

COVERING COSTS, MANAGING RISKS AND PROVIDING A SAFETY NET

Preparing Your Loved Ones for College

It's the season of airborne mortarboards and flashing tassels as high school seniors fling their caps at graduation. For parents, guardians and grandparents of college-bound students, this is a time of celebration, but it can also trigger stress as your loved ones start this next chapter of their lives. We've gathered the following list of documents, questions and actions to help you prepare as you get closer to dropping off your student this fall.

Financial Considerations

Let's start with one of the biggest concerns—how will you pay for college?

Make sure you fill out the Free Application for Federal Student Aid (FAFSA) form. This lets you explore eligibility for both need- and non-need-based programs provided by the federal government. For institution- or state-based financial aid, students may need to fill out a College Scholarship Service (CSS) Profile as well. **Even students from high-net-worth families may be eligible for merit scholarships**. Your RWA Wealth Partners team can help you assess any offers of aid and create a payment plan to cover the cost of college.

Here are some questions to consider.

Does your student qualify for financial aid?

- Colleges are required to have a net price calculator tool available for a preliminary estimate of the cost to attend. They must also provide information about grant programs available.
- Need-based programs include Pell Grants and Federal Supplemental Educational Opportunity Grants (FSEOGs), among others.
- Other federal loans include direct subsidized loans (which in effect offer lower interest rates to those who qualify), unsubsidized loans, parent loans for undergraduate students (PLUS) and direct consolidation loans.
- Merit-based scholarships can help reduce the cost of college. Eligibility is based on academic achievement, athletics, career track, community, ethnicity, interests and more.

Did you know some schools may match scholarships?

- If your student is offered an aid package from one school, another may match it—call or email the admissions office to inquire. You should be prepared to share copies of the financial aid packages offered by other schools and to complete a CSS Profile or a separate aid application with the institution. Do this as soon as possible, as rewards are given on a first-come, first-served basis.

Are you aware of the 529 plan distribution rules for paying tuition?

- The IRS does not treat tuition paid directly to the school by parents or grandparents as a taxable gift, and it won't count against your annual or lifetime exemptions. Note that room and board do not qualify for this tax treatment.
- Qualified 529 plan distributions are tax-free. You can use them for tuition, room and board, books and supplies, and to pay off up to $10,000 of lifetime student loans.

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- 529 plan funds can be used to pay for off-campus housing up to the amount of on-campus room and board costs. Schools publish this cost information, so use that as the basis for how much you can withdraw safely.
- 529 plan withdrawals do not need to be paid directly to the college; you can take the distribution and then pay for qualified expenses. This can be helpful when paying for off-campus housing or room and board.
    - Form 1098-T, issued by the school, reports tuition and related fees eligible for education tax credits (but not room and board, so keep records of those payments separately).
    - Form 1099-Q reports distributions from the plan.
- If your student is eligible for low-interest subsidized loans, consider using those first and then paying them off later with 529 plan funds to maximize tax-free growth within the plan.

Can you claim deductions or tax credits for tuition or student loan interest? Here are some items to consider when preparing your tax return (speak to your tax preparer about these, as there are income thresholds).

- Student loan interest deduction
- American Opportunity Tax Credit
- Lifetime Learning Credit
- State-level tuition deductions

Estate Planning

Yes, even your child needs a basic estate plan as they leave for college and step into adulthood. Managing risk is one of the most important and difficult parts of parenting. To help you take care of your child if they experience an accident or financial difficulty, consider creating these documents before they leave home:

- **A health care power of attorney with medical directives**. If your child is incapacitated after reaching the age of majority (18 in most states), health care providers cannot legally share medical information or consult with you. This document makes sure you can be fully involved in the event of a medical emergency and can coordinate care.
- **A HIPAA waiver.** This will permit sharing health information with you and other providers.
- **A financial power of attorney.** This will give you access to your child's accounts and will allow you to make financial decisions on their behalf as needed.
- **A will.** Even with small accounts or limited personal possessions, this is worth creating, especially if you're already drawing up the other documents on this list.
- **A Family Educational Rights and Privacy Act (FERPA) waiver.** This will allow you to independently see your child's grades.

Insurance Coverage

Protect what's valuable while your child is away: health and property.

What are your health insurance options?

- Students under the age of 26 can stay on their parents' or guardians' health insurance plans.

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- Universities may offer competitive health insurance coverage (make sure your student waives the coverage each year if they're covered under your plan).
- Students can also purchase coverage on the health insurance marketplace created by the Affordable Care Act in the state where they will attend school.

Does your student need property insurance on campus?

- Your homeowners policy may cover personal items your student keeps in their dormitory.
- Your policy may also provide identity theft coverage on campus.
- Confirm with your insurance company to be sure.

What if they live off campus?

- Consider renters insurance to cover property, liability and identity theft. The policy typically must be in the student's name, even if you're paying for it (make yourself an "interested party" on the policy).
- To help ensure a successful property or liability claim, have a detailed inventory of valuable items that includes a picture and the cost of each.
- Ask your insurance company if your umbrella liability policy covers your student while at school.

Financial Education, Savings and Responsibility

It's never too early to teach your child about saving for the future and to help them form smart habits. You can enlist the help of your advisor.

Have you discussed savings plans?

- If your child has a summer job or paid internship, you (or they) can contribute to an IRA in their name in 2026. You can contribute up to their taxable compensation for the year or $7,500, whichever is less—contributing more than they earn will incur tax penalties.

Have you spoken to your child about credit cards and the risks they pose to financial health?

- Set clear usage guidelines—when, why, where.
- Make sure your child understands interest rates, limits, budgeting, fees and any other features the card has (airline miles, rewards, etc.).
- Ensure that lost or stolen cards can be frozen quickly.

Studying Abroad

Getting a student ready to study in another country has many parallels to sending them off to their first year of school.

What insurance does your child need beyond U.S.-based health insurance?

- Research international medical plans for the country, including psychological care.
- Look into medical and evacuation insurance in the event of an accident or natural disaster.
- Assess travel insurance to cover trip cancellations, lost or damaged baggage, and delays.
- Consider kidnap and ransom insurance if your child is traveling to high-risk areas.

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- Have you considered the financial implications of studying in a foreign country?
- Understand preferred payment methods in the host country, both at the school and in the surrounding area.
- Find out if credit cards are widely accepted or if the country has a cash economy.
- ATM passcodes in some foreign countries are limited to four digits; consider changing the PIN on cards to match this standard for the duration of the trip.
- Invest in a money belt or other method to conceal cash if necessary.

Support and Advice on Call

After reading through the list above, we hope you feel empowered to create a smooth transition for your college student (and yourself). If you have questions or don't know where to start, please contact your RWA advisory team—we are here to support you and your family.

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