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First-of-its-Kind Survey Finds:

**GRANDPARENTS DEVOTED TO GRANDCHILDREN, BUT THEIR SUPPORT  
CONSTRAINED BY CONCERNS ABOUT THEIR FINANCIAL FUTURES,  
QUESTIONS ABOUT GRANDKIDS' MONEY VALUES**

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**Two out of Three Grandparents Prefer Grandparenting to Parenting;  
83% of Grandparents Who Give Money to Their Grandchildren Say  
Financial Support of Grandkids Makes Them Happy**

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**Giving Financial Gifts an Opportunity for Grandparents to Impart Smart Financial Habits**

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**Many Grandparents Do Not Take Full Advantage of Investment Options;  
AARP Financial: "It's Not So Much About Giving More as Giving Better"**

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**WASHINGTON, D.C., September 4, 2007** -- Grandparents' affection for their grandkids is limitless, and they derive great joy from giving, but they are concerned their grandchildren do not understand the value of a dollar and believe giving too much money will spoil them.

A first-of-its-kind survey by AARP Financial Inc. found that while a substantial number of grandparents provide vital financial gifts to their grandchildren, for many grandparents, their ability to help is constrained by resources and concerns about running out of money.

"The stereotype of the doting grandparent is by and large true," said Nancy Smith, Vice President, Investment Services at AARP Financial Inc., a taxable subsidiary of AARP. "But that affection does not necessarily translate into financial gifts, as many grandparents are financially constrained and rightfully concerned about their ability to support a long and active retirement. The good news is there are plenty of small things grandparents can do now to make a meaningful contribution to their grandchildren's future while imparting a critical life lesson."

## **The Big Picture**

The median amount spent on gifts, including cash to their grandkids, over the last 12 months by the grandparents surveyed was \$600. The typical grandparent surveyed, with a median income of approximately \$46,000, had four grandchildren, which means he or she spent approximately \$150 per grandchild over the past year. Those with incomes of \$75,000 or above typically spent about \$333 annually per grandchild. Across income levels, grandparents surveyed typically spent 1.3% of their annual income on their grandkids.

The survey found that a significant number of grandparents provide vital financial support to their grandkids. Among the grandparents surveyed:

- 21% have given a “significant” amount to help pay for college;
- 22% have provided money for grandchildren’s basic needs;
- 20% have provided daycare on a regular basis so the parents could work.

And what grandparents give, they give gladly. Two-thirds of the grandparents surveyed said they enjoy being a grandparent more than parenting, and 83% said they give because it makes them happy. Of grandparents who provide financial support to their grandchildren, only 35% said they would be very or somewhat likely to stop or limit support if their grandchildren made a life choice they were not in agreement with and only 24% of givers said they would do so if their grandchild stopped calling or visiting.

## **Grandparents’ Financial Constraints**

The survey found that grandparents financial contributions are frequently limited by concerns about their own financial future and the desire to enjoy themselves now.

Among grandparents providing little or no contributions to their grandchildren (30%), 57% said their grandchildren did not need their financial help. Other constraining factors include lack of resources (cited by 55%), concerns about running out of money as they age (42%), and the need to save or pay for medical expenses (45%).

“Grandparents’ affection for their grandchildren is well established,” Smith said, “but the desire to be financially supportive must be balanced with a concern for securing their future as well as the understandable desire to enjoy a well-earned retirement.”

Grandparents’ giving is also influenced by concerns about spoiling their grandkids. Just under four out of five grandparents surveyed (79%) agree that kids today do not understand the value of a dollar and more than half (57%) say they are afraid that if they give their grandchildren too much they will spoil them. Among grandparents providing financial gifts to

their grandkids, 61% said they have or would likely consider stopping or limiting their support if they believed their grandchildren were not using the money responsibly.

“The understandable temptation is to give a gift your grandchild ‘always wanted’ – from toys to electronics to the latest fashions,” Smith said. “But sometimes it’s good to take some of those dollars and direct them to something they’ll really need – like a college education or the down payment on a first house. Doing so can make a real difference.”

### **Small Amounts Can Yield Big Lessons**

The survey found that giving by grandparents tends to be “event-driven,” focused on birthdays, holidays and special life events – not important long-term goals.

“Many grandparents are well-positioned to offer financial gifts and clearly want to,” Smith said. “There are many things grandparents may do now that don’t cost much – from opening long-term investment accounts in their grandchildren’s names, to naming them as beneficiaries, to gifting mutual fund shares instead of the next hot game console. In many cases, the issue is not giving more; it’s giving better.”

“The power of compounding is considerable,” Smith continued. “What seems like a relatively small gift now may grow substantially over time. One of the greatest gifts you can offer a grandchild is early exposure to smart savings and investment habits.”

And clearly the grandparents see the need for such life lessons. Asked to grade how well their children provided for their grandchildren, nearly half (49% ) of grandparents gave their kids an “A” – but that’s more than twice the number (22%) who gave their children an “A” for teaching their grandchildren about saving and investing.

The survey found that long-term savings and investing vehicles were not in widespread use among grandparents. Only 22% of grandparents have ever opened a saving or investment account on behalf of a grandchild – and grandparents who have done so were most likely to invest in a lower return vehicle like a bank savings account.

Not surprisingly, then, few grandparents are aware of available investment options for children such as a Coverdell education savings account (21%) or an UGMA/UTMA (7%).

”The grandparent/grandchild relationship is special,” Smith continued. “That’s why as more Americans enter their grandparenting years and as price tags on big ticket items like homes and a college education continue to rise, grandparents can play an increasingly important role in helping their grandchildren learn smart financial habits that can last a lifetime.”

## Saying Thank You

Grandparents appreciate acknowledgement of gift giving. In fact, over half (54%) of grandparents who provide financial support or gifts said they would be very or somewhat likely to stop or limit support if they felt their grandchildren did not appreciate it.

Hands-down, an in-person thank you is deemed the most appropriate way for a grandchild to thank them for a gift, cited by 46% of grandparents who currently provide support to grandchildren school-age or older. A phone call was next at 28%. Only 2% thought an e-mail the most appropriate way to say thanks.

The telephone poll of 600 grandparents age 50 and up was conducted between June 29 and July 15, 2007 by the national market research firm of Mathew Greenwald & Associates, Inc. All grandparents surveyed had or shared responsibility for financial decision-making in their household. The margin of error at the 95% confidence level for the 600 grandparents surveyed is +/- 4.0%.

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**Note to Editors:** AARP Financial Inc. has created a special website – [www.aarpfinancial.com/grandparents](http://www.aarpfinancial.com/grandparents) – where visitors can access information about the survey, take an interactive quiz, get guidance on how to talk to their grandkids about money, see the power of compounding, and view some basic investing tips.

### **About AARP Financial Inc.**

Founded in 2005, AARP Financial Inc. is a wholly owned taxable subsidiary of AARP. AARP Financial Inc. is dedicated to helping people age 50 and over prepare for a more secure financial future by offering products and services designed to meet their retirement needs. AARP Financial offers a carefully chosen array of investment products and guidance, including the AARP Funds, a group of five mutual funds designed to meet the needs of investors at any life stage; auto and home insurance through The Hartford; credit cards through Chase; online savings and checking accounts and certificates of deposit through the AARP Financial Savings Center powered by Waterfield Financial Services, Inc.; life insurance and lifetime income annuities through New York Life; and mobile home and motorcycle insurance through Foremost. AARP Financial won the Mutual Fund Education Alliance's 2006 STAR Award for Best Investor Fulfillment/Prospectus Kit and Best Retail Retirement Kit by a small company. Visit us at [www.aarpfinancial.com](http://www.aarpfinancial.com) for more information.

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