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Money

THE PLAN ▶ **The Boom Years**

by **DAN KADLEC**

Protecting Your Big Kid—and You

Nearly adult children present a whole new set of financial challenges. Tackle these two first.

WHEN OUR OLDEST CHILD WAS BORN NEARLY 20 years ago, my wife and I began to learn about sleep deprivation and the spiraling costs of feeding, clothing, and educating a growing family. We didn't believe that kids could get more mentally or financially draining. It turns out they can—as our trio of teens (14, 18, and 19) are teaching us now.

With the kids heading back to high school and college, we have as evidence yet another summer's worth of gray hair—compliments, in part, of worrying about the possible consequences (financial and otherwise) of after-prom parties and random under-age gatherings at our house. We also stewed over who would worry about such stuff on our behalf if anything happened to my wife and me while we were on vacation. My children are generally responsible young people. But as they creep to full-on adulthood, I'm beginning to long for the simplicity of the diaper years—and I'm still not getting any shuteye. If what keeps me up at night keeps you up too, these remedies could bring some peace of mind.

THE CHALLENGE:

Dealing with underage drinking

Of course, *your* teenager doesn't drink. Only 31% of the parents of 15- and 16-year-olds, for example, say their child has consumed alcohol in the past year (that's compared with the 60% of teens that age who reported drinking). But who knows what their wayward friends and acquaintances might do while they're in your house? And you can be held accountable for their drinking even if you're not home and haven't approved the activity. If they get hurt or cause damage, you could (depending on where you live) be charged with providing alcohol to a minor, a misdemeanor punishable by up to a $3,000 fine and possibly a year or so in prison. You could also be sued by the families of your teen's friends and forced to pay for property damage, medical bills, and even emotional distress.

Adding umbrella insurance to your homeowners and auto policies—coverage that shields you from outsize medical and property-damage bills and legal judgments that result from accidents on your property or in your car—provides some protection. And it's relatively cheap: $150 to $300 a year for a $1 million policy, plus around $75 for each extra $1 million of coverage. (We're stepping up to $4 million to be safe).

Also, take a few simple precautions that can help prove, if necessary, that you made a real effort to keep alcohol out of the hands of minors in your home. If you and your spouse are going to be away, lock your liquor in a cabinet or remove it entirely. Better yet, make sure there is a responsible adult in the house to look after things while you're away.

Taking these steps can help get you off the legal hook and out of a fine if minors in your home manage to drink anyway, get into trouble, and the police are called. That in turn will help ensure your umbrella policy picks up the tab if you're sued as a result of an injury or property damage related to the drinking incident, says Joe Messa, a personal-injury lawyer in Philadelphia. Why wouldn't the insurer pay? Almost all umbrella policies exclude payment for damages that occurred during the commission of a crime; if you've been convicted of providing alcohol to a minor, you could be out of luck. →

WHAT YOU MAY PAY IF THEY DRINK

24
Number of states that fine parents for underage drinking in their home

$3,000
Typical maximum fine under these "social host" laws

$1.2 million
Average verdict in personal injury suits[1]

NOTE: [1]Possible liability if sued owing to teen drinking in your home. SOURCE: Natl. Conf. of State Legislatures, Jury Verdict Research

THE CHALLENGE:
Choosing a financial guardian

Before some extensive travel this summer, my wife and I updated our wills and found the subject of guardianship most vexing. It's a common boomer dilemma: When your kids were young and you had fewer assets than you do now, your goals were likely simple—you wanted your children to live under the same roof with a family who shared your values. But almost-adult kids have strong feelings about where they'd like to end up if anything happens to Mom and Dad, and you probably have more money to worry about. Your goals, like ours, have evolved.

Yes, you still need a guardian who shares your values and lifestyle. But the person who made sense years ago may not be the right choice now because the guardian must also be a good money manager who doles out funds to your kids in keeping with your beliefs, and who they could turn to for advice, if needed. "Ideally, with young adults you want your financial guardian to be a mentor too," says Matt Spencer, a family attorney in Chappaqua, N.Y.

In our case, our two oldest would legally be adults and could do what they want with any money we leave them. That's why, through a testamentary trust that's part of our will, we've tied up our assets until each child turns 25. Typical cost: $250 to $900. You might push the age of control to 30, or release the funds in thirds at, say, ages 25, 30, and 35, depending on how mature your kids are. To help guide the trustee, spell out your wishes in a letter. Most important to us: where the children will live and our desire that they don't get unnecessary things they can't afford on their own, like a Jaguar or a fancy home.

Include your kids in the decision. After all, they won't listen to someone they resent. It helped us to hear our children's concerns about prospective guardians, which ranged from where the person lives to personality conflicts we knew nothing about. We also checked in with the trustee we ultimately chose to make sure he was up for the task—and knew where to find that letter. ■

Contributing columnist Dan Kadlec is co-author of With Purpose: Going From Success to Significance in Work and Life *and* The Power Years, *a guide for baby boomers.*

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