



HAS YOUR CHILD TURNED 18? CONSIDER THESE IMPORTANT ITEMS!

The *Financial Principles Guidebook* is a comprehensive collection of our planners' insights to help you along your pursuit of financial independence.

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Is your child, grandchild, or other loved one celebrating an 18th birthday? As you reflect on where the last years have gone, there are several items that need to be considered as your loved one becomes an adult.

We hope that you find this information valuable. Should you have any questions, please do not hesitate to contact our office. If you have a friend, family member, colleague, or client who may benefit from this Guidebook, please do not hesitate to share it with them.

FOCUSED ON YOUR FINANCIAL INDEPENDENCE

YOUR CHILD HAS TURNED 18!

Where did all of those years go? Turning age eighteen is a milestone. For most young adults, it means graduating from high school and transitioning to college--or beginning a career. Eighteen is also the age when, under state law, a person is no longer considered a child, but an adult with legal rights and responsibilities. Because of this new legal status, the parents of an adult child no longer possess the legal authority to make decisions on behalf of their child. However, as most parents know, they continue to be involved in their now adult child's life, including helping with college expenses, providing a home while their child establishes themselves financially and professionally, accompanying their child to the hospital or doctor, and providing ongoing overall guidance with life's big and small decisions. At the end of the day, parents never stop being parents no matter how old their child becomes.

Most parents and adult children take for granted this unique relationship not realizing that once a child turns eighteen, mom and dad no longer have unfettered rights to help their children in certain situations. For example, let's assume that mom and dad are providing financial support for their child's college education and a billing issue or other tuition question comes up. The parents, have a right to call the college's financial office and access records.... Right? Wrong. Without an authorization on file, a parent cannot access the child's financial information (or grades) even though they are making the payments. Likewise, God forbid that call ever comes that your child has had a medical incident or situation and is in the hospital. When you call and speak with a nurse, they may not be able to disclose important medical information to you because your child is now a legal adult and you are not authorized as their agent or proxy. It is important that you consider preparing a health care proxy/declaration and durable power of attorney.



HEALTH CARE PROXIES AND POWERS OF ATTORNEY

A health care proxy/declaration allows for your child to appoint an agent who is allowed to discuss medical information and make decisions on their behalf if they should ever become incapacitated. A durable power of attorney is another important document that, like a health care proxy, appoints a third party to act on your child's behalf in financial matters. The primary purpose of the durable power of attorney is to prevent the court from appointing a conservator to manage

your child's finances should he or she be unable to make their own, conscious decisions. An attorney-in-fact can sign anything from financial aid to federal and state tax returns, even if your child has not been employed or accumulated any assets.

You should also ask the student registrar office if they have a standard form or authorization to put on file so that you can access your child's school records.

HAVE CUSTODIAL ACCOUNTS FOR YOUR CHILDREN?

Perhaps when your children were growing up you opened a custodial account for them at a bank, brokerage, or mutual fund company so that any gifts they received could be saved and invested. Typically, this is done in a Universal Gift (or Transfers) to Minors Act account (UTMA or UGMA). When your child becomes an adult, you lose control over those assets and they need to be transferred into their

own name. Each state has their own laws dictating when those funds need to be transferred (between ages 18 and 21).

THE POWER OF CREDIT

Now that your child has turned 18, there is going to be no shortage of offers coming in the mail to open a credit card. Credit is a powerful tool, if used properly, and your child will need a good credit history and rating not only for potential employer background checks but to eventually purchase a car and/or home. If your child has an apartment at school you should consider putting the utilities and cable in their name to help them start to build credit history. They should also consider opening a credit card account and spend a minimal amount each month on their credit card (as long as they pay off the balance every month) to start to build credit history. [Check out our credit monitoring Guidebook and share this resource with your loved one!](#)



TIME IS YOUR FRIEND—THE POWER OF COMPOUNDING!



Nobody who enters retirement says, “I wish I started later” or “I wish I saved less.” In fact, according to Magnify, procrastination regrets affect 3 out of 4 investors nearing retirement.

Financial literacy and responsibility are one of the greatest long-term gifts you could pass on to your loved ones.

Here are just a few ideas of things you can do to help your children or grandchildren kickstart their journey towards financial independence:

- **Fund a Roth IRA-** If your child has earned income from a summer job, they are eligible to make contributions to a Roth IRA in an amount of the lesser of their earned income, or \$6,000. Funds in a Roth IRA are intended for their retirement and grow in the Roth IRA tax-free if withdrawn after age 59 and one-half!
- **Make contributions to a brokerage account-** Perhaps you want to make contributions to an account for your child but want them to have the flexibility to access those funds before retirement (to fund a future purchase or help them get on their feet after school). You can make contributions to a non-retirement brokerage account for them, and they would have access to those funds at any time.
- **Help them build a Financial Plan-** As your trusted financial guides, we at Financial Principles are available to help your loved ones start their own saving and investing journey. [Check out our young investors Guidebook and share this resource with your loved ones.](#) If your children or grandchildren have any questions, or would like any assistance, as they start their own saving and investing journey, please do not hesitate to have them contact our office.



**HAVE A TOPIC YOU WANT TO
SEE COVERED IN THE
GUIDEBOOK?**

Call or email your advisor with a suggestion for a topic to be covered in The Guidebook. If we have covered it, we will send you that edition. If we haven't, we will cover it!



**HAVE A FRIEND, NEIGHBOR,
COWORKER, OR RELATIVE
WHO COULD BENEFIT FROM
THIS GUIDEBOOK?**

Feel free to forward our Guidebook to anyone you feel would benefit from this information. We would be happy to speak with them and answer any questions that they may have.



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