



The Birthday that Changes Everything

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The expression “What a difference a day makes” means a lot if you have a son or daughter turning age 18. Before that 18th birthday, your cherub is a child, with little legal standing and few legal rights. You, as parent or guardian, are responsible instead. When he or she wakes up on the big day, everything is changed, even if everything looks the same.

When your child turns 18, he or she not only can vote and join the military (men still need to register for the draft), but your child also becomes legally independent from you. This means that your parental rights to legally control his or her actions, assets, and information cease. That’s the difference a day makes!

Hopefully, you have educated your child along the way about the basics of finance and personal responsibility. Even so, your child still will need your help navigating through many work, school, and health care decisions. There are steps you can take to ensure that you are kept informed and have the authority to act when your child needs it most. Below are several critical financial and legal considerations for you and your child to consider and act upon as soon as practical after the big day.

Your Child Needs to. . .

Register for Selective Service

All men must register for selective service at age 18 (see www.sss.gov). Registering is required in order to receive certain federal benefits, such as student loans, and to work for the government.

Agree to Release Educational Records

Due to privacy laws, universities and colleges are prohibited from releasing grades, transcripts, tuition bills, and financial aid documents to parents. Your child must sign a release to give you access to these records, ideally as part of the enrollment process. Make sure you can see all the information as schools often have it on different internal systems that each need to identify you as an authorized third party.

File Income Tax Returns

Prior to age 18, a parent can sign a child’s income tax return. Once 18, the child must sign unless someone has a power of attorney to do so. This is an excellent opportunity to educate your child about taxes and the filing deadlines.

Proceed Cautiously with Debts

Your child can legally borrow money at 18, including getting a credit card, a car loan, or a student loan. He or she can be legally bound by contracts, such as a phone plan or lease. You should use this as a time to discuss with him or her what these obligations mean and how proper budgeting is critical to future financial success.

Consider legal guidance for. . .

Health Care Power of Attorney (or Proxy)

This document allows you to make medical decisions for your child when he or she is physically or mentally incapable of doing so. It should include a HIPAA authorization, as well. HIPAA is the Federal law governing how medical information is handled. Without it, your child's doctor cannot talk with or take direction from you regarding your child's health care, especially while away at college in another state. Make sure you check with the college for any school-specific health care forms. You both should keep paper copies of this document on hand and make digital copies securely accessible on a phone or laptop.

Power of Attorney

If your child has accounts in his or her own name, a power of attorney allows you to manage and access them. This can be as simple as a bank or brokerage account form to sign, or getting online-access as a third party. If you need more comprehensive or customized wording, have your attorney prepare a separate document.

Uniform Gifts/Transfers to Minors Account (UGMA/UTMA)

If your child has an UGMA or UTMA, outright ownership of the account may transfer to him or her at age 18, depending on the state in which the account was set up. The financial institution will need to re-title the account in your child's name. Aside from the issue of unfettered control, the assets can be claimed to pay debts or liabilities (e.g., damages in a car accident). Speak with your attorney about steps you can take if this is a serious concern.

Estate Planning

Once 18, your child can direct to whom his or her personal and financial assets will go upon death. If your child's assets are substantial, speak with an attorney to see if a will is needed or whether your state's intestacy law are sufficient for the situation. Having a will simplifies the estate settlement process. Make sure to keep track of retirement plan and IRA beneficiary designations as well.

Trusts

If your child is a beneficiary of a trust, the trustee may be required by state law or the trust document to start sending him or her regular trust accountings and notifications about the trust's terms or when contributions are made into it. This can be an opportunity to educate your child about your family's financial resources and the many benefits of trusts. If you wish to keep the trust secret, speak with your attorney about your options, such as decanting it or changing the trust's domicile.

Most 18 year-olds believe they know more than their parents. Of course, what they often lack is the perspective and experience as to how best to apply that knowledge. Turning 18 opens many doors for your child, but they still need your help and guidance. Those are the best presents to give them on the day that changes everything.

About Daintree Advisors:

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