

# Let's Talk Finances

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## Tips for Seniors Wanting to Help Relatives



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It's natural for older adults to want to provide for their children or other relatives – perhaps even after these kids are no longer kids at all. But while giving your relatives monetary help can provide a lifeline in the short term, there are things you need to be aware of to protect your own financial interests.

- **Be on guard against phone calls from con artists who target seniors.** A common scam involves an imposter pretending to be a relative in trouble. (“My wallet was stolen” or “I’m in jail.”) These callers do enough homework to mention the name of the relative or other people the senior citizen knows. And by “crying,” it is difficult to recognize the voice. The scammer usually pleads for money to be sent immediately by wire transfer, and to not tell any family members for fear of upsetting them.

Many older individuals will immediately jump to the assistance of a relative, without asking questions that would verify the caller’s identity. In this situation, always check with another family member about whether your relative actually is in trouble and needs money, and only wire money to people you know. Don’t wire money to strangers who claim they are helping your family.

- **Understand the potential pitfalls of co-signing a loan for a relative.** It’s tempting to help a loved one borrow money for that first car, credit card or student loan, but by doing so you will be liable for the full amount of the debt, plus interest, if he or she doesn’t pay what’s due.

Even though co-signing is a well-intended gesture, a defaulted loan could be difficult to repay — especially on a fixed income — and it can be costly and stressful in terms of the possibility of damaging your credit history and dealing with a debt collector. Remember, when you co-sign a loan or otherwise sign up as a “guarantor,” you are agreeing to become just as liable to pay the loan as the other borrower.

- **Talk with your younger relatives about how to manage money and use banking services responsibly.** Research indicates that parents or other family members regularly talking with a child about basic financial concepts — starting early and into adulthood — is an effective and lasting way to help develop sound money-management skills. Teaching self-control, the ability to delay gratification, and basic math skills early on can lay a foundation for years later, when you are teaching the youngster concepts such as the benefits of saving money for a sizable purchase, perhaps a car or bicycle, and how to wisely manage credit.
- **Explore ways to save money for a child.** If you want to help pay for a younger relative’s education expenses, such as tuition for college, you may want to open a tax-advantaged 529 Account or Coverdell Education Savings Account. As long as all funds are used for qualified educational purposes, the money earned will not be taxed. Another aspect of 529 accounts is that you determine how the funds are spent.