NEXT PLAY WEALTH

Pre-Retirement: Helping Adult Children Without Jeopardizing Your Retirement (BRIEF)

Helping the People You Love Without Sacrificing the Retirement You've Earned

Few moments in life are more rewarding than watching your children become independent adults. Yet even after they're grown, many parents continue looking for opportunities to help—whether that's contributing toward a first home, paying for graduate school, assisting through a career transition, helping with grandchildren, or providing support during an unexpected hardship.

For many families, the decision feels simple: *If we can help, why wouldn't we?*

The reality is often more complicated.

The same dollars that help your children today may also be the dollars intended to fund thirty years of retirement, cover future healthcare expenses, replace employment income, or provide financial flexibility during periods of market uncertainty.

Generosity and financial security do not have to compete with one another. With thoughtful planning, many families are able to support the next generation while still protecting the retirement they've spent decades building.

This guide is designed to help you evaluate those decisions before writing the check.

Meet Susan & David

Susan and David are both 62 years old and expect to retire within the next several years. Like many couples, they've spent decades saving consistently, contributing to retirement plans, paying off their home, and gradually building financial independence.

Recently, two opportunities arose almost simultaneously.

Their daughter and son-in-law found the perfect first home but were struggling to assemble a competitive down payment. At nearly the same time, their son decided to leave his job and pursue graduate school, hoping the career change would create better long-term opportunities for his young family.

Susan and David wanted to help both children.

The question wasn't whether they loved their family. The question was whether they could provide meaningful financial assistance without unintentionally changing the retirement they had spent thirty years creating.

As they began evaluating their options, they discovered that helping adult children isn't simply about having enough money in an investment account. It requires understanding how today's decisions may affect retirement income, taxes, investment growth, healthcare planning, estate planning, and even future family expectations.

Like many families, Susan and David realized the most generous decision is often the one that protects everyone—including themselves.

1. Protect Your Retirement First

Many parents naturally place their children's needs ahead of their own. While that instinct is understandable, retirement planning works differently than most other financial goals.

Unlike your children, you cannot borrow for retirement.

Every dollar that leaves your retirement plan today is a dollar that may no longer be available to generate income twenty or thirty years from now. That doesn't mean you shouldn't help—it simply means your retirement should remain financially secure after the assistance has been provided.

When evaluating any significant financial gift, begin by asking whether your own retirement plan continues to work if that money is no longer available.

Consider Before You Give

- Will your retirement income still comfortably support your lifestyle?
- Have healthcare costs been adequately incorporated into your long-term plan?
- Are emergency reserves still sufficient?
- Will you remain financially independent if markets experience a significant decline?
- Are you withdrawing from assets intended to generate future retirement income?

Planning Opportunity: *One of the greatest financial gifts parents can provide their children is ensuring they never become financially dependent upon them later in life.*

Protecting your own retirement often protects your children as well.

Common Mistake We See: *Parents frequently evaluate a gift based on today's account balance rather than the lifetime purpose of those assets.*

An investment account worth $1 million may appear capable of supporting a $100,000 gift. However, if that account is expected to provide retirement income over the next thirty years, the long-term impact can be substantially greater than the amount transferred today.

Questions to Ask Yourself

- Would we still make this decision if markets declined 20% next year?
- Does our retirement plan still succeed without these assets?
- Are we helping because we truly can—or because we simply want to?

2. Understand What You're Really Funding

Every request for financial assistance tells a story.

Sometimes the request represents an opportunity—a first home, advanced education, a new business, or a temporary setback that someone is actively working to overcome.

Other times, financial assistance may be addressing a recurring pattern that money alone cannot solve.

Understanding the purpose behind the request is often just as important as determining whether you can afford to help.

The goal isn't to judge your children or grandchildren. It's to ensure your financial support produces the outcome you hope it will.

Questions Worth Exploring

Before deciding how to help, consider what the financial assistance is intended to accomplish.

- Is this creating a long-term opportunity or solving a short-term problem?
- Is the situation temporary or likely to become ongoing?
- Has your child developed a realistic plan to become financially independent?
- Would a smaller amount of assistance accomplish the same objective?
- Are there non-financial ways you could provide support?

Sometimes the greatest value parents provide isn't simply money—it's helping adult children think through important financial decisions before taking the next step.

Planning Opportunity: *Financial assistance often has the greatest impact when it serves as a bridge toward independence rather than a substitute for it.*

Supporting someone's ability to move forward can create lasting benefits for both generations.

Common Situations We See

Not every request carries the same long-term implications.

Situation	Often Appropriate When…
Down payment assistance	*Child has stable income, manageable debt, and a sustainable housing budget.*
Graduate or professional education	*Clear career objectives and a reasonable expectation of improved earning potential.*
Temporary unemployment	*The setback is expected to be short-term with a realistic plan for returning to work.*
Medical or unexpected emergency	*The situation is outside the family's control and creates immediate financial pressure.*
Ongoing monthly support	*Worth evaluating carefully to determine whether the assistance is encouraging long-term independence.*

Every family's circumstances are different. The objective isn't to classify one request as "good" and another as "bad." Rather, it's to understand whether the assistance aligns with both your family's goals and your own long-term financial security.

Common Mistake We See: *Parents often focus on* ***whether*** *they should help before considering* ***what outcome they're hoping to create.***

When the objective is clearly defined, it's much easier to determine the appropriate amount, structure, and duration of financial assistance.

Questions to Ask Yourself

- What problem are we actually trying to solve?
- Will this assistance create an opportunity or simply postpone a larger issue?
- If we provide support today, what do we hope will be different one year from now?
- Are our expectations—and our child's expectations—aligned before any money changes hands?

3. Choose the Right Way to Help

Once you've decided that providing financial assistance aligns with your long-term plan, the next question becomes **how** to provide it.

Many families immediately think of writing a check. While that may be appropriate, it's rarely the only option—and it isn't always the one that best supports both your financial goals and your child's long-term success.

The structure of your assistance can influence taxes, family expectations, accountability, and even the likelihood that your support achieves its intended purpose.

Choosing the right approach often matters as much as the amount itself.

Common Ways Families Provide Assistance

Every situation is different, but these approaches are among the most common.

Approach	Works Best When...	Things to Consider
Outright Gift	*The funds are affordable within your retirement plan, and you have no expectation of repayment.*	*Simple and flexible but should fit comfortably within your long-term financial plan.*
Family Loan	*You want to provide assistance while encouraging accountability and preserving expectations.*	*Written terms can help avoid future misunderstandings among family members.*
Direct Payment	*Funds are intended for a specific purpose such as tuition, medical expenses, or a home purchase.*	*May reduce the temptation to redirect funds toward unintended expenses.*
Matching Contribution	*You want your child to share responsibility for achieving the goal.*	*Encourages saving habits and personal investment in the outcome.*
Temporary Support	*A short-term life transition creates a defined financial need.*	*Establish expectations regarding both amount and duration before assistance begins.*
Non-Financial Assistance	*Experience or guidance may be as valuable as financial support.*	*Career advice, childcare, networking, budgeting, or housing flexibility can sometimes create greater long-term value than cash alone.*

Planning Opportunity: Sometimes the best financial assistance isn't the largest gift—it's the one that encourages confidence, responsibility, and long-term independence.

The objective isn't simply transferring wealth. It's helping create lasting financial stability.

Set Expectations Before Money Changes Hands

Even among close families, assumptions can differ.

Parents may view assistance as a one-time opportunity.

Children may view it as the beginning of ongoing financial support.

Neither perspective is necessarily wrong—but differences in expectations often become the source of future conflict.

Before providing significant assistance, consider discussing:

- Whether the funds are a gift or expected to be repaid.
- Whether the assistance is intended to be one-time or ongoing.
- What outcome everyone hopes the assistance will accomplish.
- Whether future requests for financial help should be expected.
- How similar situations may be handled with other children or family members.

These conversations may feel uncomfortable in the moment, but they often strengthen family relationships by reducing uncertainty and preventing misunderstandings.

Common Mistake We See: *Parents often spend more time deciding* ***how much*** *to give than discussing* ***what everyone expects after the gift has been made.***

Clear expectations today can help preserve healthy family relationships for years to come.

Questions to Ask Yourself

- Are we choosing the structure that best fits this situation?
- Have we communicated our expectations clearly?
- Would a different approach accomplish the same objective while preserving more flexibility?
- Are we helping in a way that supports long-term independence?

4. Know the Hidden Costs

The amount of financial assistance you provide is only part of the decision.

Equally important is understanding **where the money comes from** and what that decision may cost over time.

A gift funded from cash savings may have a very different long-term impact than one funded by selling appreciated investments, withdrawing from retirement accounts, borrowing against your home, or liquidating assets intended to produce future retirement income.

Sometimes the hidden costs of *how* you provide assistance exceed the value of the assistance itself.

Thoughtful planning helps ensure that generosity today doesn't unintentionally create financial challenges tomorrow.

Look Beyond the Dollar Amount

Before transferring significant assets, consider how the funds will be sourced.

Ask yourself:

- Which account is the most appropriate source of funds?
- Will selling investments create taxable capital gains?
- Are you interrupting long-term investment growth?
- Could withdrawing from retirement accounts create unnecessary taxes or higher Medicare premiums?
- Will this decision affect your future cash flow or required retirement income?

Often, several funding options are available. Choosing the most tax-efficient and financially appropriate source can make a meaningful difference.

Planning Opportunity: *The cost of providing assistance is rarely limited to the amount transferred.*

Taxes, lost investment growth, and changes to retirement income can quietly increase the true cost over time.

Looking at the *after-tax* and *long-term* impact—not just today's withdrawal—often leads to better decisions.

Be Cautious About Taking on Someone Else's Financial Obligations

Parents frequently want to strengthen a child's loan application or help them qualify for financing.

That may involve:

- Co-signing a mortgage or other loan
- Adding your name to property ownership
- Guaranteeing private debt
- Borrowing against your own home to provide assistance
- Using retirement assets as collateral

These decisions may appear helpful in the short term, but they can create ongoing financial and legal responsibilities that continue long after the original transaction.

Before accepting those obligations, understand exactly what risks you're assuming—and whether there is a simpler alternative.

Common Mistake We See: *Families often focus on* ***whether they can afford the gift today*** *while overlooking how the funding decision may affect taxes, investment growth, retirement income, or future flexibility.*

The goal isn't simply to make the gift.

It's to make the gift **in the smartest possible way.**

Questions to Ask Yourself

- Where should these funds come from?
- What taxes or other costs might this create?
- Is there a more efficient way to accomplish the same objective?
- Will this decision reduce our financial flexibility later?
- Have we evaluated both today's cost and tomorrow's consequences?

Up to this point, we've focused on the financial side of helping adult children.

But many of the most lasting consequences aren't found on an account statement.

They're found around the dinner table.

Even when everyone has the best intentions, unclear expectations, unequal assistance, or poor communication can create tension that lasts far longer than the financial transaction itself.

Protecting family relationships deserves just as much planning as protecting retirement assets.

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5. Protect Family Relationships

The financial aspects of helping adult children are often the easiest part of the decision.

The emotional aspects are frequently the most difficult.

Money has a way of amplifying expectations, assumptions, and family dynamics that may have existed for years. Even when assistance is given with the best intentions, misunderstandings can arise if everyone views the arrangement differently.

A thoughtful conversation before financial assistance is provided can often prevent years of unintended tension afterward.

Remember That Fair Doesn't Always Mean Equal

One child may need help purchasing a first home.

Another may have paid for college independently.

A third may be caring for young children or navigating unexpected medical challenges.

Every family—and every child—is different.

Providing identical financial assistance to each child isn't always the fairest approach. Likewise, providing different amounts without communicating your reasoning can sometimes create confusion or resentment later.

The goal isn't to make every financial decision identical.

The goal is to make every decision intentional.

Planning Opportunity: *Open conversations today often preserve stronger family relationships tomorrow.*

Explaining *why* a decision is being made is frequently just as important as explaining *what* the decision is.

When appropriate, consider discussing significant gifts or assistance openly rather than allowing assumptions to fill the gaps.

Helping Without Creating Dependence

Financial assistance should ideally increase someone's ability to become financially independent.

If support continues indefinitely without improving the underlying situation, it may unintentionally create reliance rather than opportunity.

That doesn't mean every situation has a quick solution. Life brings unexpected hardships, and some circumstances genuinely require longer-term support.

The key is periodically asking whether the assistance continues to accomplish its original purpose.

Consider the Bigger Family Picture

Before making a substantial gift, ask yourself:

- How might this decision affect relationships among siblings?
- Would we feel comfortable explaining this decision to our entire family?
- Have we discussed our intentions with our spouse or partner?
- If our circumstances changed unexpectedly, could we continue providing the same level of support?

Thinking through these questions ahead of time often makes future conversations much easier.

Common Mistake We See: *Many families spend considerable time discussing* ***how much*** *financial assistance to provide but very little time discussing* ***expectations after the assistance has been received.***

Unspoken assumptions have a way of becoming disappointments.

Clear communication is almost always less uncomfortable than repairing misunderstandings later.

Questions to Ask Yourself

- Have we clearly communicated our expectations?
- Does this assistance encourage greater financial independence?
- Are we making decisions consistently with our family values?
- Would we still feel comfortable with this decision five years from now?

6. Sometimes “Not Yet” Is the Best Answer

Parents often assume every financial request requires an immediate decision.

In reality, one of the most valuable planning tools is simply giving yourself time.

A thoughtful pause allows you to evaluate the financial impact, discuss options together, consider tax implications, and determine whether there is a better way to accomplish the same objective.

Saying **“not yet”** isn’t the same as saying **“no.”**

Sometimes it’s the decision that protects both your family and your retirement.

Consider Alternatives Before Making a Large Gift

When emotions are involved, it’s easy to assume there’s only one solution.

Often, there are several.

Instead of providing the entire amount immediately, consider whether one of these approaches better aligns with your long-term plan:

- Contribute a smaller amount today and revisit the decision later.
- Match your child’s savings over time rather than funding the entire need.
- Structure assistance in stages as milestones are achieved.
- Provide a temporary family loan instead of a permanent gift.
- Offer practical support—housing, childcare, budgeting, career guidance, or introductions to professional resources—instead of cash.

Financial planning is rarely about choosing between helping and not helping.

More often, it's about choosing **the right way** to help.

Planning Opportunity: *The best financial decisions are rarely made under pressure.*

Creating space to evaluate options often leads to solutions that accomplish the same objective while preserving greater flexibility for everyone involved.

A decision delayed by a few weeks may produce benefits that last for decades.

Remember Your Priorities

Throughout this guide, one theme has remained consistent:

Helping your children and protecting your retirement are not opposing goals.

When approached thoughtfully, they can support one another.

Your retirement savings represent decades of work, discipline, and careful planning. Preserving that foundation allows you to remain financially independent, maintain flexibility, and continue supporting your family from a position of strength.

Sometimes the most generous decision isn't the largest financial gift.

It's making sure you're able to continue being present, secure, and financially independent for the people you love.

Common Mistake We See: *Families often feel pressure to solve today's problem immediately without evaluating whether a different approach could create a better long-term outcome.*

Good planning creates choices.

The more choices you have, the more likely you are to make a decision you'll continue to feel good about years from now.

Questions to Ask Yourself

- Have we explored every reasonable alternative?
- Would waiting six months change our decision?
- Is there a way to accomplish the same objective while preserving more flexibility?
- Will we feel confident looking back on this decision ten years from now?

Family Readiness Scorecard

Before providing significant financial assistance, consider whether the following statements are true.

Give yourself **one point** for each statement.

☐ Our retirement plan remains financially secure after providing this assistance.

☐ We understand exactly what the financial assistance is intended to accomplish.

☐ We have discussed our expectations openly with our family.

☐ We understand any potential tax implications of this decision.

☐ We have chosen the most appropriate structure for providing assistance.

☐ Our emergency reserves and long-term financial flexibility remain intact.

☐ The assistance encourages greater financial independence rather than ongoing dependence.

☐ We have considered how this decision may affect other family members.

☐ Any significant financial arrangements have been appropriately documented.

☐ We would still feel comfortable making this decision if markets declined or our financial circumstances changed unexpectedly.

Your Results

8–10 Points
You appear to have established a strong planning foundation. While every family's circumstances are unique, you've likely considered many of the financial and personal issues that contribute to thoughtful decision-making.

5–7 Points
You may benefit from additional planning before moving forward. A conversation about funding sources, taxes, retirement projections, or family expectations could help strengthen your decision.

Below 5 Points
Consider slowing the process before making a significant financial commitment. Taking additional time to evaluate the long-term implications may help protect both your retirement and your family relationships.

A Conversation Before Retirement

Retirement planning is rarely about finding a single “right” answer. It’s about how dozens of important decisions, from Social Security and taxes to investments, healthcare, and estate planning, work together to support the life you want to live.

Whether you’re five years from retirement or preparing to leave work soon, having a coordinated plan can help you move forward with greater clarity and confidence.

If you’d like a second opinion on your retirement strategy or simply want to discuss the opportunities and decisions ahead, we’d be happy to help.

We offer a complimentary introductory consultation to help you evaluate your current plan, identify potential planning opportunities, and determine whether Next Play Wealth is the right partner for your retirement journey.

To schedule a discussion, visit www.nextplaywealth.com/contact or **(866) 251-4875**.

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