



Financial Checklist for Parents of Teens and Young Adults

Foundations (Ages 13–17)

Open a Joint Checking & Savings Account: Set up a student checking account equipped with a debit card. Parents can use online banking to monitor spending patterns and teach account balancing.

Practice Budgeting Rules: Implement a structured system like the 50/30/20 rule customized for youth. Allocate 50% of allowances or part-time job income to needs (like gas or school supplies), 30% to wants, and 20% directly to savings.

Establish Savings Vehicles: For Teens with earned income, parents can establish a custodial Roth account.

Distinguish Needs vs. Wants: Build delayed gratification by requiring them to save up for non-essential tech, clothes, or hobbies instead of relying on immediate parental funding.

Become an Authorized User: If a teen is under 18, they cannot legally contract for a credit card. Parents with strong credit can add the teen as an authorized user on an existing card to safely “piggyback” and establish a baseline credit history early for the teen.

Credit Card Prep with a Parent Cosigner (Ages 18–21)

When a young adult turns 18, they can apply for a starter card using a parent as a cosigner to guarantee the account.

Compare Starter and Student Cards: Research card terms together at reputable financial institutions. Focus strictly on finding a card with \$0 annual fees and a low, manageable credit limit (typically \$200 to \$500).

Draft a Shared Usage Agreement: Create a clear, written contract between parent and child before applying. Define exactly what types of purchases are allowed on the card (e.g., only gas or emergency transit) and who is responsible for paying the bill.

Automate the “Pay in Full” Rule: Set up automatic monthly payments to clear the entire statement balance every single billing cycle. Emphasize that a credit card is a tool for building history, not a source of “free money” or long-term debt.

Enforce the 30% Utilization Limit: Teach the young adult to never use more than 30% of their total credit limit at any given time (e.g., keeping balances under \$150 on a \$500 limit card). High utilization lowers credit scores, even if the bill is paid on time.

Automate Credit Monitoring: Sign them up for free monitoring tools to watch for identity theft. Freeze their credit files with Experian, Equifax, and TransUnion if they do not plan to borrow money immediately.

Separate Joint Accounts: Evaluate joint bank accounts opened during childhood. Consider moving funds to an independent account to protect the young adult's privacy and assets as they transition to adulthood.

The Legal Reality of Age 18

When a child turns 18, they instantly become a legal adult in the eyes of the law. Parents immediately lose all automatic rights to access their child's medical records, manage their finances, or make decisions on their behalf during an emergency. This sudden legal boundary makes proactive planning essential to ensure you can still protect them if a crisis occurs.

HIPAA Authorization Form: Grants doctors' permission to share critical medical updates and treatment statuses with you. Without this, healthcare workers cannot legally discuss your child's condition.

Medical Power of Attorney: Designates a trusted adult (the parent) to make healthcare decisions if the young adult becomes incapacitated or cannot speak for themselves.

Living Will / Advance Directive: Outlines the young adult's personal wishes regarding life-prolonging medical treatments, ensuring their preferences are legally binding.

Financial Power of Attorney: Allows parents to manage bank accounts, sign leases, pay bills, or handle taxes if the young adult is studying abroad or incapacitated.

FERPA Waiver: If your child is heading to college, colleges cannot share grades, disciplinary records, or tuition bills with parents. A signed Family Educational Rights and Privacy Act (FERPA) waiver restores parent access.

Statutory Will: Most 18-year-olds do not have complex assets, but a simple will clarifies who inherits their personal belongings, savings accounts, or digital assets (like social media accounts and crypto wallets).

Beneficiary Designations: Ensure any newly opened bank accounts, investment profiles, or workplace retirement plans have designated beneficiaries filled out correctly.

Wealth Building & Independence (Ages 18+)

Once credit foundations are secure, young adults should pivot toward long-term asset protection.

Build an Emergency Fund: Move savings into a dedicated High-Yield Savings Account (HYSA). Aim to accumulate three to six months of baseline living expenses to avoid turning to credit cards during financial emergencies.

Monitor Credit Reports Regularly: Teach them how to check their official credit history for free via consumer platforms like AnnualCreditReport.com to track score growth and guard against identity theft.

Open a Roth IRA: If the young adult has any taxed, earned income from a job, help them open a Roth IRA. Contributing even small amounts early allows decades of compounding interest to grow completely tax-free.