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QUESTION: My wife and I argue about how to use money with our three young children. What do you think?

Podnos: In the process of financial planning for parents with adult children, the issue of leaving a legacy comes up frequently. Many parents wish to leave money to their children when both spouses are dead, but there are many considerations in making these decisions.

Trying to plan a residual legacy after a lifetime of retirement distributions is difficult. There are so many variables and unknowns over a typical multi-decade retirement, which confound any certainty in planning. Even if this can be overcome, we are faced with the uncertainty of just what the purchasing power of the eventual legacy will buy. For example, I regularly find financial planning clients with life insurance policies that pay perhaps $25,000 as a death benefit. These policies were usually purchased in the 1960s or 1970s when that was a decent amount of money. Even planning to leave your children a million dollars today might only buy a car by the time you and your spouse are gone.

Part of the planning discussion then usually turns toward helping the children out in the present, rather than leaving them an unknown value of money when they are perhaps in their seventh or eighth decade of life. There are two suggestions I'd have in this regard.

First, I once heard columnist Dennis Prager say that he always judged whether actions he took with his children led them toward or away from being independent. I'd say the same with money. If you choose to give adult children money that inhibits them developing their own financial independence, you are doing both you and your children a disservice. However, if helping them out financially now allows them to pursue a career with promise, then go for it.

Second, consider helping out the children with early retirement savings. Assuming you trust them to leave the money invested, funding a Roth or Traditional IRA for working children (as allowed by income limits and retirement plan participation rules) is a wonderful gift. You are giving them money that will compound both tax deferred (or tax free) and asset protected for multiple decades.

If they are not eligible for either IRA but participate in a retirement plan, you might inquire if you could help boost their savings there toward the maximum allowed.

Yet another way to help your grown children is to help fund the education of your grandchildren. College savings 529 plans are an excellent vehicle for grandparents to help in this regard.

Best of luck to you and your kids!

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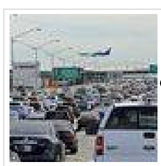
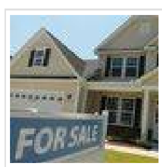
- 
- 

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