

Sending Your Child Off to College: A Financial Checklist

1

Budgeting

Before your child heads off to school, discuss what they will be expected to pay for and what you plan to cover.

- ☐ Have your child create a budget for anticipated expenses such as tuition, housing, books, food, entertainment, etc.
- ☐ Review the budget together.

2

Banking

Establish a checking and savings account for your child. Look for accounts with low or no monthly fees, good overdraft policies, extensive ATM networks, and online banking.

- ☐ Open a checking account.
- ☐ Open a savings account.

3

Building Credit

- ☐ Apply for a credit card and help them develop a credit score. One of the major components of credit history is time using credit, so starting now will allow them to access better interest rates on loans and mortgages in the future.
- ☐ Be sure to discuss living within their means, interest expenses, and the importance of not carrying a balance month-to-month.
- ☐ Set up automatic payments from their bank account.

Options for first-time credit cards:

- See if they qualify for a student credit card through their bank. Student credit cards are designed to help college students build credit and have low credit limits.
- Look into adding your child as an authorized user on your credit card. The primary cardholder is responsible for making the payments, but this can be a good option to start credit history if they cannot qualify for their own card yet.
- Consider a secured credit card – these typically have lower spending limits and require a cash security deposit as collateral.

4

Legal Documents

Most students enter college at an age where they are considered legal adults, limiting the rights of a parent to make decisions on their child's behalf. Consider having an estate planning attorney draft the following documents:

- ☐ HIPAA Authorization: Gives you authorization to ask for and receive information from healthcare providers about your child's health status, progress, and treatment.
- ☐ Health Care Power of Attorney: Designates you as a medical agent, so you can view medical records and make informed medical decisions on your child's behalf if they are incapacitated.
- ☐ Financial Power of Attorney: Names you as a financial agent, so you can manage bank accounts, pay bills, sign tax returns, break or apply for a lease, and conduct similar activities relating to your child's financial affairs.
- ☐ Last Will and Testament: Designates where any assets will go and who will manage your child's estate if they were to pass. This is truly for the worst-case scenario, but if your child is over 18, it may make sense to set up a very simple will.

5

529 Plan

- ☐ If you've been saving for college with a 529 Plan, talk to your advisor about how and when to access the funds.

Keep in mind the following rules of thumb for using a 529 account:

- Request reimbursement from the 529 plan for expenses incurred in the same calendar year
- Qualified expenses include tuition, room and board (subject to limits set by the college), mandatory fees, plus any required material for classes, such as books or computers.
- Keep good records of qualified expenses paid in case you are audited.
- If you have not saved in a 529 plan, work with your advisor to create a plan for paying these expenses from your investment portfolio, cash flow, or loans.
- See this Coldstream article for further information on [how to use a 529](#).

6

Auto Insurance

Do not remove your child from your car insurance too soon, even if they aren't taking a car to college — auto insurance can provide protection when borrowing someone else's car, riding as a passenger in another car, walking as a pedestrian, or riding a bike.

- ☐ Meet with your insurance agent to discuss coverage scenarios.
- ☐ Ask if they offer discounts for a "long-distance student" (often defined as attending school full-time at least 100 miles away without a car).

7

Renter's Insurance

If your child plans to live off-campus, you may want to consider renter's insurance.

- ☐ Meet with your insurance agent to discuss coverage scenarios.
- ☐ Confirm if your property and liability coverage extends to a temporary residence occupied by a family member away at college.
- ☐ Confirm if your coverage would provide protection from liability related to guests invited to the rental property.

8

Tax Filing

- ☐ Determine whether your child needs to file a tax return. Whether they need to file depends on how much income they earn while in school and/or over the summer, and whether you continue to claim them as a dependent. See [IRS Publication 501](#) for more information on rules around who qualifies as a dependent, and when they are required to file a tax return. You can also visit this Coldstream article for further details: <https://www.coldstream.com/insights/does-my-child-need-to-file-a-tax-return/>

Even if your child does not have to file a tax return, they may want to if they had income tax withheld from their pay since they may be eligible for a refund, or they have earned income and want to contribute to an IRA (funding a Roth IRA is a fantastic way to start saving for retirement).