

Wealth Planning Insights

It is an exciting time when teens celebrate their 18th birthdays, often with plans to soon begin college. Along with registering for classes and acquiring the necessary amenities to make a college dorm home, these young adults should know that there are a few key legal, financial and other matters that should be attended to before they wave goodbye to their parents.

Key items to consider include:

- 1. Health Care Proxy (HCP):** A HCP allows the named agent to make health care decisions in the event that a person is unable to make their own decisions due to injury or illness. Parents are often surprised when they realize that once their child reaches age 18, they do not have legal standing to gain access to health care information or make decisions for an incapacitated child without this document or court intervention. If possible, the young adult should name both a primary health care agent as well as an alternate.
- 2. Durable Power of Attorney (DPA):** A DPA allows the named attorney-in-fact to act for them in legal and financial matters. This could include bank transactions or signing income tax returns. Although this document may not be as critical as the HCP when an individual turns 18, it is highly recommended that this be in place before a student enjoys a semester abroad. This power should only be given to highly trusted representatives, who can be named to act either independently or together for the individual.
- 3. Will:** For many a will is not a critical document at this stage, as they may not have any real assets and probably do not have minor children for whom to name a guardian. For those that do have an asset base, having a simple will allows them to articulate their wishes as to how their assets should be distributed. If the individual is the beneficiary of a trust containing a power of appointment clause, a will can be used to exercise that power. In the event that an individual does not have a will, he or she should consider executing Transfer on Death paperwork for financial accounts.
- 4. Revocable Trust:** Most 18 year olds do not need a revocable trust, but for certain situations involving significant wealth it can be desirable.
- 5. Bank and Savings Accounts:** If the young adult does not already have a checking or savings account, he or she should open them. Some choose to link these two accounts through an ATM card; others may determine that this creates an unnecessary risk in the event that an ATM card is lost or stolen. Some choose to add a parent as a joint account owner to help with monitoring balances and transfers between accounts while the student is away at school. With a parent as a joint account owner, it may be possible to add the account to the family's relationship with the bank and avoid ATM charges and other fees.
- 6. Order a Credit Report and Freeze Credit:** Although a young adult may not have a credit history, when someone turns 18 it is an ideal time to order a credit report to verify that nothing is inappropriately connected to his or her Social Security number. Minor children are a popular target for identity thieves, and it is best to be aware of and begin to correct any issues that may be present as soon as possible. A free credit report can be ordered annually from each of the three credit reporting agencies by visiting www.annualcreditreport.com. It is also highly recommended that the young adult freeze their credit with all three major credit reporting agencies.



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www.FidTrustCo.com

or contact

Jody R. King, JD, CPA
Vice President & Director of
Wealth Planning
jking@fiduciary-trust.com
617-574-3424

Author



Jody R. King, JD, CPA,
AEP®, RLP®, CDFA®
Vice President & Director
of Wealth Planning



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- 7. Credit Card:** It is never too early to begin to establish a positive credit history. As soon as possible, a young adult should apply for his or her own credit card without a parent as co-signer. The key here is to use the card responsibly and pay it off monthly to avoid costly interest charges. Setting up automatic monthly payments from the student's checking account is recommended in order to make sure that payments are made in a timely manner and positive credit is established. If a student cannot obtain his or her own credit card, it may be desirable for parents to provide a credit card as long as there is agreement between the student and parents as to what the allowed uses of the credit card are, including a discussion of what constitutes an emergency. It is highly recommended that a credit card, and not a debit card, be used for all purchasing activity.
- 8. My Social Security Account:** Upon turning 18 individuals should consider establishing a My Social Security account by visiting www.ssa.gov/myaccount/. This allows them to verify their employment history as well as help to ensure that no one else is able to access and compromise their Social Security number with the Social Security Administration.
- 9. AAA or Other Auto Club Card:** Even if a student is not taking a car to campus, it may be desirable to make sure he or she has a card that will provide emergency roadside assistance in the event he or she is riding in a friend's vehicle that experiences some type of emergency.
- 10. Register to Vote:** Along with everything else, when a young adult turns 18 is a great time to register to vote. The individual should also become aware of absentee voting procedures in the event that an election occurs during the school year. Males are also required to register with the Selective Service System within 30 days of turning 18.

Turning 18 and planning for college is an exciting time in life. Taking time to make sure that these ten items are addressed can help provide peace of mind as a young person transitions to adulthood. ■

Disclosure: The opinions expressed in this article are as of the date issued and subject to change at any time. Nothing contained herein is intended to constitute investment, legal, tax or accounting advice, and clients should discuss any proposed arrangement or transaction with their investment, legal or tax advisers.

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