



## Grandparents as Parents: Your Financial Future—Managing Your Budget

You have plans to spend the summer in Arkansas, or to travel across the country, or to move into a nice retirement community. Suddenly, however, you find yourself taking on an extraordinary responsibility—raising your grandchild. You have done so because you care for and love that grandchild. Taking this step, though, should not completely deplete your savings or diminish your quality of life or that of your grandchild.

Yes, there will be changes in your family budget, but remember, by assuming the role of parent, you have surely improved your grandchild's life. Remember, there is help out there for you. Check into:

- Temporary Assistance to Needy Families (TANF),
- Medicaid,
- Children's Health Insurance Program (CHIP),
- Supplemental Security Income (SSI),
- Earned Income Tax Credit (EIC),
- Child Tax Credit,
- Free Legal Service, and
- Help with housing and utility bills.

If you are turned down by a government benefit program, you have the right to reapply. You should reapply anytime you have a life change that may cause you to be eligible.

### Your Spending Plan

If your spending plan was for one or two people and you suddenly have grandchildren to care and provide for, you need to rethink your

spending plan. An easy-to-use spending plan form with instructions is available from your county Extension office or on the Internet at [fcs.tamu.edu/money/your\\_money/money\\_pdfs/family\\_spending\\_plan.pdf](http://fcs.tamu.edu/money/your_money/money_pdfs/family_spending_plan.pdf).

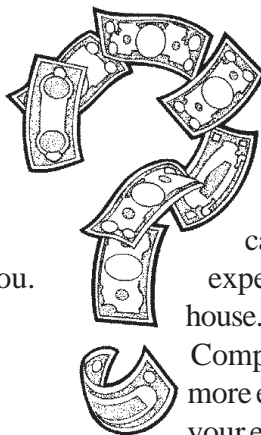
Make two lists. On the first list, write down the amount of money you have to spend each payday. On the second list, write down your expenses. This includes food, housing, utilities, transportation, clothing, education expenses for the grandchildren, medical, allowances for the grandchildren, savings, gifts, and other categories of expenses. Include seasonal expenses, such as insurance for your car and house.

Compare the totals of your two lists. If you have more expenses than income, you need to rethink your expenditures. Look for ways to reduce your spending. You may have to put different priorities on some of your previous spending habits.

Try to live within your income and not go into debt. It takes a long time to repay debts. Most grandparents need to be thinking about their own living expenses in retirement. Be sure you protect this as well.

### Keep Track of Important Papers

It is important for tax purposes to keep receipts and records when your grandchildren come to live with you. You will have to verify with receipts that you contributed more than 50 percent to their support to claim them as dependents on your income tax returns. This includes grocery receipts,



rent or housing payments, utilities, clothes, and other expenses for them.

Different people keep different records. To decide what records you are going to keep, ask yourself if the record is important for tax purposes or other reasons. Does it prove something that is important to you? Does it help you remember something important? Does it protect something you feel is important?

### Where to Keep Records

*Your wallet.* Surprisingly, your wallet is one of the three main places records are kept. It should have your identification, emergency medical information, health insurance cards, and other cards you use frequently. Remember, your wallet can be lost or stolen, so be sure to keep a separate list of what is in it.

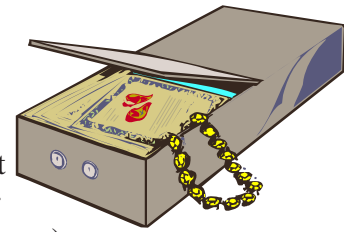
*Home filing system.* The home filing system should contain the bulk of your records. This is where you set up record groups, such as bank records or tax records. Every time you get a new record, you can put it in a place where you can find it.

You can use anything you want for a filing system. People use various methods to store important papers. They use envelopes, file folders, shoe boxes, desk drawers and shelves, or a combination of these.

Choose the categories that are best for you and ones that will help you find the receipts and records when you need them.

*Fire-resistant box or safe deposit box.* This is needed for important records that are hard to replace, such as vital records (birth certificates,

marriage licenses, death certificates), deeds or titles to property, a copy of your household inventory, and important legal papers (such as a court action on placing your grandchildren in your care).



If you don't have a fire-resistant box or a safe deposit box, put your vital records, deeds, titles, legal papers, and household inventory in a place that is safe from fire and water. Put the records in a sealable plastic bag to keep them safe from water. Then put them in an old tool box, a freezer, or the heaviest metal container you have so they will be as safe as possible from fire.

*Keep your records up-to-date.* It is a good idea to do this at least once a year. Throw out old records to make room for new ones. It's like cleaning out a closet. You can clean out your records a little at a time or all at once. Records that have expired or have been replaced are no longer important.

*How long do you keep special records?* Keep tax records for three to seven years. Three years is the amount of time the IRS normally has to audit your tax return. Seven years is the period of time the IRS has to audit your return if they believe you earned a lot (25 percent) more money than you reported.

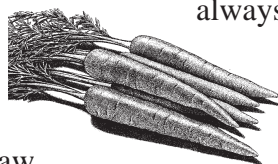
Keep any bank records needed to prove your tax returns for as long as you keep your tax records. Keep canceled checks for purchases for the period of time your purchase is covered by a warranty.

## Tips on Types of Foods to Serve Your Grandchildren

Keep these points in mind when preparing and serving food for your grandchildren.

Children have keener senses of taste and smell than adults. Those younger than six years usually like mild-flavored foods. Mildness is especially important when considering vegetables, fruits, and meats.

Children aged two to six prefer raw vegetables and fruits.



Children often appreciate crisp foods in a meal, if for no other reason than to hear the crunching of crisp carrot sticks or toast. Do not force anything on a child. Changing the food is always easier than changing the child.

Above all, enjoy the eating habits you establish with your grandchild.

Remember, you are instilling good eating habits that can last for a lifetime.

Vital records never expire. Keep them as long as you live. Keep old marriage records, even if you are not married anymore. Also, keep all of your wage statements (W-2 forms). These may help you get Social Security benefits for yourself and food stamps or medical cards for your grandchildren.

It is also important for other family members to know where your accounts and records are kept in case of an emergency. Contact your county Extension office to obtain a copy of the Personal and Family Financial Records Inventory (Publication B-1330), or purchase it at the following website: [agrilifebookstore.org](http://agrilifebookstore.org).

### **Teaching Money Management**

Part of teaching children the basics of money management is establishing an allowance system with them. Make a commitment to maintain your part of the allowance agreement. To help it go more smoothly, here are a few ideas to keep the allowance system for your grandchildren on track and avoid derailment.

Set up a regular payment schedule. Just like your regular paycheck, the allowance is your grandchild's paycheck. Determine if the allowance is to be paid weekly, every two weeks, or monthly. In making this decision, you might consider what is easy for you and what time period is reasonable for the grandchild.

Young children probably do better receiving their allowance on a weekly or every two week basis. A month is too long for small children to think about in managing their allowance.

Teenagers are better able to manage on a monthly basis. If you're paid on a monthly basis, this may be a good way to introduce your teenage grandchildren to managing money for a month.

In addition to deciding how often to pay the allowance, be sure your grandchildren know which day of the week they will receive their allowance. For example, you may want to give it to them on Saturday morning each week or every other Saturday if you decide on payment every two weeks. There are no right or wrong times.

Decide what is best for you, and make it the same time each time you pay the allowance. If you pay once a month, you might make the payment on the same day you receive your paycheck.

If your grandchildren are expected to save part of

their allowances, you might choose to pay them on a day of the week when the grandchildren can visit the savings institution on the same day or the next day that the allowances are paid.

Teenagers are capable of handling a checking account. You might work with your teenage grandchildren and your bank to set up a checking account. When the allowance is paid, the teenager can deposit the allowance in the checking account. This method does double duty. It teaches money management and how to maintain a checking account.

Most banks require a co-signer on checking accounts for teens. However, financial institutions are usually willing to work with you on setting up a checking account that your teenager can use.



Be reliable about paying the allowance to your grandchildren. The allowance is to your grandchildren what your paycheck is to you. Think how you would feel if your employer decided to skip a paycheck or didn't pay you on the date you expected it. Being consistent will train your grandchildren to know when payday is and to avoid pestering you for the allowance at other times. The children will know when the allowance is paid and know to wait for that date.

Success with your allowance system depends on a regular payment time and consistency in following through with your payment agreement.

### **College and Financial Aid**

How do you find out about financial aid to help defray the costs of higher education for your grandchildren?

Each community college, vocational training school, and university has a person responsible for financial aid administration. This person can tell you what financial aid programs are available at his or her institution. You can also obtain information on the total cost of attending an institution. Knowing how much the education will cost can help you make decisions on how much assistance is needed.

Most school guidance counselors have information on financial aid for higher

education. Most public libraries have information on state and private sources of financial aid.

If you need answers right away to questions about federal student aid, call the Federal Student Aid Information Center between 9 a.m. and 8 p.m., Monday through Friday at: 1-800-4-FED-AID (1-800-433-3243 ) or on the Internet at [www.studentaid.ed.gov](http://www.studentaid.ed.gov). This information center will explain federal student aid eligibility requirements, explain the process of determining financial need and awarding aid, send you federal student aid publications, and assist you in completing the free application for federal student aid (FAFSA). FAFSA information is also available on the Internet at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).



established by the U.S. Congress. It calculates the Expected Family Contribution (EFC). This is the amount your grandchild and you will be expected to contribute toward your grandchild's education. If the EFC is below a certain amount, your grandchild may be eligible for a Federal Pell Grant, if he or she meets other eligibility requirements.

To receive the financial aid, he or she must enroll and/or be accepted for enrollment as a regular student working toward a degree or a certificate in an eligible program.

Check the legal status of parenting your grandchildren. The legal status of your grandchildren in your home can have a big impact on their eligibility for financial aid. This is especially true when they are ready to apply for financial aid for higher education. The best financial situation for children is for them to be official wards of the court.

### Types of Financial Aid

There are several federal grant programs available for funding education. A grant is a form of financial aid that you don't have to pay back. Other programs are called loans. A loan is money that you borrow and must repay with interest. A third type of financial aid is a work-study program. Undergraduate college students may receive all three types of financial aid.

### Eligibility for Financial Aid

The first thing that determines eligibility is financial need. Next, your grandchild must have a high school diploma or a general education development (GED) certificate. In addition, he or she must be a U.S. citizen or eligible noncitizen and have a valid Social Security number.

Most financial awards are based on financial need. The information reported on the application for financial aid is used in a formula

When your grandchildren are official wards of the court, your net worth and income does not have to be considered on their applications for financial aid. It gives the grandchildren a much better chance of being eligible for financial aid and scholarships when they apply for them.

**See the Texas AgriLife Extension Service Grandparents Raising Grandkids website for more information:**

<http://grandparentsraisinggrandkids.tamu.edu>

Permission was granted by Dr. Sam Quick, Human Development and Family Relations Specialist, Kentucky Cooperative Extension, to adapt this material for use by the Texas AgriLife Extension Service. Adapted by Dr. Judith L. Warren, Gerontology Specialist; and Dr. Dorothy James, Family Life Specialist (retired), Family Development and Resource Management, Texas AgriLife Extension Service, The Texas A&M System, College Station, Texas.

### *For inspiration . . .*

“Humor is the great thing . . . The minute it crops up, all our hardinesses yield; all our irritations and resentments slip away, and a sunny spirit takes their place.”

*Mark Twain*

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