



Legal Insurance

Guide for **New Parents:**
Childcare, Estate Planning
and Identity Theft



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All parents have hopes and expectations for their children. But making those hopes and expectations come true doesn't usually happen by chance. It takes careful planning. This guide to legal and financial planning for new parents will help you start on the right path.

Getting your child a Social Security number

You don't have to get your newborn a Social Security number. But you'll need one if you want to:



Claim your child as a dependent on your income tax return.



Open a bank account.



Buy savings bonds.



Get medical coverage.



Apply for any kind of government services for your child.

You can apply when your baby is born or adopted. Or you can wait until later. Most medical care providers provide the paperwork – so it may be easiest to apply when the baby's born (at the same time you give information for the birth certificate).

If you want, you can wait to apply for a number at a Social Security office. But keep in mind that there may be delays while your child's birth certificate is verified. Here's [more information](#) from the Social Security Administration.

Childcare Arrangements

If neither parent will stay home with the child, childcare will be one of your biggest expenses as a new parent – by far. Many parents start searching for a local childcare provider before their child is born or adopted. That way they have time to find someone they're comfortable with and can afford.

If you plan to deduct your childcare expenses from your taxes (which may save you a fair amount of money), make sure you find a licensed provider. (You have to provide their tax ID number on your taxes.) Your accountant or tax advisor can help you decide if the deduction makes sense for you, based on your circumstances.

Depending on the type of childcare arrangements you choose, you may want to put the following documents into place.

Childcare agreement

This document creates an agreement between you and the person or organization who will care for your child. It formally outlines the responsibilities and obligations of the childcare provider and states the payment terms. It may also be helpful to include information such as:

- ✓ Contact information for you and the provider
- ✓ Payment terms (amount, pay day, where delivered)
- ✓ Location where service will be provided
- ✓ Items you're responsible for providing (like diapers, wipes, formula, etc.)
- ✓ Your child's medical information such as allergies, prescriptions and blood type
- ✓ Contact information for your child's doctor, dentist and preferred hospital
- ✓ What happens if you're late to pick up your child
- ✓ What to do if your child needs to be absent
- ✓ What the provider will do if your child gets sick while in their care
- ✓ What happens if either you or the provider wants to terminate the contract

If you decide to have someone care for your child in your home, that person may be considered your employee for tax purposes. For more information, visit [IRS.gov](https://www.irs.gov) (specifically IRS Publications 926 and 1779 and Tax Topic 756). You also may want to check with your tax advisor or attorney.

If an employer-employee relationship exists, you may need to withhold federal income taxes, withhold (and pay) Social Security and Medicare taxes and pay unemployment tax on the amounts paid to the employee. You'll also need to file Form W-2 with the IRS and provide a copy of the W-2 to the employee.

Whether someone you hire is an independent contractor or an employee depends on things like:

- ✓ The amount of direction and control you have over how the worker does the work
- ✓ How the worker is paid
- ✓ The duration and regularity of the work relationship



Check with your tax advisor or attorney if you have questions.



Medical treatment authorization for minors

This document is used to authorize medical treatment for a child if a parent isn't present. It's necessary because children can't receive medical treatment without parental consent – unless it's a matter of life and death.

Consider using this document if you'll be away from your child for an extended period of time or if you leave your child with someone else on a regular basis. These situations could include vacations, business trips, in-home childcare, daycare centers and babysitters.

It's a good idea to give a copy of this document to your childcare providers. That way they'll have it if your child should ever need medical attention while in their care.

This document also requires that a reasonable attempt to contact you be made before treatment is given. But if you can't be contacted, it gives medical personnel permission to act.

Child custodial authority consent form

If you'll be traveling for an extended period of time and will leave your child with a friend or relative, you'll want to use a child custodial authority consent form. It's used for granting temporary custodial authority over your child to a third person for a limited period of time.

This form can also be used when your child is traveling on an extended school trip, with a sports team or on a vacation with a family friend.

Here's why this form is a good idea in these situations:

- ✓ The temporary custodian will have easy access to your child's pertinent medical information – including doctor contact information, preferred hospital and any allergies or conditions your child may have.
- ✓ If there's an emergency involving your child and you can't be reached or if the situation is urgent enough that contacting you is impractical, the temporary custodian can authorize medical treatment.
- ✓ This form can help detail how any costs relating to your child will be paid. Documenting this can help prevent or resolve disputes down the road.
- ✓ It assures that the temporary custodian has knowledge of your child's medical conditions and is aware of their responsibilities while your child is in their care.

Estate Planning

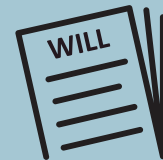
Estate planning may seem like something that's just for the very wealthy. But all of us will leave behind something – whether property, belongings, debt – and most importantly – dependents.

As a parent, your estate plan is even more important. That's because you're not just planning how to distribute financial assets. You're also naming the people who will manage your child's upbringing as either a guardian or trustee. And the decisions you make with your estate plan could impact not just your children's future, but the future of several generations to come.

There are a lot of variables in creating an estate plan when children are involved. So it's a good idea to work with an attorney with experience in estate planning.

In general, the process includes:

- ✓ Deciding on arrangements for the care of your children and property. Consider who you trust to take care of your children, who you want to leave your property to and who you want to manage distribution of your property.
- ✓ Choosing who you want to handle your personal care and property for you and your family. Be sure to choose someone who will carry out your directions and make decisions for you when you can't.
- ✓ Creating the legal documents that put your preferences into writing.



Wills and trusts

Some of the legal documents you'll want to consider putting into place include a will and a trust. A will is a document in which you set out specific directions on who receives your property after your death.

A will also spells out the terms for these gifts, names who you want to carry out your directives and names who will care for your dependents. If your children aren't old enough to manage property and assets, your will can name a support trust to be managed and distributed for their benefit until the age you specify. This kind of trust is effective only upon your death. Within a will, it's called a "testamentary trust."

Each parent should have a separate will — generally with similar, reciprocal provisions. If there's a concern that a surviving parent may change their will so as to defeat the joint intent, certain supporting documents can be created by an attorney (e.g., contracts not to amend or revoke wills).



Beneficiary designations

Generally, if the money is for the benefit of your children, you'll be better off setting up the designation to a trust of the child or children or to the trustee of such trust. Check with an attorney in your state for the proper form of designation. Minor children can't receive the proceeds, and the insurance company will seek a court order designating how (and to whom) proceeds should be paid.

Another option to distribute proceeds is the Transfers to Minors Act. This statute is adopted by almost all states. And it allows you to arrange for an adult to manage the assets until the child is old enough to receive it.

Keep in mind, if you have a life insurance policy, 401(k) or IRA account, the beneficiary forms accompanying these documents overrule wills. The funds in these accounts will be distributed to whomever you name in those documents – regardless of whom you specify in your will. You'll need to double check the names on these accounts and make sure they match the names of those you specify in your will.



Delegating responsibilities

When creating your estate plan, you'll delegate different responsibilities to various people, or officers, within your will. All of these officers are "fiduciaries." That means that they have to act in accordance with legal duties appropriate to their particular role – and not out of their own self-interest.

Key officer delegations for a will include your personal representative or executor, guardians or conservators and trustees. For your estate to transfer successfully, these three people will need to work together. Think about how your choices for guardian, trustee and executor will work together when you're gone.

All of these officers (and any alternates you name) are subject to the terms of your will and the law of your state. State law specifies all formal duties, establishes procedures for officers to follow and determines if anyone is not eligible to serve in these roles.

Key officers can include:

- ✓ **Personal representatives or executors.** These are the people who will oversee the implementation of your will.
- ✓ **Guardians or conservators.** They're the people who will care for your dependents. In most states, guardians can be appointed to manage the care and property of minors. But in other states, a guardian is appointed only to manage the care of a minor – with a conservator appointed to manage the property of a minor.

Common mistakes

Here are some common mistakes parents make when naming legal guardians for their kids:

- ✓ Naming a married couple to act as guardians without providing a backup plan in case that couple divorces (or if one of the couple dies or becomes incapacitated).
- ✓ Not naming alternate guardians in case the first choice is unavailable.
- ✓ Considering the caregiver's financial resources when deciding who will raise your children. Guardians don't have to be the financial decision-makers for your children. They just need to be able to provide the best health care, education, housing, discipline and care decisions for your children. A separate trustee, or in some states a conservator, can be named to manage the finances you leave behind to take care of your children. You can and should name separate individuals to act as guardians for your children and as trustees for your estate.
- ✓ Not providing for someone to take care of the property you leave behind.

What to consider when choosing a guardian for your child

Remember that the person or couple you pick as guardian will be taking on the long-term commitment of caring for your child. Consider the following questions when considering a guardian:

- ✓ Do you have confidence in the individual(s)?
- ✓ Is the person able to handle the physical requirements of being a guardian?
- ✓ Do they have the time?
- ✓ If they have a family, are their kids close to the age of your child?
- ✓ Can you provide enough money to raise the child? If not, can your prospective guardian cover the costs?

After you've made the decision, choose an alternate guardian to include in your will. They will take care of your child in the event that your primary choice can't or won't serve.

Once you decide who you want to name as guardian, be sure to talk with them about it. After all, it's a big commitment. And you'll want to know if they have any reservations about being guardian and make sure they understand your wishes for your child.

Trustees are the people who will manage finances for your minor children. This can, and in many cases should be, someone other than your guardian.

The guardian is responsible for your child's physical and emotional well-being. The trustee is responsible for the well-being of the estate's finances. Having different people in each role lets you appoint different people for different needs. For instance, who you need to manage money may be different than who you need for other parenting roles.



Questions to think about when considering fiduciaries

- ✓ Are there any state laws that would disqualify your appointee from performing the role?
- ✓ Does this person have the skills, time and commitment to do the job?
- ✓ Will this person follow your plans, regardless of any conflicting beliefs?
- ✓ Have you discussed this role with the people involved? And are they willing to take on these responsibilities?
- ✓ Are the information and appointees consistent among your health care power of attorney, durable power of attorney, living will and appointment of HIPAA representative?
- ✓ Are the people acting as agents different from the witnesses who are signing the documents?



One of the most important parts of your plan will be taking the time to discuss your decisions with your loved ones. It's a process you do for them, but the planning starts with you.

Protecting Against Identity Theft

Children are being increasingly targeted by identity thieves. Most often, it's kids' Social Security numbers that are stolen. When that happens, the families may not find out about the theft for several years.

Parents can minimize the risk of identity theft by knowing when and how to check to see if their child's identity has been compromised. Keep in mind that a child's credit report can be obtained using [AnnualCreditReport.com](https://www.annualcreditreport.com) (the congressionally mandated free credit report website). That's because collecting information about children under 13 years old is illegal. Also, the website doesn't allow for providing proof of legal guardianship.

So you'll need to contact all three credit bureaus – Equifax, Experian and TransUnion – directly to get a credit report for your child. When you write to the agencies, include the following in your cover letter:

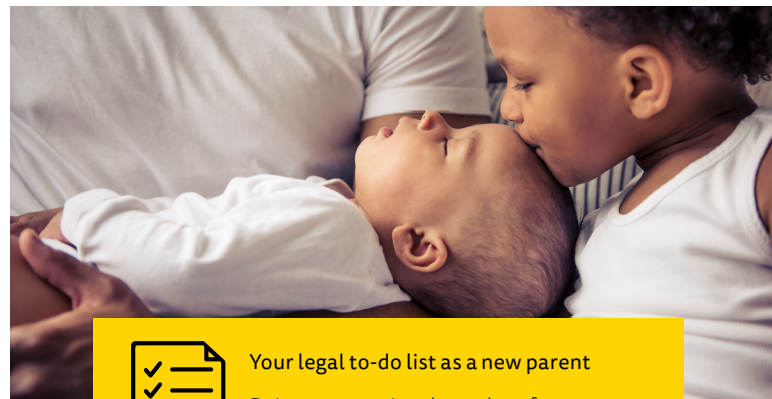
- ✓ Child's full name
- ✓ Child's Social Security number
- ✓ Your name
- ✓ Your address
- ✓ Your relationship to the child or children in question
- ✓ A request for a search for a credit report under the child's Social Security number (remember, the impostor may be using a different name and most definitely a different birth date)
- ✓ Directions to send a copy of the credit report, if one exists, to you immediately

All correspondence should be sent by certified mail, return receipt requested. This is the only way you can prove that you sent the information. You should also include any documentation showing that you have legal custody of the child if you are divorced or have legal guardianship of the child.

Take Control with ARAG



If you have questions or aren't sure where to turn, ARAG can help. Visit [ARAGlegal.com](https://www.araglegal.com) to learn more about how ARAG legal coverage gives you an affordable way to manage legal matters.



Your legal to-do list as a new parent

Being a parent involves a lot of responsibilities. Checking these items off your to-do list will help you fulfill those responsibilities – no matter what happens.

- Apply for a Social Security number for your child.
- Adjust your financial plan, allowing for education needs and tax changes.
- Consider who will care for your child when you're away. Create any needed documents, such as a childcare agreement, child custodial authority consent form and a medical treatment authorization for minors.
- Update your will.
- Learn more about trusts, trustees and guardians. Decide what's best for your situation, and create the appropriate legal documents.

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