

It's Your Money

Open A Custodial Roth Ira For Your Grandchild

If you have grandchildren, you have an opportunity to help teach them the value of money while also growing a tax-free account in their name into a small fortune by the time your grandchild is ready to retire. If your grandchild has a summer job or a part-time gig, they hold the key needed to opening a ROTH IRA—earned income. This earned income can come from babysitting, grass mowing, dog walking, or any other job where the child gets paid. As an example of how amazing this ROTH IRA plan can be, if you contribute $1,000 into a custodial ROTH IRA every year for 10 years (when your 8-year-old grandchild turns 18), and the IRA earns a 7% annual return, and then you make no more contributions, the account will grow to a whopping $206,893.82 in 50 years!!

The IRS does not have an age requirement for opening a ROTH IRA account, so even your young grandchildren can have an account as long as they have earned income. The money doesn't have to come from the child's paycheck. Your pitch: "For every dollar you earn babysitting this summer, and save in a ROTH IRA, I will match that deposit dollar for dollar." By matching the child's savings, you can allow your grandchild to still spend their 'excess' earnings as they choose, as long as you both abide by the earnings limits; you cannot invest more into the ROTH than the child earns.



By opening the custodial ROTH account and then making matching contributions to it, you can help teach your grandchild about money, compounding interest, and the principals of investing, putting them on a path toward greater financial literacy. People with higher financial literacy are better able to manage not just their employment income, but are also able to understand the importance of stock market participation, portfolio diversification, portfolio returns, and overall estate planning for the rest of their lives.

As the grandparent, you open the custodial account in the grandchild's name but you (as the

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The Council's Financial Advocate is a volunteer who can help with financial matters. If you are in need of assistance, please contact the Council.



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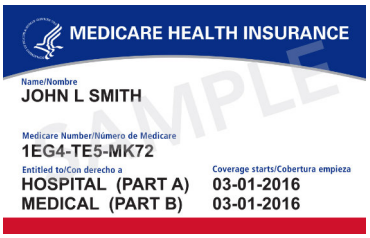
custodian) retain control and manage the investments of the account until the grandchild reaches the age of majority (generally age 18 in Ohio.) Once your grandchild reaches age 18, the custodial account must be converted to a standard ROTH IRA in the child's name only. That doesn't mean you can't continue to contribute funds to the account if you like; it just means that the grandchild has sole control and any contributions need to pass through them on the way to the IRA.

So, if you are convinced a custodial ROTH IRA makes sense for your grandchild, here are the steps to make it happen:

- **Choose a provider**: Find a reputable financial institution that offers custodial Roth IRAs. Pick one with low fees and investment options other than a savings account.
- **Gather documents**: You'll need your grandchild's Social Security number, proof of earned income, and identification for both the custodian (you) and the minor (grandchild).
- **Open the account**: Depending on the institution, you can complete the application online or in person, designating the custodian and the minor in the account registration.
- **Fund the account:** Lastly, fund the account, being sure not to exceed the child's earned income for that year.

If you want to know more about custodial ROTH IRA accounts, contact your financial institution or us at your Council (937) 376-5486.

Medicare Open Enrollment – Oct 15 to Dec 7



The Medicare Open Enrollment Period (October 15 - December 7) is the only time you can change plans.

Medicare plans and options change each year, so it is important to find the best fit for your health care needs and situation.

Starting in early September, those we have assisted in the past Will be sent a letter and form to complete and return for a review. Assistance will be over the phone.

It is important to return the completed form enclosed with the letter. If you did not receive the letter, and would like our assistance, please contact us to request the letter and form.

Greene County Council on Aging

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