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Don't Send Your Child Off to College Without These Four Tools

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Preparing your child for college is an exciting but often hectic time. Between the college applications, housing forms, class registrations and meal plans, there is a lot to manage. One crucial aspect that is often overlooked, but should be included on every parent's college checklist, is estate planning.

Why it Matters

Once your child reaches the "age of majority" (which is age 18 for most states), the child is legally considered to be an adult; beyond that age, a parent/guardian is no longer entitled to see their child's financial and medical records. As such, it is crucial to have certain estate planning documents in place, designating a parent/guardian with the authority to act on their child's behalf, should their child no longer be able to do so (such as being incapacitated). The items below are important and should be in place prior to a child leaving for college.

Medical Documents

1. **Health Insurance Portability and Accountability Act (HIPAA) Release Form:** This is a legal document which allows an individual to grant permission for their protected health information to be accessed by authorized individuals. This form does not convey decision-making responsibilities; rather, it provides authorized individuals with access to medical records, health status and treatments.

2. **Health Care Proxy:** This form designates a "proxy" to act on one's behalf for health care matters. If your child designates you with this authority, you will have the ability to view your child's medical records and to make informed medical decisions on his/her behalf. It is important to note this form comes into play in the event your child is incapacitated or incompetent to make their own medical decisions.

Financial Documents

3. **Durable Power of Attorney:** In the worst-case scenario that your child was incapacitated and unable to make decisions for themselves, you (as a parent/guardian) would want to have a durable power of attorney in place. In this case, acting as the "agent," you would be authorized to make financial or legal decisions on your child's behalf. There is also the possibility that your child does not have the time or want to take on the financial responsibilities of adulthood; as such, this could be a potential consideration if you prefer to gradually introduce your young adult to financial responsibilities, such as filing taxes and managing financial affairs.

4. **Simple Will:** While it may seem unthinkable for a young person just beginning their college years, it is also recommended to have a will in place, especially if they have significant assets. Without a will, "intestate succession laws" take effect and decide where your child's assets will go. A will helps avoid any confusion and clearly states how assets should be distributed.

We recognize that these conversations with your child can be challenging; however, it is important to approach such matters with an openness and sensitivity to ensure your child understands the significance of the discussion.

Financial Strategy

Setting up your child to make sound financial decisions early on can put them on a path for future long-term success. Here are a few additional considerations to keep in mind.

- **Find the right banking institution**. This will not always be the school-sponsored bank account. A 2016 Consumer Financial Protection Bureau (CFPB) report found many of these institutions contained large overdraft, ATM and maintenance costs.[1] Do your research and look for student checking accounts that offer low-to-no fees.
- **Make sure to take advantage of the FAFSA (Free Application for Federal Student Aid).** This application can qualify the student for federal grants, work study positions and state scholarship programs.
- **Have your child obtain a credit card but emphasize responsibility**. Building credit early in life is important. It will also teach your child to pay off credit on time and will ideally help them develop good financial habits**.** Having a good established credit history will also be of importance for later in life when your child applies for auto loans, rental agreements and mortgages.
- **If student loans are necessary, consider your options carefully.** There are differences between private and federal student loans. Federal loans often come with advantages that private loans do not, such as loan forgiveness circumstances, income-driven repayment plans and options to defer payments.

[1] Top Financial Tips For New College Students – Forbes Advisor. September 2021

Where to Start

To begin estate planning for your college-aged child, start by consulting with an estate planning attorney who can help draft essential documents such as a will, power of attorney and health care proxy. Additionally, involve a financial planner to evaluate your child's financial situation and establish strategies for managing expenses, including college costs and future financial goals.

Disclosures