



## SPOTLIGHT

# African-American Grandparents



## Overview

Whether called “Grandma” and “Granddad,” or “Grandma” and “Dada,” or “Pau Pau” and “Yeh Yeh,” grandparents embody a critical cultural and financial link that unifies families to a shared heritage and a common view of the future. In the nationwide survey, *From Generation to Generation: Grandparents Imparting Lessons, Legacy, and Love*, the MetLife Mature Market Institute (MMI) uncovered both distinctive cultural hallmarks as well as underlying universal values that grandparents seek to share with their adult children, as well as their grandchildren, in the hope that such sharing will secure a positive future for many generations to come.

## African-American Grandparents

African-American grandparents typically contribute time, attention, and caring so generously to their families that they often are a key connecting relationship within the families of their adult children. This role of grandparents is often considered one of the greatest assets within the African-American community. Most African-American grandparents are comfortable with providing advice and counsel that can be critical to the financial, cultural, and family values that serve as a legacy from generation to generation.

### Survey Findings

- ▶ Just over one-third (36%) of the African-American grandparents provide direct caregiving to their grandchildren, most often on a daily basis. An additional 16% provide care several times a week. Most (62%) are providing care for one to two grandchildren.

There are a number of important topic areas that grandparents will want to think about for themselves and then use as a starting point for further conversations with their adult children and grandchildren. In doing this, grandparents can energize their roles of leading the next generations into the future, assure that their family members are given the support that they need to thrive, and provide the legacy that they intend.

### Survey Findings

- ▶ The most frequently identified cultural values African-American grandparents seek to instill in their children and grandchildren are religion and cultural heritage.
- ▶ The value of education, good behavior, and honesty are the most important personal values that African-American grandparents strive to pass down.

## Topics for Discussion

### Family Relationships: Money Isn’t Everything

The values that grandparents pass along are priceless. Grandchildren who spend time with their grandparents will cherish the memories, and grandchildren can become resources for their grandparents as well.

#### ACTION STEP:

*You have lived long enough to have seen a lot of progress, have learned from mistakes, and fought for*

*equality. Encourage your grandkids to benefit from your wisdom by sharing what you have learned with them.*

## Managing Family Financial Assistance

Sometimes grandparents provide financial assistance to adult children and their grandchildren that goes beyond generosity to financial sacrifice. Most grandparents have been providing financial assistance to their families even during the tough economic times of the past few years. At the same time this generosity has put increased financial stress on many grandparents' own personal financial resources.

### ACTION STEP:

*When it comes to managing money, you need to think about it like the safety instructions you receive on an airplane: "you should put on your own oxygen mask before helping others." It is important to take stock of your own finances before taking care of your grandchildren. People are living longer, and you will want to consider that you may live 20 to 30 years in retirement. Keeping to a budget and having a steady stream of guaranteed income will be key.*

*Also, be aware that a lump sum of cash, such as money in your savings account, or a rollover from your 401(k), if you have one, can lead to a false sense of security. Consider the impact of inflation and how the value of your savings changes over time.*

*Be prudent about providing financial assistance; think about how much and how often you are giving. When thinking about how much you can give to your grandchildren, you may want to learn about investment options for money that you are not using. These options include CDs, annuities, stocks or bonds, and others, such as a Stretch IRA or a trust. Remember that you will have to plan for emergencies, the cost of medicine, taxes, and maybe a major home repair in the future. You will also want to consider the cost of long-term care and how to pay for it. (See description of these and other products on page 4.)*

## Survey Findings

- ▶ Two-thirds (65%) of African-American grandparents have provided financial assistance or monetary gifts in the past five years to their grandchildren under the age of 25, primarily in the form of cash for general support or education.
- ▶ One-third (32%) indicate the financial assistance they have provided has had a negative impact on their own finances.
- ▶ A similar number (34%) also indicate that they are providing more now than in the past due to the current economy, and 36% used to provide support, but can't anymore due to tight personal finances.

## Survey Findings

- ▶ More than half (56%) prefer to distribute smaller gifts throughout their lifetimes as needed, compared to 31% who would rather leave a lump sum as a legacy at death.
- ▶ African-American grandparents have many financial concerns for their grandchildren, among the top concerns are education costs (82%), health costs (35%), and buying a home (33%).

## Balancing Assistance Against Legacy

Many African-American grandparents prefer giving smaller gifts throughout their lifetimes in comparison to leaving a larger sum as a legacy at death.

### ACTION STEP:

*Your smaller gifts throughout the year may help your family meet immediate, day-to-day needs, but it's important to consider the longer-term impact of leaving a larger sum as a legacy at death. You've worked hard to pass down the value of education. Leaving a large sum through life insurance can help fund larger, longer-term goals, such as education and help create financial security for future generations of your family.*

## Grandparents Can Be an Important Source of Financial Wisdom

African-American grandparents typically feel that their entire immediate family can benefit from their advice, and a large majority of them spread it around generously. The major reasons grandparents don't provide advice is that their grandchildren may be too young to understand the advice and their children aren't interested.

### ACTION STEP:

*As you share your life stories and experiences with your grandchildren, they will become more connected to their heritage. Grandchildren will follow your example. You can encourage them to save a portion of the financial gifts that come their way. Remind them of the "time value of money," and how interest earned on it helps their nest egg grow. Part of sharing your wisdom is sharing your mistakes as well, to make sure that your grandkids don't repeat them. Serving as a model yourself will be part of the solution. Instead of just giving toys, consider improving your own knowledge as well. Learn about investment options that can help you help your grandkids such as mutual funds, 529 plans for college costs, tax-saving uniform gift to minors accounts, or custodial accounts where you retain control and share those lessons with your family.*

### Experience Allows Grandparents to Speak with Confidence

Despite their self-perceived lack of knowledge about finances, the survey results demonstrate that when grandparents have direct experience with financial products and strategies, they are potentially more willing to be direct and vocal with their advice. For example, 69% of African-American grandparents have spoken to their adult children about protecting the future needs and opportunities for their grandchildren through basic financial protection products such as life insurance, which many of them own.

### Survey Findings

- ▶ Sixty-one percent of the grandparents surveyed have life insurance on themselves; 11% have plans to purchase life insurance within the next 12 months.

### ACTION STEP:

*You will want to establish a financial strategy that supports your lifestyle over a potentially longer life span than previous generations experienced. Attend workshops on financial planning and be sure to do an insurance check-up to find out how much life insurance you currently have and how much you need. Often, people neglect to check on policies that*

*were bought decades ago. You will want to be sure that the policy meets your current needs. Consider your expenses such as the needs of a surviving spouse and your children and grandchildren if you want to leave a legacy.*

*You will need to know your needs in retirement, and when considering using an advisor, you should know the advisor's areas of expertise. You will want to know that the advisor is credentialed and make sure that the advisor's expertise matches your needs. Ask friends and family members for recommendations.*

### Survey Findings

- ▶ Almost three-quarters (70%) of the grandparents surveyed are providing financial advice or guidance to their grandchildren. The top reasons for providing financial advice to grandchildren are: making sure they save (67%), guaranteeing against uncertainties (41%), and raising children (22%).
- ▶ The most resounding piece of advice coming from the grandparents is: start saving and investing early (68%), followed by avoiding too much debt (61%). About half (52%) of those providing advice say their grandchildren follow their advice.
- ▶ Some grandparents aren't providing any financial advice to their grandchildren, particularly because their grandchildren are too young, or they prefer that their adult children be the ones to give the advice.
- ▶ Seventy-two percent of the grandparents are providing advice to their adult children, and just under half (47%) of the grandparents report their children are following their advice.
- ▶ Of those not providing financial advice to their adult children, 21% say they don't know enough about finances, and 24% report that their children aren't interested.

## Definitions:

**529 Plan:** A state-administered, tax-advantaged investment vehicle to save for the future higher education expenses of a designated beneficiary.

**Annuity:** An insurance contract under which the company promises to provide an individual with regular payments at a later time in exchange for his or her purchase of the annuity with either a single payment or a series of payments.

**Bank CDs (certificate of deposits):** A type of time deposit, a financial product commonly offered to consumers by banks. They have a fixed term and pay a specified interest rate.

**Bond:** Debt issued by a company or government entity. When you buy a bond, you loan money to the organization that issued it. You get an IOU and a promise that you'll get your money back with interest.

**Custodial Account:** An account that allows an adult under the Uniform Gift to Minors Act (UGMA) and the Uniform Transfer to Minors Act (UTMA), to invest money for a child in a custodial account. Because a portion of the investment income is taxed at the child's lower rate, this can help offset the cost of saving for education.

**Individual Retirement Account (IRA):** A tax-favored retirement savings account for individual workers.

**Life Insurance:** Insurance that guarantees a designated beneficiary(ies) a specific sum of money upon the death of an insured person.

**Long-Term Care Insurance:** Insurance designed to provide benefits for services needed by individuals with a chronic illness or disability who require ongoing assistance with daily activities such as bathing and dressing or supervision due to a cognitive impairment.

**Mutual Fund:** A collection of stocks, bonds, or cash investments, or a combination of them. A mutual fund invests a pool of money from many investors.

**Stock:** Shares of ownership in a corporation which may increase or decrease in value.

**Stretch IRA:** A provision of an IRA that allows the beneficiaries — and potentially their beneficiaries — to receive the value of the IRA in a series of payments throughout their lives.

**Trusts:** A trust is a separate legal entity that holds property or assets of some kind for the benefit of a specific person, group of people, or organization known as the beneficiary (beneficiaries).

## For More Information

To download a copy of *From Generation to Generation: Grandparents Imparting Lessons, Legacy, and Love* please see\* [www.MatureMarketInstitute.com/Research](http://www.MatureMarketInstitute.com/Research) or e-mail your request to: [MatureMarketInstitute@MetLife.com](mailto:MatureMarketInstitute@MetLife.com).

## The MetLife Mature Market Institute®

Established in 1997, the Mature Market Institute (MMI) is MetLife's research organization and a recognized thought leader on the multi-dimensional and multi-generational issues of aging and longevity. MMI's groundbreaking research, gerontology expertise, national partnerships, and educational materials work to expand the knowledge and choices for those in, approaching, or caring for those in the mature market.

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For more information about the MMI, please visit: [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com).

\* After June 15, 2010



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