

Grandparent Gifting

Make your presence felt every day of your grandchildren's lives by securing their future

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Research¹ shows that children have a higher level of self-confidence when grandparents are more affectionate. The emotional relationship between grandparents and their grandchildren can have a significantly positive impact on a child's academic, psychological, and social development.

As a grandparent you share a unique relationship with your grandchildren. You are typically viewed as the solid and dedicated caregivers in the family unit. You give not only love and affection but also instill in your grandchildren a sense of responsibility, and moral values, and you teach them to face the world and its realities.

It is you who provides a sense of family continuity and history; it is you who has stories to tell; it is you who is the custodian of your family's cultural heritage; it is you who contribute to your grandchildren's sense of belonging and security and it is you who acts as their role model.

In families where both parents are working, the role of grandparents has become more influential over

the years as more are serving as surrogate parents to their grandchildren.

However, while it's great to play such a significant role in your grandchildren's formative years, you need to recognise a sad fact of life: your time with them is likely to be relatively short.

Keeping in mind your mortality, what can you do as a grandparent to ensure that your legacy lives on even if you are not around to enjoy the future with your grandchildren. How can you make sure your presence is felt in their lives every day?

You should consider gifting your grandchildren a life insurance policy, because a small gift once in a while goes a long way in expressing what words cannot.

A life insurance policy which stays with them for life, gives them access to money to fulfil their life goals and which works like a savings and investment account which means they can invest and withdraw whenever they want.

Education and marriage are some of the most important milestones in your grandchildren's lives which require a significant amount of money. A monetary gift from you in an investment vehicle could go a long way to meeting these milestones.

Importantly, such a gift will also give you immediate tax benefits in India.

Gifts and Tax implications for Indians

As per Sec 56(vi) of the Indian Income Tax Act, the donor of a gift of any amount is not liable to tax.

The specified assets that can be gifted are-

1. Cash
2. Land and buildings,
3. Shares and securities
4. Jewellery and bullion
5. Archaeological collections
6. Drawings, paintings, sculptures or any work of art

While the person receiving the gift will be subject to income tax if the amount of the gift is more than Rs.50, 000 (USD 850). The good news is that gifts received by a lineal descendant are not subject to income tax.

In addition, from an NRI perspective

- When a non-resident Indian parent, grandparent, or relative, transfers cash or property as a gift, it is not taxable in the hands of a resident recipient.
- Gifts of immovable property outside of India are not taxable.
- Gifts to parents from NRE accounts of children are not taxable

However, any income generated from the gift, such as rental income or any gains will be taxed if the recipient is resident Indian (ROR). If, the recipient is a minor, the income generated will be added to the income of resident parents.

Reserve- the perfect gift for your grandchild

With Reserve, you can invest to build up capital for your grandchild and, as life moves on and their priorities change, they have the flexibility to adapt the plan to support their new aspirations. Your grandchildren or their parents can: Arrange for regular withdrawals on a monthly, quarterly, half-yearly or yearly basis, or, take one-off withdrawals whenever they need to.

- Access the capital and cash in the plan at any time (an early encashment charge may apply).
- Make additional investments at any time.
- Actively manage the investment or leave the key decisions to an external fund manager or investment adviser

Reserve provides flexibility and tax efficiency, plus access to the world's investment markets through a diverse range of assets. By holding the investments in one place and keeping the administration to a minimum, we make investing with us as easy as possible.

The best part about making a gift with Reserve is that it is for whole of life, which means your gift can be with your grandchildren for their lifetime

Safeguarding your gift through Trusts

You can safeguard your investment for your grandchildren by placing Reserve in private trust. A private trust is recognised in India under the **Indian Trust Act, 1882**.

This ensures your gift for your grandchildren is used as you intended both during your lifetime and after you die.

You can design the trust in a way that it pays for your grandchild's education, if anything happens to you or design it in a way that pays a set amount at specific milestones in their life, so that they can't access the entire investment immediately .

Source:¹

1. <https://fridaymagazine.ae/life-culture/people-profiles/why-grandparents-matter-more-than-ever-1.1884330>
2. "Grandfathers: Global Perspectives" by Ann Buchanan, Anna Rotkirch,
3. <http://www.ox.ac.uk/research/research-impact/grandparents-contribute-childrens-wellbeing>
4. <http://www.un.org/esa/socdev/family/docs/egm12/PRESENTATION-CHADHA.pdf>,
5. <https://www.khaleejtimes.com/editorials-columns/how-grandparents-are-bringing-families-and-societies-closer>

For more details on Reserve and how it can help you, speak with your financial adviser or visit our website www.fpinternational.ae.

All information contained in this article is correct at the time of publication, December 2018.

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