



BACK TO SCHOOL? UPDATES FOR FALL PLANNING

Fall brings the start of a new school year—and the perfect opportunity for updates to student-related financial planning.

As students return to school, a quick review of student-related planning may bring current and future rewards. Let's review some questions that can help clients consider strategies that might benefit their children most.

Does or Will Your Child Have Earned Income From Work in 2022?

Many students earn income from summer or school-year employment. While current funds may be needed for tuition and other school expenses, a “matching” contribution to a Roth IRA can setup a child for future success. To create a “matching” Roth IRA, a parent or grandparent provides a Roth IRA contribution equal to the child's earned income up to the limit of \$6,000 per year. In addition to starting a retirement-savings plan, once the Roth IRA has qualified, funds also may be used toward the purchase of a first house.

Do Grandparents Help with School Expenses?

A grandparent may help with certain school expenses, such as tuition or board. Whether it's primary school, secondary school, or university, if a grandparent pays the school directly, the payment is not considered a gift. This means a grandparent (or aunt or uncle) can pay tuition directly to the school and still have the annual gift tax exclusion (\$16,000 in 2022) available for other costs. This is also true for medical expenses, including orthodontia.

Are Medical and Legal Documents in Order?

In most states, a child age 18 or older is considered a legal adult. Should the child experience a medical emergency, a parent will need proper documentation to act on the child's behalf. Three documents to have on file are:

- **Health Insurance Portability and Accountability Act (HIPPA) Authorization.** This form allows an adult to authorize release of medical information to a person(s) of his/her choosing. The adult also can limit the scope of the information released so that more sensitive information, such as drug use or mental health issues, are not included.
- **Healthcare Proxy or Durable Power of Attorney for Healthcare.** This document authorizes a parent or other named individual (such as an aunt or close family friend) to make medical decisions on behalf of the person should he/she be unable to do so. This includes access to medical records and discussing treatment with providers. Often, this document is combined with a HIPPA Authorization and, potentially, a living will regarding discussing end-of-life care.
- **Durable Power of Attorney (DPOA).** A DPOA allows a parent or other named person to make financial decisions on behalf of a child, such as signing a tax return, accessing bank accounts, and a variety of other financial matters. This facilitates managing an ill or incapacitated child's affairs, such as terminating an apartment lease.

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An additional document some parents might consider is a Family Educational Rights and Privacy Act (FERPA) waiver. This document allows parents to access a student's academic records, including grades, coursework, academic warnings, and disciplinary records. This form is required even if parents are paying for school.

TIP: Recommend that parents, any named individuals, and the child keep the above documents accessible on their cell phones, so they are easily available if needed.

Is the Parents' Retirement Plan on Track?

Fall is also a perfect time to review and ensure the parents' retirement plan is on track. A child's education is important, but so is a consistent retirement-savings plan. A quick review of goals and resources can help parents stay on track while helping children with school.

Back-to-school season is an opportunity to meet the unique needs of clients with children. A review of necessary school-related planning along with a reminder to help clients keep retirement saving on track can mean better outcomes for them and their kids. Reach out to clients and start having these business-building conversations today.

Additional Resources and Links

[Three Documents Every College-Bound Student Might Consider](#)

[Planning for Back-to-School Emergencies](#)

[Back to School and Grandma's Tax-Free Tip](#)

For more information about retirement planning,
please contact our Retirement Strategies Group at
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