Should You Be 'Selfish' in Retirement?

As a parent, you naturally want to help your children — but is it always a good idea to provide them with support when they're adults? You may want to proceed carefully in this area — to protect everyone's financial interests.

This topic is on the minds of many people: 63% of retirees and 69% of pre-retirees have either limited their financial support to adult children or other family members, or would limit this support, to preserve their own financial stability and avoid becoming a burden, according to a recent survey by Age Wave and Edward Jones.

So, as this finding indicates, it isn't that pre-retirees and retirees are being "selfish" when they're cautious about providing financial assistance — their goal is to maintain their financial independence, so they never have to depend on their family members for help. And anyone can agree that this is a worthy objective.

In any case, the amount of support you can reasonably offer will depend on several factors, including your monthly income, your expenses, your savings and your projected future expenditures. By taking these figures into account, you should be able to develop a good estimate of what you can — and can't — do for your adult children.

But if you do decide that you can afford to provide some financial resources, at least on occasion, you may want to be strategic about it. In other words, how can you do the most good?

You have various options. For one thing, if your children have earned income, they can contribute to an IRA to help fund their retirement — and while you can't put funds directly into their IRAs, you can give them money for that purpose, up to the annual contribution limit, which, in 2023, is $6,500, or $7,500 for those 50 or older. Also, if you have grandchildren, you could contribute to a 529 education savings plan for them. A 529 plan can provide tax-free earnings and withdrawals for qualified higher education expenses.

However, even if you don't think you can afford to make cash gifts, you might be able to provide some financial benefits in other ways. For example, you could give your children shares of stock you've owned for several years. If these shares had appreciated in value, and you were to sell them yourself, and then give the money to your children, you'd have to pay the capital gains taxes. By gifting the shares directly to your children, you'd avoid these taxes, and while your children would have to pay the taxes when they sold the shares, they might be in a lower tax bracket than you. And if they didn't need the money right away, they could hold the shares and hope that they appreciate further. (Keep in mind that you can make financial gifts, including the value of stocks, of up to $17,000 per person, per year, to as many people as you want without incurring gift taxes.)

Being cautious about providing financial support to your grown children and other family members – and being purposeful when you do provide it — isn't selfish. It's a thoughtful way to protect your own financial security and avoid burdening your family — while still helping them out when you can.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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