# 2024 · WHAT ISSUES DO I NEED TO CONSIDER AS MY CHILD BECOMES INDEPENDENT?

TIER ONE TAX SERVICES

| GENERAL ISSUES | YES | NO |
|---|---|---|
| **In case of an emergency, do you wish to have access to your child's important records (e.g., health, academic, financial, etc.) after they turn 18?** If so, consider having your child sign a Health Insurance Portability and Accountability Act (HIPAA) and Family Educational Rights and Privacy Act (FERPA) waiver form. Be mindful that your child's health records may also be protected under FERPA if they visit their college health clinic. A durable medical and financial power of attorney for your child may also be considered. | ☐ | ☐ |
| **Is your child attending a college (or moving) out of state?** If so, consider reviewing any in-state vs. out-of-state residence requirements, and determine whether you have the appropriate documentation (e.g., driver's license, insurance policies, important forms, etc.) in place for both your state and your child's state of residence. | ☐ | ☐ |
| **Is your child still able to be on your health insurance (i.e., they are under 26)?** If so, consider whether it is appropriate for your child to stay on your health insurance plan, both from a cost and coverage standpoint. Be mindful of how your own plan costs might change (if at all), and determine whether you want your child to contribute toward their share of the premium. | ☐ | ☐ |
| **Is your health insurance HSA-eligible, and does your child plan to stay on it?** If so, determine whether your child can still be claimed as a dependent. If they cannot, they may be able to open and fund their own HSA up to the family contribution limit ($8,300 for 2024), but entirely separate from your own family contribution limit. | ☐ | ☐ |
| **Do you need to review your budget and expenses once your children leave the house?** If so, consider the extent to which your budget and expenses might change (increase or decrease) depending on the level of continued support you may (or may not) wish to give your children. | ☐ | ☐ |
| **Are you thinking of moving or downsizing your home after your children leave the house?** If so, consider the extent to which downsizing and/or moving could be beneficial to your situation (e.g., elimination or reduction of mortgage, decreased living expenses, better location, etc.). (continue on next column) | ☐ | ☐ |

| GENERAL ISSUES (CONTINUED) | YES | NO |
|---|---|---|
| **Do you need to revisit your financial goals in light of your children leaving the house?** If so, consider the extent to which your goals may have changed (e.g., retirement, travel, supporting family, etc.). Determine whether you are still on track for your goals and if any adjustments to your plan are needed. | ☐ | ☐ |

| TAX ISSUES | YES | NO |
|---|---|---|
| **Are you planning to help your children with a large upcoming expense (e.g., wedding, vehicle, down payment on a house, etc.)?** If so, consider the extent to which doing so will affect your own finances and goals. Remember to report any gifts in excess of the annual gift tax exclusion ($18,000). | ☐ | ☐ |
| **Do you anticipate your children will request additional monetary support from you, even after they are independent?** If so, consider whether making a family loan to your children (as opposed to a gift) could be appropriate for your situation. Family loans can be flexible and mutually beneficial, but be mindful to keep the interest rate in line with the appropriate Applicable Federal Rates (AFR) to avoid any taxable imputed interest penalties (unless total loans are under $10,000). | ☐ | ☐ |
| **Do you (and/or your spouse) own a business?** If so, consider whether hiring your children could be beneficial to your situation. The first $14,600 (maximum standard deduction for dependents in 2024) your child earns is federally tax-free and potentially payroll tax-free (if under 18). You may be able to save on taxes by "shifting income" to your child. And with "earned income," your child may also be able to kick start their Roth IRA savings early. | ☐ | ☐ |
| **Does your child have any taxable investment accounts (e.g., brokerage, UTMA, UGMA, etc.) or interest-bearing accounts?** If so, consider the extent to which you may be subject to kiddie tax. Be mindful of portfolio income outside of your control (e.g., dividend payments, capital gains distributions, turnover, interest, etc.), and determine whether you should reposition assets (or withhold from selling assets) to help mitigate kiddie taxes. (continue on next page) | ☐ | ☐ |

TIER ONE TAX SERVICES

| TAX ISSUES (CONTINUED) | YES | NO |
|---|---|---|
| **Do you need to review whether you should claim your child as a dependent on your tax return?** If so, consider the following:<br>■ Be mindful of the phaseout ranges and non-refundable nature of education tax credits (American Opportunity Tax Credit and Lifetime Learning Credit) with regard to your income level. If your income is too low, it may be appropriate to recognize additional income in order to capture the non-refundable portion of the credit. If your income is too high, it may be appropriate to not claim your child as a dependent and have them claim the credit instead (if applicable).<br>■ If your child is 24 or older, and you are still providing at least 50% of their support (i.e., they are attending graduate school, etc.), you may be able to claim the "other dependents" tax credit. If your child is attending graduate school, claiming them may entitle you to the Lifetime Learning Tax Credit. | ☐ | ☐ |
| **Do you need to review how your taxes might change once your child becomes independent?** If so, consider whether the loss of any credits or deductions (e.g., child tax credit, other dependents tax credit, education credits, etc.) might increase your overall tax liability moving forward, and remember to increase your tax withholdings or estimated payments (if appropriate). | ☐ | ☐ |

| RISK MANAGEMENT ISSUES | YES | NO |
|---|---|---|
| **Will your child move to (or do they already attend) a college away from home?** If so, consider purchasing renters or dorm insurance to ensure your child is appropriately covered while away from home. Be mindful of the extent to which your child is already covered under your homeowners insurance policy. | ☐ | ☐ |
| **Are you concerned that your child is (or will be) fiscally irresponsible?** If so, consider supporting them by paying for expenses rather than giving cash. Be mindful of their access to certain accounts (e.g., UTMA/UGMA, etc.), and consider setting up restrictions (if applicable). (continue on next column) | ☐ | ☐ |

| RISK MANAGEMENT ISSUES (CONTINUED) | YES | NO |
|---|---|---|
| **Does your child have any serious health issues or disabilities?** If so, consider proactive steps you can take to protect your child before they leave the house (e.g., establishing a support system before they go away to college, having the appropriate paperwork in place, etc.). | ☐ | ☐ |
| **Is your child driving and still considered your dependent?** If so, consider whether it would be appropriate to have a separate auto insurance policy for your child as an additional layer of liability protection. Be mindful of any limitations and potential gaps in coverage. | ☐ | ☐ |
| **Are you concerned about your child's actions or behaviors causing future liability issues for you?** If so, consider prioritizing savings (or shifting assets) into accounts that are protected from liability issues (e.g., 401(k), IRA, insurance products, home equity, etc.). | ☐ | ☐ |
| **Will your life insurance needs change once your children become independent?** If so, consider reviewing your policies, and determine whether any changes would benefit your situation (e.g., decrease in death benefit, 1035 exchange, surrender, etc.). | ☐ | ☐ |

| OTHER ISSUES | YES | NO |
|---|---|---|
| **Are you concerned about having extra "unused" funds in a 529 plan?** If so, consider changing the beneficiary to another child (if applicable) or utilizing the 529-to-Roth transfer feature (subject to limitations). | ☐ | ☐ |
| **Are your children old enough (and qualified) to start taking a more important role within your estate documents (e.g., power of attorney, executor, trustee, etc.)?** If so, consider updating your estate documents to more meaningfully include your children (if appropriate) in the decision-making process regarding your estate planning goals. | ☐ | ☐ |
| **Are there any other state-specific planning issues you need to be mindful of?** | ☐ | ☐ |

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