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A Financial Checklist for Your Newly Minted High School Graduate

We've got budget, retirement account, credit, information security and insurance advice for your independent adult, college student, gap-year taker or future soldier.



By Ron Lieber

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The summer after high school graduation inevitably includes monthslong encounters with various to-do lists.

Extra-long-sheet purchases and milk crates for future collegians. A résumé for job seekers. Thank-you notes for all.

But let me suggest one more itemized offering: a list of financial tasks. If you want to set your child up properly for college, work, military service and the years beyond, there are several things you ought to do, help them do or teach them before too long.

Got a younger teenager? No time like the present to get started with a lot of this. Is one of your children already in college? You probably haven't done all of these things yet.

This list applies to teenagers who face no major mental or physical health challenges. If your child does, revise at will, and please send me your own list via the email address below so I can publish one next year for young people who function differently.

Let's get started.

[Sign up for the Your Money newsletter and every week you'll receive tips on retirement, paying for college, credit cards and the right way to invest.]

FOR EVERY GRADUATE

BUDGETS

Begin with a conversation about who is paying for what: room, board, phone, transportation, insurance. Pencil it out with a simple spreadsheet or one of the many budgeting apps that did not exist even a decade ago.

Food costs often flummox teenagers moving out for the first time. Takeout is tempting if they haven't cooked much. If they splurge for meat, fresh fruits or vegetables at the grocery store, spoilage may take its toll. A practice month or two at home — where you don't let them cheat by relying on staples like spices and oils already in your pantry — might be useful.

BANKING

First bank account? Teach your teenager to balance a checkbook. Turn off overdraft protection to enforce budgeting and avoid fees, or at least make certain he or she knows how high fees are. Set up low-balance alerts. Install the institution's app.

Are adults providing some funds from time to time? Make sure the transfer mechanism from their accounts is seamless and free of fees. Then, test how long it takes for the money to land.

MOBILE PAYMENTS

Many teenagers are more facile with money-transfer apps like Venmo than adults. But when you can push money to anyone in an instant, mistakes will happen. And it may not be easy to fix them quickly.

Begin by setting up multifactor authentication and a PIN. Believe the warnings Venmo issues about not using the app to pay people you don't know. Use the app's code system — or at least the user profile picture — to be certain you're paying the correct Emily Smith.

INFORMATION HYGIENE

Speaking of mobile payment apps, just how good is your teenager's password? Is it something a rogue piece of thieving software could easily guess? Has your child repeated passwords across sites in a way that might leave them vulnerable? This is a good time to ask.

Identity theft doesn't just happen electronically. Make sure your child's Social Security card isn't in a wallet; it's better to carry the number in memory. Moreover, help your teenager learn when not to share it.

Debbie Schwartz, founder of the Road2College website, heard from her daughter that her sorority was asking after her Social Security number. "She questioned why, and they didn't have a good answer," she said. Her daughter never handed it over.

Doctors often ask for a Social Security number. Have your child ask if the doctor truly needs it, or leave the spot blank on an intake form and see if anyone cares.

DOCTORS, INSURANCE CARDS, MEDS

Has your child ever made a doctor's appointment? Fix that. Outsource form management as well. My teenager was twice as fast as me on the tablets that many doctors use for intake these days anyway, so good riddance to all that paperwork.

Your children can stay on your health insurance plan until the age of 26, thanks to the Affordable Care Act. If you plan on having them pitch in for deductibles, it's probably time to sit down and explain how your family coverage works. At the very least, they need to know what a co-pay is.

According to the scores of parents who responded to my query on Grown and Flown, a website and Facebook group for parents of teenagers and young adults, filling a prescription for the first time is filled with interesting obstacles, especially on refills for regular but essential medicines. So introduce your child to the various insurance cards and account numbers he or she needs, and do a walk-through with your local druggist or whatever mail-order pharmacy your insurance company forces you to use.

THE W-4 TAX FORM

Most employers that issue formal paychecks will require your teenager to fill out the Internal Revenue Service's W-4 form. So review it to explain what it is and what kind of taxes, if any, your teenager might pay.

Do you get confused when you have to fill out your own every so often? There's no shame in that, and the I.R.S. has a calculator that can help. And if it looks like too much money, or too little, is showing up in the first check after the

withholding of taxes that you specified, you can revise the form.

ROTH INDIVIDUAL RETIREMENT ACCOUNT

If compound interest isn't officially the eighth wonder of the world, then it ought to be. The sooner teenagers start saving, the more they could benefit from its magic as it unfolds over a half-century or more.

Show your teenager a chart of the vastly higher returns possible for those who begin earlier, like the one I tweet out from time to time. Then, set your child up in a Roth I.R.A., where money can grow tax-free for decades and isn't subject to taxes once it's withdrawn in retirement.

You can open a Roth I.R.A. only for someone who has already earned money working, but it doesn't matter how young the person is. If there isn't much money, that's fine; getting started early is partly about making savings a habit.

Fidelity, Vanguard and other brokerage firms offer ways to open an account for next to nothing in fees.

AUTHORIZED USER CREDIT CARD

Many young people have spotty credit reports for the first few years of adulthood. Perhaps they're confused by our confounding student loan system and miss a few payments early on, or they miss other bills here and there before someone explains that every late payment matters.

Parents can help set a good baseline by getting what's known as an "authorized user" card in a child's name. Even if you just put it away in a drawer, away from temptation, your own regular payments will accrue to your child's formerly blank credit report.

Card companies handle these accounts in different ways. You'll want to ask whether an authorized user needs to be a certain age, whether there's an annual fee for the extra card and whether the card company will penalize children if parents pay their own bills late.

CREDIT FREEZES

Child identity theft is a problem, and the three big credit bureaus — Equifax, Experian and TransUnion — have grudgingly begun to allow people under 18 to freeze their credit files. When a file is frozen, creditors generally won't open a new account because they can't check the applicant's credit. That should stop thieves who are trying to impersonate your child.

Setting up a freeze is a bit of an ordeal, and I've written a column-length guide to the process and a follow-up on how Equifax was making it needlessly difficult for some people. But it's worth the effort.

A credit freeze isn't supposed to prevent you from adding your child as an authorized user on your credit card. But just to be safe, it's probably best to wait to set one until after you have an authorized user card in hand.

FOR THE COLLEGE BOUND



Robert Neubecker

FAFSA

When applying for financial aid, which includes the ability to gain access to the federal student loan system, families must fill out a Free Application for Federal Student Aid form. It contains lots of financial information, including household income. Students and a parent are both supposed to sign it and attest to its accuracy. If your child was an active participant in filling out the form, great. If not, go over it now.

It's as good a time as any to talk to your teenager about how much money you make. After all, if your child aspires to a life like the one you've provided (or wants to live larger or thinks less will do), he or she needs some context. This

knowledge can influence your child's choice of major, so better to have it now.

Worried about children blabbing? Remind them that most people don't care about your family income and that if they talk about their parents' higher-than-average earnings, people will probably think they're a jerk.

STUDENT-LOAN SPREADSHEET

Students borrowing from the federal government will get different loans at different times over their college years. Keeping a running tab and a list of loan numbers is a good idea so you can be organized when repayment begins.

If your undergraduate is already a few years in, you can look up all of his or her federal loans via the National Student Loan Data System. Got private loans? You'll need to contact your lenders for information.

Once you have the data you need, make a list so you have everything in one place. The internet is filled with simple spreadsheet templates that make this easier.

HEALTH DATA AND PRIVACY

Once children turn 18, they have all the grown-up privacy rights that come from the Health Insurance Portability and Accountability Act, and the power to make their own medical decisions. This can create challenges when a student gets sick or is incapacitated, and parents are sometimes shocked to find that paying tuition doesn't necessarily give them overarching authority or instant access to information.

Parents who want to preserve some authority and access will want to consider filling out two forms, according to Molly E. Philipps, chief counsel of the civil division of the student legal services group at Ohio State University.

First, there's the health care power of attorney, which some people call a medical power of attorney or a health care surrogacy form. This form gives someone else the ability to make medical decisions for someone who is incapacitated, and it may also grant the right to see the patient's medical records. Not every undergraduate will like the idea of granting access to health records, so be prepared for a possibly complicated discussion.

The second form, a Hipaa release, might seem duplicative, given that it also provides access to medical records. But Ms. Philipps said the Hipaa document extended that access even after a person's death, which makes it useful if the quality of care is a source of dispute.

General Hipaa releases exist on the internet, but it's worth asking each medical practitioner or a university health services or counseling office whether it has its own proprietary forms that it wants families to use.

GRADES AND DISCIPLINARY PROCEEDINGS

Even if you're paying every penny of your child's college tuition, you do not have the right to see his or her grades or disciplinary record.

The federal Family Educational Rights Privacy Act sets the rules for who gets to see what when. If you want access to your child's grades, you'll have to have that (perhaps challenging) conversation first and then have your child sign a release, probably through the college registrar's office.

INSURANCE

Ms. Philipps at Ohio State has seen it all, given that hers is one of the largest collections of undergraduates in the United States. And insurance problems come across her desk more than you might think.

When it comes to automobiles, she encourages parents to talk to their insurance companies about liability coverage if a student is going to be living in a different state for a while. Planning on removing your student from the family insurance policy while he or she is on campus? You may want to reconsider: People sometimes drive their friends' cars.

Off-campus landlords sometimes require renters insurance, so you may be shopping for a policy whether you want to or not. Even if you have thorough homeowners insurance that extends to an on-campus child, a separate policy may be a better bet. Your own deductible may be high enough that a stolen iPad isn't worth a claim — especially if it might still cause your premiums to surge.

Health insurance is a particularly thorny topic: Some colleges and universities push their own policies, and campus or local clinics often maintain their own idiosyncratic insurance rules.

My colleague Roni Caryn Rabin wrote an excellent primer on all of this two years ago, walking readers through the insurance questions they should ask: Does the campus health center take my family plan? What are the costs if it doesn't? Is there an in-network doctor near campus? What about the type of specialist my child needs to see regularly?

Once you sort your situation out, you can explain to your child what, if anything, care might cost.

FOR THE ENLISTED



Robert Neubecker

Helping a teenager who is about to enlist is a trickier matter. Your authority is diminished — you're not writing tuition checks, and your child will no longer be living with you. And some young adults may have chosen this path in part because they seek independence at the earliest possible age.

Nevertheless, most teenagers don't know what they don't know about money. (Middle-aged people too, for that matter.) And a multiyear stint in the military is a real job with benefits that would be foolish to ignore. So try to at least get a few things under their noses if you can.

The Army, Navy, Air Force, Marines and Coast Guard all have their own websites that outline salary and benefits. The Marine Corps cleverly directs interested parties to a recruiter who can answer questions. Here are two you might suggest asking of a more experienced enlisted person: What benefit have you valued most, and which one do you wish you had known about or started using sooner?

Starting an automatic savings habit ought to be high on the priority list, and members of the military have access to the government's Thrift Savings Plan to prepare for retirement. The Consumer Federation of America coordinates a campaign called Military Saves that can help both with establishing financial goals and making plans to meet them.

Young adults getting regular paychecks for the first time are prime targets for shady financial services companies. The Consumer Financial Protection Bureau's Office of Servicemember Affairs sends out email blasts and maintains social media accounts that provide tips. It has also published a number of useful guides to borrowing money safely and dealing with debt collectors if things go awry.

Finally, there are the education benefits that come with military service. It's not too soon to start thinking about how the G.I. Bill can help pay for higher education, including vocational training.

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