Grandparenting Amid Wealth
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Many people who made gifts in 2012 are now asking, "What do I tell my children?!" But what if you’re a grandparent who made gifts, especially in trust, to benefit your grandchildren? Giving well as a grandparent involves complexities all its own.

For example, as we discuss in our new book, The Cycle of the Gift: Family Wealth & Wisdom, we once worked with a grandfather (whom we’ll call Frank) who had three adult children and almost a dozen grandchildren. Frank had inherited significant wealth from his parents, who were entrepreneurs, in the form of several family trusts. He was considering how to restructure those trusts as part of his estate planning. He had come up with a plan to “skip” his children’s generation and send millions of dollars to his grandchildren. By doing so, he would save a lot in taxes.

The technical aspects of his plan were sound. So we asked how Frank’s plans fit with his values. Above all, he valued independence. "How," we asked, “does this plan fit with independence?” He thought for a moment, and then realized that he was making a transfer that would make a huge impact on his grandchildren’s lives, without even once discussing it with his children, his grandchildren’s parents.

Frank’s example highlights some important lessons for grandparents who want to give wisely:

1. **Be clear about your own values.** Then ask whether or not your actions are consistent with your values.

2. **Communication with your children is crucial.** How would you feel if not only the money but also the chance to determine its best use “skipped” you? Your children will likely have more of an impact on your grandchildren’s use of that money—for good or for ill—than you will. We encourage you as much as you can to make them your partners in helping to increase the chances that it has a positive impact.

3. **Learn from your children.** They probably know your grandchildren best. Engage them in a conversation about what would truly benefit each grandchild. In Frank’s case, these conversations led him to make some of his gifts outright and others in trust. Because he engaged his children in these discussions, everyone was clear about why he made his different choices.

Engaging adult children in conversations about their children’s good does not mean you cede to them the right to make your decisions for you. “To discuss is not to delegate,” we often tell parents.

We also recognize that for some grandparents the quality of the relationship with their adult children may make it hard to communicate effectively and take these steps. In these cases, the task now may not be wealth-planning but rather relationship-building. As hard as that may be, a shared focus on the grandchildren’s good can create a bridge between grandparents and their adult children.
One last practical point: make the best use of stories. Grandparents are natural story-tellers. Those stories forge bonds among generations and make the family’s values concrete. They are all the more important if they give descendants a sense of the hard work that created the family’s wealth. Long before grandchildren can learn about the dollars and cents of their gifts, they can benefit from hearing stories about the work and care—the failures as well as triumphs—that have made their family what it is.

Grandparents and grandchildren share a special bond of love. Though it may take a few extra steps, giving well to your grandchildren is also a gift to your adult children, and ultimately to yourself.

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