



It's Never Too Early to Plan

As your children enter young adulthood, they step into the responsibilities of wealth ownership. Whether you are helping them prepare for college or for their first jobs, as a parent you can use these opportunities to discuss some important estate and financial planning issues that develop as your child becomes an adult.

Although some states vary, generally, once a child reaches age 18, he or she has reached the age of majority and is eligible to vote, own property and make financial and healthcare decisions independently.

You and your now-adult offspring should recognize that you no longer have the same legal control over or access to your child's financial and medical information, or even to school records, though you may be paying some or all of the tuition. If you have a child who is nearing age 18 or who has already achieved it, you should consider encouraging him or her to execute at least three documents: a **healthcare proxy**, a **durable power of attorney** and a **HIPAA authorization and release for access to medical records**.

Under the Health Information Portability and Accountability Act (HIPAA), once your child is age 18, you are no longer considered your child's legal representative, and without proper authority, you cannot legally obtain his or her medical records nor can you have control over medical decisions if your child is incapacitated. A healthcare proxy and related HIPAA authorization and release are essential for you to have the authority to manage care for your child in this circumstance.

Similarly, if something were to happen to your child, or even if your child is perfectly fine but wishes you to handle a financial transaction on his or her behalf, you may need to be able to access bank records, sign legal documents or communicate with an attorney, credit card company or bank on his or her behalf. It can be important for your child to designate an agent under a durable power of attorney to help with these financial matters.

You may also wish to discuss whether he or she should execute a simple will. Your child may begin to accumulate assets on his or her own or may start to receive or be entitled to assets set aside for your child when he or she was younger. You or a grandparent, for example, may have established for your child a certain type of savings or brokerage account, often referred to as a UGMA (Uniform Gifts to Minors Act) or a UTMA (Uniform Transfers to Minors Act) account. Assets held in these accounts become assets of the child, typically at some point between the ages of 18 and 21. Your child may also be a beneficiary of a trust that grants him or her some access to or control over property held in the trust at a specific age. If your child does not have a will and something were to happen, any assets considered owned by your child at death would pass under the laws of the state in which the child resides, typically back to you, as parents, if your child is unmarried. Your child may prefer to leave his or her property to a sibling or charity, rather than putting the assets into your estate.

A related point is that once your child becomes age 18, it is important to begin a conversation with him or her about financial resources and responsibilities for wealth. For example, if there is a UTMA account for your child that vests at age 21, you should consider whether it makes sense for the custodian of the account to spend the funds for the child's current school expenses, reducing the amount that may be paid out to the child at age 21, or preserve the funds for later use by your child for post-college living expenses. It will be important to communicate with and educate your child about this decision-making and to set expectations regarding this wealth.

If one of your children is starting a new job, he or she will need to make decisions regarding taxes, benefits, money management, expenses, credit establishment and retirement savings options. Often these decisions can seem daunting, and your child may wish to discuss these issues with you or your wealth advisor. If there are existing trusts that benefit the child, it will be important for your child to understand his or her total resources in order to make the appropriate elections at work.

Among the changes that occur when your son or daughter turns 18 is that he or she now has independence to make his or her own decisions, hopefully based on the values, skills and judgment that you and others have helped shape over the years. It may not be easy to talk about these estate planning issues, but doing so can avoid unnecessary hardships for your family and the need to go to court to resolve issues. Our role as parents should be to encourage and perhaps facilitate consideration of the opportunity to execute these documents, even though your child will be the ultimate decision-maker as to which person he or she appoints to serve in the designated roles. ■

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