- Business. They want each grandchild to be able to start a business, if appropriate.
- Problem grandchildren. Grandparents often want to assist grandchildren even when they have problems such as drug or alcohol addiction or a history of criminal behavior.
- Grandchildren who need incentives. Grandparents often are interested in helping to motivate grandchildren who otherwise lack drive and self discipline.

## ***What Tools Are Available to Address These Concerns?***

There are a number of tools available to help grandparents address their concerns. The tools often can be used in combination to enable grandparents to achieve a variety of goals.

- *Giftng*. A grandparent can gift each of his or her grandchildren up to \$12,000 a year by taking advantage of the annual exclusion gifts under the Federal Gift Tax law. Gifts for college expenses are exempt regardless of amount as long as payments are made directly to the educational institution. Gifts for medical care also are exempt as long as payment is made directly to the provider.
- *Specific bequests in a will or trust*. A will or trust can provide that each grandchild will receive a fixed amount. That amount may be as little as \$1,000 or as much as \$50,000 or more, depending on the size of the grandparent's estate and the number of grandchildren. Also depending on the size of the estate, the number of grandchildren and the amount of the bequest, each grandparent can leave a bequest at his or her death, or the bequest can be deferred until the death of the surviving grandparent.

Wills and trusts can be used to provide for grandchildren with problems, such as addictive illness or criminal behavior. They also can be used to help motivate grandchildren who otherwise lack direction. For example, the will or trust may precondition receipt of funds on such events as graduating from college or retaining a job that pays a certain basic annual salary.

- *Percentage share of estate*. A grandparent's will or trust can provide that the grandchildren receive a percentage share of the total estate. Typically, the transfer of funds to each grandchild occurs upon the death of the surviving grandparent. If a grandchild is old enough, monies can be left to him or her outright. If he or she is a minor, the monies can be held in trust. A trustee is authorized to use the money for the grandchild's health, education, maintenance or support, or to assist the grandchild in purchasing a home or starting a business. The trustee may be the grandchild's parents. A variation on this strategy is to establish one trust with funds to be divided equally among all grandchildren.
- *529 plans*. These plans offer an excellent way to save for college education expenses. A grandparent may establish a 529 plan for the benefit of a grandchild or contribute to one already established.
- *Coverdell Education Savings Account (ESA)*. A grandparent can establish or contribute to an ESA.
- *2503-C trust*. A 2503-C trust can be established by a grandparent for the benefit of a grandchild under age 21.



Begley & Bookbinder, P.C. is an Elder & Disability Law Firm with offices in Moorestown, Stone Harbor and Lawrenceville, New Jersey and can be contacted at 800-533-7227. The firm services southern and central New Jersey and eastern Pennsylvania.

The Firm provides services in connection with protecting assets from nursing home costs, Medicaid applications, Estate Planning and Estate Administration, Special Needs Planning and Guardianships. If you have a legal problem in one of these areas of law, contact Begley & Bookbinder at 800-533-7227.

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