

# TOP

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## THINGS TO DO BEFORE SENDING YOUR KID OFF TO **COLLEGE**



It is that time of year again when parents find themselves becoming empty nesters as their kids head off to college. It is a time full of important, and not important, decisions to be made. Picking out the right towels, bedding, computer, books, clothes, and mini-fridge can quickly become overwhelming. However, there is a lot more that you should be considering and doing before you leave them in the rearview mirror.



### **PROTECT YOURSELF**

It should not be shocking that kids out on their own for the first time can make poor life decisions. You've hopefully done enough to prepare them for these situations, but it is also just good practice to limit your potential liability related to your child's actions. Some easy steps you can take towards accomplishing this are transferring the title of your child's car from you to him, getting your child on his own auto insurance, and getting your child an umbrella insurance policy.



### **PROTECT YOUR CHILD**

It is easy to continue to think of your college student as that cute 3-year-old padding down the hall, but she is an adult now, if only by state statute. This means that simply being her parent might not be good enough if you need to make a financial or health decision for her. Having her execute Powers of Attorney for both Property and Healthcare naming you as her agent will ensure that you can step in and help if it becomes necessary.



### **SAVE ON TAXES**

Most people have heard that state sponsored 529 plans can be a good way to save for their child's education. What you may not understand is that even if you didn't save at all, you may still be able to utilize a 529 plan to tax efficiently pay for his schooling. If your state allows a state level deduction for contributing to a 529 plan, it makes sense to use that plan as simply a conduit to make the payment. For example, if you are going to pay \$10,000 towards his freshman year, make sure that you take the extra step of first putting that money into a newly formed 529 plan and then immediately pay that money out to the school. (Note: Make sure that your state's plan does not have a waiting period to maintain tax benefit eligibility.) That small extra step will result in a deduction on your state tax return next April on a payment you were going to make anyway.



### **SAVE ON TUITION**

If your child is going to be heading off to a public school in a different state, it behooves you to know the specific rules related to in-state tuition within that state and school. As competition to attract students increases, several state schools are now offering in-state tuition to all students or to students of neighboring states via reciprocity agreements. However, the more selective schools continue to charge a premium to students who are admitted from out-of-state, a difference that can be significant. Many states, though, allow some sort of mechanism for your child to attain in-state status. This usually involves your child establishing residency within that state.



### **START YOUR CHILD DOWN THE PATH**

Albert Einstein once stated that compound interest is the eighth wonder of the world, and the more time that it is allowed to compound, the more its magic becomes apparent. With this in mind, introducing your child to saving for his future as early as possible will pay huge dividends. One way to do this is through some sort of matching gift arrangement to a Roth IRA for the child. If your son got his first job while away, perhaps to help establish residency, he now has earned income and the ability to contribute to a Roth IRA. Make a deal with him that for every dollar he contributes to a Roth IRA, you will gift him an equal amount back. This gets him used to saving and at the same time establishes an account that will grow tax-free for the remainder of his life.

Back-to-school time can be overwhelming, especially if it is your first child leaving. That is one reason why working with an experienced financial advisor is so important. Advisors have helped countless families who have been at the crossroads where you currently find yourself. Whether it is your first child or your tenth, your trusted advisor can help you navigate the important decisions so you can concentrate on the best square footage for the mini-fridge.

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