
READY FOR COLLEGE?

FORMS YOU MUST HAVE
KNOWLEDGE YOUR CHILD NEEDS
MAKE THE MOST OF YOUR 529



PlumTree
FINANCIAL PLANNING



SECTION 1

DON'T SEND YOUR
CHILD TO COLLEGE
WITHOUT THESE
DOCUMENTS

IF YOU'RE GETTING READY TO SEND YOUR FIRST CHILD OFF TO COLLEGE...



...you are both in for some new experiences. With a little preparation, you can make this ride a lot smoother – especially where it counts – where your child's health and safety are concerned.

When your child turns 18 (the age of majority in most states, including Pennsylvania), she becomes an adult in the eyes of the law, the doctor's office and the college you help pay for. This means that those professionals are no longer allowed to disclose information to you about medical or financial (or grades) details without your child's permission.

Imagine you get a call from your son's best friend telling you that he just took your son over to the ER (true story!). Your son's friend may tell you as much as he can, but the medical staff there will not speak with you without express permission from your child.

Face it – when your child is one hundred miles away in the school medical center, you want to be able to get some answers. Don't learn about these important forms the hard way – in the middle of a crisis when every moment counts and emotions are high. Take some time now to have some smart conversations and plan out how you and your child can be a team during her years at college.

Here are 4 legal documents you should discuss with your child before school starts.

1 HIPAA AUTHORIZATION

HIPAA forms are the most basic level of permission you'll need to speak with a medical professional who is working with or helping your child. Now that your son is an adult, he needs to give permission to health professionals to share his protected health information with you. Yes, even if you're paying the bills.

This is an easy form – usually one page that does not require notarization. Be aware that each state may have different requirements for its own form, so be sure to complete one prepared for your own state and the state where your child will be going to school.

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And it's not always just who you think of as "health care providers." We ran into this with our health insurance company when I was trying to follow-up on some wayward bills from a doctor's visit my son had. No one at the insurance company would discuss the bills with me until they had his permission – even though he was on my insurance.

2 MEDICAL POWER OF ATTORNEY

A little more potent than a HIPAA form, a medical POA, or a health care proxy, is a legal document that assigns you or someone else the right to make medical decisions for your child if she becomes incapacitated. You will have the right to talk with doctors, approve tests and consult medical records.

Again, each state has different laws governing medical POAs, and therefore, different legal forms and requirements on notarization or witnessing.

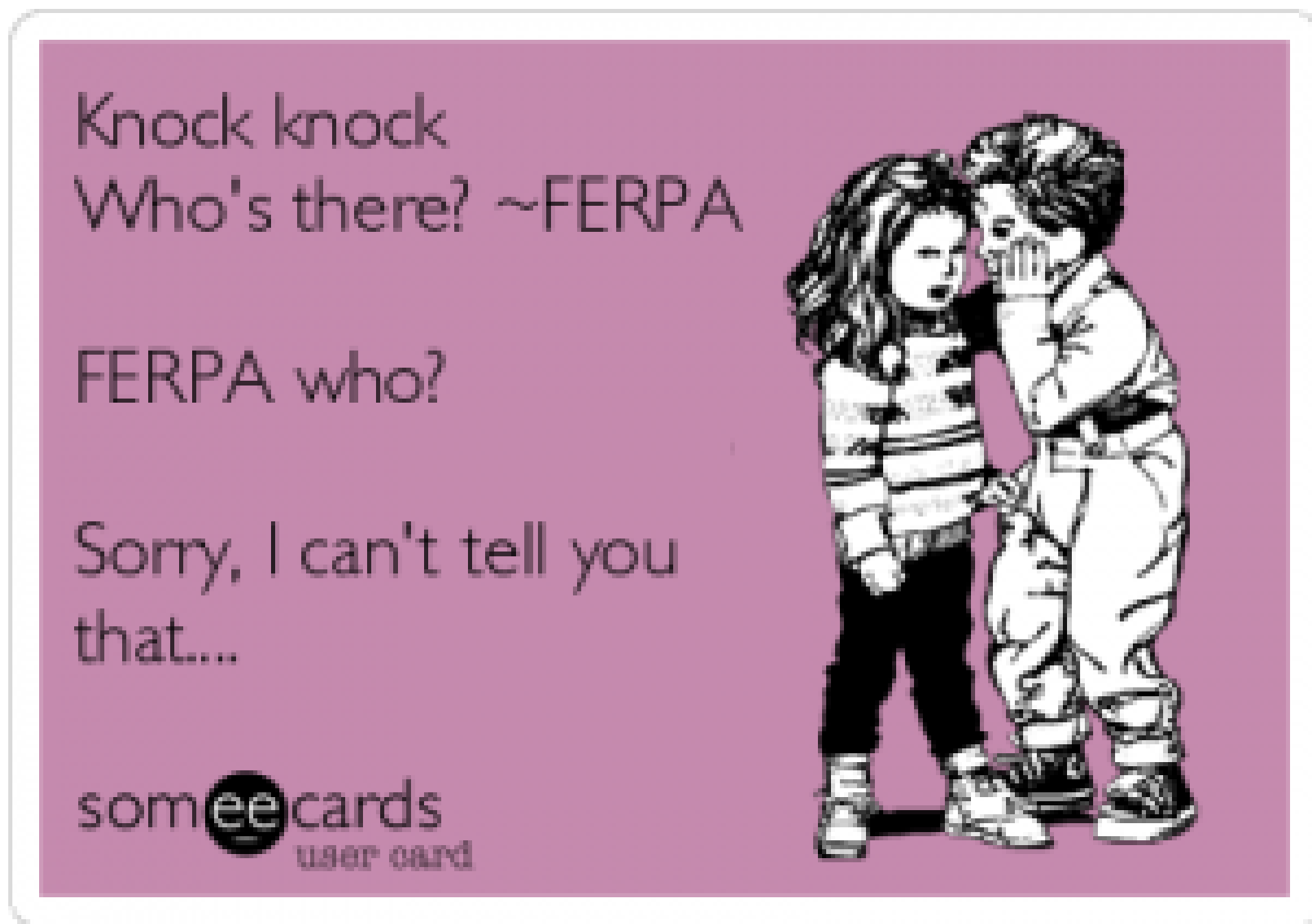
3 DURABLE POWER OF ATTORNEY

A Durable POA is an additional step you might consider, giving you or other trusted individual the ability to take care of most other business on behalf of your child. Be warned, this is pretty serious, allowing you to sign tax returns, access bank accounts, and pay bills. Not only can this be important if your daughter becomes incapacitated, but, it can be very helpful if your child is studying abroad or attending school significantly far away.

Again, Durable POA forms vary by state so be sure to be in compliance with your home state and school state.

You can get legal assistance for these first three forms – and you should consult a professional as some of them have serious implications that you and your child should be aware of. Be forewarned that you may find that some of the forms may be combined or called something slightly different.

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4 FERPA FORM

In order to discuss your daughter's tuition bill or grades with officials at her school, she will need to give you permission through a Family Education Rights and Privacy Act (FERPA) form. These are generally easy to fill out and most schools provide them digitally to students through their internal web portal, your child will just need to find it! The nice part about this one is that your child can easily complete this herself and it can even be done well in advance of that first day of orientation.

DON'T LET THIS HARD WORK GO TO WASTE

Once the forms are completed, be sure that you have them when you need them by scanning them and saving them on your phone and computer.



SECTION 2

4 THINGS TO TEACH YOUR CHILD BEFORE THEY LEAVE FOR COLLEGE

THIS MAY BE YOUR CHILD'S FIRST TIME MANAGING MONEY AND MAKING FINANCIAL DECISIONS



As you send your baby off to college, this may be his first opportunity to manage his own money and make financial decisions. Give him a real financial education by sending him to school with a budget and some solid financial rules. You'll see that this will create a bedrock of money savvy that will serve him his entire life.

A BUDGET

A college budget that accounts for textbooks, housing and other expenses can reduce stress and overspending. Start by working with your child over the summer to make some legitimate estimates of how much books and supplies will cost. Have a serious discussion about what else you will help to finance (eating out, even though they have a meal plan? Transportation? Clothing? Spin classes?), and what you will expect her to pay for out of her own stash.

Then, make it real. Put the amount you agree to into her spending account and see how the first few months of school go. Of course, you'll want to review this together to be sure that your original estimates were reasonable. That's just like real life, isn't it? The goal here is to help your child learn to live within her means and still enjoy her college years.

A BANK

Choosing a bank for your child doesn't need to be difficult – choosing the right one means low fees and ease of access. You'll want to choose a bank that has lots of ATMs on campus, and has no fees for its checking accounts. I found it especially easy to get the kids' accounts at my own bank so that I could move money between our accounts very easily, but, my kids went to school relatively local. You'll want to check out the banks in the area where your child's school is.

Four Things to Teach Your Child Before Leaving For College

DEBIT CARDS

Kids don't use actual cash much anymore, so a debit card is a necessity. But, that doesn't mean it shouldn't come with some strings attached. Your child should know, at all times, exactly how much money is in her checking account and how much she can spend. This is easy these days with phone apps that can tell you your balance at any time. You may even want to turn off that overdraft protection so that she can't make purchases that she doesn't have the cash for (and avoid those high overdraft fees).

CREDIT CARDS

It is generally difficult for someone under the age of 21 to get a credit card, but, you can allow your child to be an authorized user on your account. Does your kid need a credit card? Probably not, but, it can go a long way for peace of mind when you know he is far from home. We found it useful when our son's computer died and he needed to get a new one, pronto. Work with your child now, before you send him to school with your card, regarding exactly what the credit card is used for and when – i.e. what constitutes an emergency. And, it goes without saying, review your credit card charges monthly to be sure you are all on the same page. Most cards will even allow you to have alerts sent to your phone when the card is used.

College will bring a lot of changes for both of you – do some homework now to make this next move as smooth as possible.



SECTION 3

GET THE MOST OUT OF
YOUR 529 SAVINGS

AFTER YEARS OF SAVING MONEY IN A 529 PLAN...



...it will soon be time to put those funds to use and pay your first tuition bill. But before you take a withdrawal from your plan, you'll want to make sure you understand how the process works to help ensure you don't lose out on any potential tax benefits, or worse, end up paying a penalty.

Consider these four questions before you take your first withdrawal to maximize the value of your college savings plan.

1

HOW MUCH SHOULD YOU WITHDRAW

It's generally a good idea to withdraw the maximum amount that will qualify for tax-free treatment.

- First, calculate your total qualified higher education expenses (QHEE).
 - This includes tuition, fees, books, supplies, computers and related equipment, and any special needs equipment.
- Next, subtract any expenses that were used to generate the American Opportunity credit (AOTC) or Lifetime Learning credit.
 - For example, the AOTC allows parents to claim a tax credit for 100% of the first \$2,000 and 25% of the next \$2000 of a dependent child's college tuition and mandatory fees, for a maximum \$2,500 credit per child.
 - Parents who claim the full \$2,500 must subtract the \$4,000 in expenses used to generate the credit from their QHEE.

2

WHEN SHOULD YOU WITHDRAW?

- Withdrawals must be taken in the same calendar year that the qualified expenses are paid.
- If you withdraw money in December, don't wait until January to pay your spring semester tuition.

3

WHO SHOULD YOU PAY?

- Typically, your plan will allow you to choose whether you want to make a payment to the account owner, the beneficiary or the school.
- Most plans offer payments in the form of checks or ACH deposit, but some are also beginning to offer electronic payments as well.

4

WHAT ABOUT SCHOLARSHIPS?

- The 10 percent penalty on non-qualified distributions is waived up to the amount of the tax free scholarship.
- However, the earnings portion of the withdrawal will be subject to income tax.

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