

# Money and the Modern Grandparent



A new study on the modern grandparent demonstrates the financial impact that grandparents have on their grandchildren's lives.

Grandparents today are actively involved in their grandchildren's lives. Although most grandparents (79%) do not consider themselves a financial supporter, the breadth of expenses they provide for their grandchildren tells a different story. Nearly all (94%) grandparents provide some sort of financial support, helping to ease the costs of raising kids. That said, some are providing support to their grandchildren at the cost of their own needs.

## Grandparents have impressive spending power

Today's grandparents are an economic force that cannot be ignored. Since 2001, the number of grandparents has grown by 24 percent from 56 million to 70 million.<sup>1</sup> They spend an average of \$2,562 annually on their grandchildren, equaling approximately \$179 billion dollars per year. First time grandparents are in their prime spending years. The youngest grandparent is about 38 years old, with the average age at first grandchild being 50.

## Grandparents provide a breath of expenses for their grandchildren

Grandparents are spending money on their grandchildren in the form of fun gifts, necessities, and a way to secure a leg up in the world. For most grandparents, gift giving is part of the fun of the role: 86% of grandparents say they buy their grandchildren gifts, spending an annual average of \$805 on gifts alone. Grandparents also foot the bill for other expenses such as vacations, entertainment, and investments.

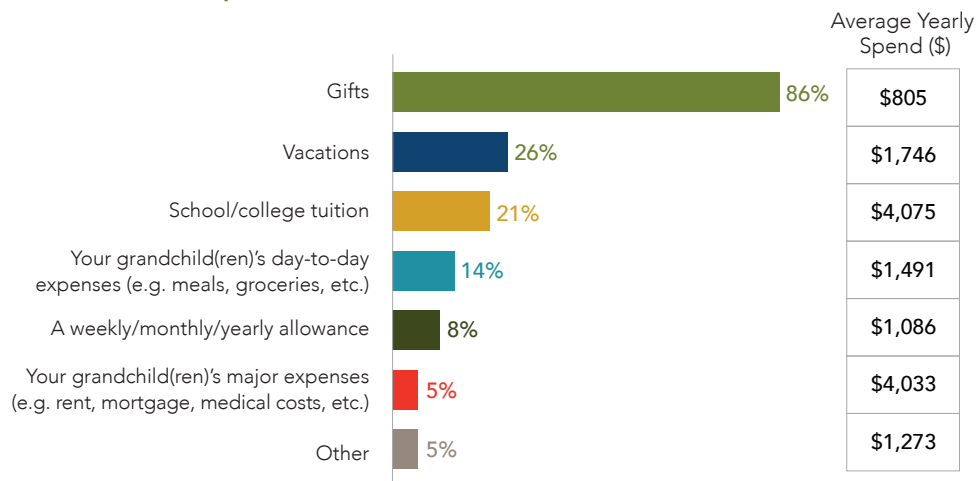
**79%** of grandparents do not consider themselves a financial supporter, yet **94%** of them provide some sort of financial support



**\$179 billion/year** is spent on grandchildren

1. <https://www.nytimes.com/2017/03/20/health/grandparents-population-census.html>

## Percent of Grandparents Who have Purchased in the Past Year



### Grandparenting can create financial strains for some

Grandparents enjoy the positive aspects of grandparenting such as supporting dreams and sharing roots, history and culture, and experiences. But grandparenting can have a downside for some: 13% of grandparents struggle with the financial expectations of being a grandparent. For some grandparents, helping a grandchild means taking on debt or diverting a significant portion of savings or income to family, making it more difficult to save for retirement or even manage their own day-to-day expenses. For example, 7% of grandparents have taken on debt to help their grandchildren pay for college. One in four of those grandparents have cosigned private student loans for their grandchildren and/or incurred credit card debt that has not yet been paid back in full.<sup>2</sup>

### Financial challenges are greatest for those who take on caregiving responsibilities for their grandchildren

Eleven percent (7.7 million) of grandparents have grandchildren living with them. For those who care for their grandchildren, financial burdens are a big challenge. One in five grandparent caregivers (22%) say the financial cost of being a grandparent can be too much, more than double the number of all grandparents (8%). The median income for grandparent caregivers is \$51,448 per year and only \$37,580 where a parent of the grandchild is not present.<sup>3</sup> Many caregivers are in their prime retirement savings years, and rather than continuing to save, they find themselves providing for their grandchildren. Retired caregivers living on a fixed income may not have the finances to take on the extra expenses of raising their grandchild(ren).<sup>4</sup>

### Opportunities

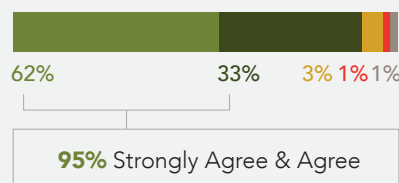
Whether they acknowledge it or not, grandparents are contributing significantly to the financial needs of their grandchildren. Now grandparents are living longer and starting to have great-grandchildren. By 2030, more than 70% of all U.S. children 8 years old will have a living great-grandparent.<sup>5</sup> It will become increasingly critical to help (great) grandparents strategize how they can give to their (great) grandchildren while maintaining a safety net for themselves.



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Promoting and providing access to education and all the opportunities that come with it are important legacy markers for grandparents. For many grandparents, access to education is so important they are making financial contributions. One in five (21%) say they spend money on their grandchildren's school or college tuition with the average amount being \$4,075 annually. Regardless of their educational background, grandparents are comfortable discussing school, college, and career ambitions and dreams with their grandkids. Nearly all (95%) say it is important for their grandchildren to get a higher education.

### Importance of grandchild(ren) getting a higher education



2. Unpublished 2018 AARP Survey of College Debt Taken on Behalf of Others  
3. U.S. Census 2015 American Community Survey  
4. 2015 The State of Grandfamilies in America, Generations United  
5. Xu, Jiaquan et al. Mortality in the United States, 2015. NCHS Data Brief No. 267. Washington, DC: Centers for Disease Control and Prevention, December 2016. <https://www.cdc.gov/nchs/products/databriefs/db267.htm>