



CREATING A LEGACY OF CARE: How Grandparents Can Ease Family Childcare Costs and Create a Thriving Legacy

As a grandparent, you've worked hard to create a life of stability and financial security. In today's economy, many young families are facing unprecedented financial pressures, with childcare costs often exceeding mortgage payments. If you're passionate about your grandchildren's education and well-being, there's an opportunity to make a significant impact while creating a lasting family legacy—one that benefits your loved ones today.

At Life By Design Investment Advisory Services (LBDIAS), we understand that the best legacies are those built during your lifetime. Through intentional planning, you can support your family while enjoying the benefits of witnessing your impact. Here's how contributing to childcare costs can ease the burden on your children and help preserve your wealth for future generations.

The Rising Cost of Childcare

Childcare expenses have reached new heights, with many families struggling to keep up. As highlighted by Venessa Wong in her article, "Child care costs more than a mortgage payment or rent almost everywhere in the U.S.," the financial strain on families is immense. However, as a grandparent, you are in a unique position to alleviate some of these burdens.

Establishing a Family Childcare Plan

Creating a plan to help with childcare costs doesn't have to be complicated, and the benefits extend far beyond financial relief. Here's how you can thoughtfully craft a family childcare plan that aligns with your values and financial goals:

1. **Assess Family Needs:** Start by understanding what kind of support your family requires. This may include childcare hours, the type of care (nanny, daycare, etc.), and any specific needs your grandchildren may have.
2. **Set a Budget:** Determine how much you're comfortable contributing without compromising your own financial stability. Budgeting for these contributions ensures that your support is sustainable.
3. **Direct Payments to Providers:** One of the most effective strategies is to make payments directly to childcare providers or educational institutions. According to IRS regulations, such direct payments are not considered taxable gifts and do not affect your annual gift exclusion limit.

Tax Benefits of Direct Payments

When you make direct payments to care or education providers, you unlock important tax advantages:

- **Avoid Gift Tax Limits:** Direct payments don't count toward your annual gift exclusion limit (which is \$19,000 per individual as of 2025). This allows you to give more without affecting your tax situation.

- **Preserve Your Lifetime Exemption:** These contributions don't reduce your lifetime gift tax exemption, which is set at \$13.99 million per individual in 2025. Over time, this strategy can also help reduce the size of your taxable estate.

A Legacy in Action: Example Scenario

Let's look at how this strategy might play out for a grandparent couple like John and Mary, who want to help with their grandchildren's childcare expenses.

- **Scenario:** John and Mary decide to pay \$3,000 per month directly to their grandchildren's daycare provider, amounting to \$36,000 per year.
- **Tax Implications:** These direct payments do not count toward John and Mary's annual gift tax exclusion, which means they avoid using any of their lifetime gift tax exemption.

This approach not only eases the financial burden on their children but also helps reduce their taxable estate over time, resulting in potential estate tax savings.

Why Contribute Now?

Supporting your grandchildren today provides both immediate and long-lasting benefits. Here's why contributing now makes sense:

- **Immediate Impact:** Your contribution can relieve your children of a significant financial burden, allowing them to focus on other important areas like retirement savings or education funding.
- **Strengthening Family Bonds:** Your support demonstrates a tangible commitment to family values, creating a legacy of care that your grandchildren will remember long after you're gone.
- **Tax Efficiency:** By planning wisely, you not only benefit your family financially but also potentially preserve more of your wealth for future generations through tax savings.

Grandparents who are able to contribute to their grandchildren's childcare costs have the opportunity to create a meaningful legacy that supports both the immediate and long-term well-being of their family. By setting up a family childcare plan and making direct payments to providers, you can offer significant support without affecting your gift tax limits. These contributions not only ease the financial strain on your children but also preserve your wealth, ensuring your legacy lives on.

If you're ready to explore how these strategies can be tailored to your unique situation, Life By Design Investment Advisory Services is here to help. Our team is dedicated to helping you plan effectively, ensuring your family's financial future remains bright.

Life By Design Investment Advisory Services is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, investment strategies, and/or insurance products. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.