

# STARTING A ROTH IRA FOR A CHILD OR GRANDCHILD



**Do you have a child or grandchild earning some income?** Indirectly, that after-school or summer job might present a savings opportunity for that teenager. You could help your child or grandchild save for future goals by assisting them to create and fund a Roth IRA.

So many people wish they had begun saving for retirement sooner. Imagine how your child or grandchild's prospects for building lifetime retirement savings might improve by starting as soon as possible.

Here is a little math to illustrate the potential. Suppose \$1,000 goes into a Roth IRA when a child is 17, with \$100 per month going into the account thereafter. Suppose the IRA compounds annually and returns 7% a year. After 45 years of saving and investing just \$100 a month with a \$1,000 lump sum to start, that IRA contains \$363,902 when they turn 62. From very little investment effort, a considerable sum might arise over time – and in reality, that sum might grow to be much greater than these calculations suggest, because when that young adult grows older, he or she may contribute much more than the equivalent of \$100 a month to the IRA.<sup>1</sup>

**The basic rules for creating a custodial Roth IRA for a minor are simple.** The child must have earned income. The yearly IRA contribution cannot exceed the child's yearly earnings. (If the child has earned more than the yearly contribution limit for the Roth IRA, the maximum may be contributed. The maximum contribution for 2018 is \$5,500.) You can give the child the money to contribute, if you prefer.<sup>2</sup>

Some fine print must be understood, though. The income must have been earned in connection with a legitimate business activity – it cannot be paid out in exchange for household chores. (Income earned as an independent contractor is acceptable.) The business involved must define the child worker as an employee for federal tax

purposes. Also, the income that the child earns must be reasonable in view of the job performed or the services rendered.<sup>2,3</sup>

**The potential tax advantages of a Roth IRA are profound.** Earnings in a Roth IRA grow, tax free, and they may be withdrawn without being taxed once the IRA owner is age 59½ and has owned the IRA for five years. If your teen invests steadily and minds Internal Revenue Service rules, he or she could retire with a tax-free retirement fund that might be six or seven figures large. Even a 25-year-old who contributes \$5,000 a year to a Roth IRA earning 8% for 40 years is positioned to have about \$1.4 million at age 65, and all of it may be withdrawn, tax free, if I.R.S. rules are followed.<sup>4</sup>

You may also realize a tax perk. If you make the initial contribution to the Roth IRA as a parent or grandparent, that money can count as a gift within your \$15,000 yearly gift tax exclusion (\$30,000 for a married couple).<sup>5</sup>

**Later in that child's life, the Roth IRA assets may be useful in multiple ways.** Did you know up to 100% of Roth IRA contributions may be withdrawn by a Roth IRA owner at any age, without any tax penalty? While reducing a retirement account balance is never ideal because it hurts compounding, this option does offer a young IRA owner a potential financial resource in an emergency. Earnings withdrawn prematurely will usually be taxed, and likely also hit with a 10% I.R.S. penalty, but there is a notable exception. Did you know up to \$10,000 of earnings can be taken out of a Roth IRA, tax free, at any time if the money is used to buy a first home? The I.R.S. even waives its 10% early withdrawal penalty in that case. If your child or grandchild becomes a parent, some of those Roth IRA assets might later be used to pay college tuition.<sup>4</sup>

**A Roth IRA might give your child or grandchild a chance at a great financial start.** Talk to us about opening one, today.

Have a great weekend!

Source: MarketingPro

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## Golf Tip of the Week



### Turning Slices into Draws

**What's a slice?** If you're a right-handed player, your ball sails to the right. If you're left-handed, it goes to the left. A draw goes the other way.

**What's the big deal?** Most players struggle to avoid hitting slices.

**Why does it happen?** Right-handed players' clubs, for example, hit the ball with the clubface open (or to the right) in the swing path.

**What happens next?** The ball goes to the right (or to the left, for lefties) of the target.

**How do you fix a slice or turn a slice into a draw?** At address, stand with your body to the left of the target. (Reverse this procedure if you're left-handed.) Called an open stance, your setup is aligned to the left of the target.

**How does this help?** This shift in stance creates a kind of psychological adjustment during the backswing. It forces you to swing down more to the right of the target. In short, you aim left, but swing right.

**Why does this work?** As with golf as a whole, this move may feel counterintuitive. This adjustment is likely to send the ball to the left, making it into a draw.

Tip adapted from GolfDigest<sup>i</sup>

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# Recipe of the Week

## Lemon Mascarpone Parfaits



Serves 8

### Ingredients:

16 ladyfinger cookies  
1 pint lemon sorbet, melted  
1 8-ounce package mascarpone  
1 cup heavy cream  
½ cup sweetened condensed milk  
1 teaspoon pure vanilla extract  
1 10-ounce jar lemon curd (about 1 cup)  
2 teaspoons finely grated lemon zest  
Raspberries

### Directions:

1. Place eight cookies in the bottoms of eight glasses (8 to 10 ounces). Carefully pour half of the melted sorbet over the cookies; let sit for 10 minutes.
2. At the same time, use an electric mixer (with whisk attachment) at low speed to mix mascarpone, heavy cream, sweetened condensed milk, and vanilla to combine.
3. Increase mixer speed to medium-high and mix until medium-stiff peaks are formed.
4. Mix lemon curd and zest in a second large bowl until it is thick and light in color.

5. Add  $\frac{1}{3}$  of the mascarpone mix into the lemon curd and mix until it is thoroughly blended. Then add in the rest of the mix.
6. Put some of the cream mix over the cookies; place raspberries and more cream on top. Break apart more of the cookies to fit on top of the cookie cream mix.
7. Do the same with the rest of the cookies and sorbet, making single layers with the cream.
8. Dab the rest of the cream mix on the top. Refrigerate until you're ready to serve.

Recipe adapted from Good Housekeeping<sup>ii</sup>

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## Health Tip of the Week



### How Do You Manage Heartburn and GERD?

It's the chronic coughing, the chest pain, the burning.

You wish you could avoid the onset of these symptoms—without medications. You can by identifying the triggers that inevitably lead to the pain and discomfort.

Acid reflux occurs when stomach acid flows the wrong way. If it doesn't improve, it can become gastro esophageal reflux disease (GERD). It causes chest pain, coughing, and trouble swallowing. (Frequent heartburn is a primary symptom of GERD.<sup>iii</sup>)

Certain foods can cause or exacerbate acid reflux, such as chocolate, onions, acidic food, and red meat. Your best bet is to abstain from these and other trigger foods.

Here's a list of healthy dietary alternatives:

- Try drinking more water to help alleviate some of the symptoms. Sugary drinks and alcohol may irritate symptoms.
- Ginger is a soothing aid for upset stomachs from heartburn and acid reflux. Hot ginger tea without caffeine helps.
- While breakfast erects quite a few heartburn red flags, oatmeal's high-fiber content helps make you feel fuller and provides long-term energy by comparison.

However, be on the lookout for those mischievous extras like cream, sugar, syrup, and dried fruit.

- In the vegetable aisle await some very effective heartburn fighters: potatoes, carrots, turnips, and parsnips. But beware the miscreants in their midst: garlic, onions, and peppers.
- Butter and margarine may be good-tasting fatty foods, but they come with a price. Go with more heartburn friendly olive oil.

A few dietary changes can take away the heart ache that plagues heartburn sufferers.

Tips adapted from WebMD<sup>iv</sup>

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**Sources:**

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<sup>i</sup> <https://www.golfdigest.com/story/a-different-way-to-turn-a-slice-into-a-draw>

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ii <https://www.goodhousekeeping.com/food-recipes/dessert/a22577243/lemon-mascarpone-parfaits-recipe/>

iii <https://www.mayoclinic.org/diseases-conditions/heartburn/expert-answers/heartburn-gerd/faq-20057894>

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