



For Immediate Release

Contact: Gigi Thompson Jarvis

202.822.6232, x119

gjarvis@naea.org

IRAs for Minors Are an Investment in Your Child's Future

After all—One Day they May Be Supporting You!

Washington, DC (March 29, 2011) A survey last year by the Employee Benefit Research Institute caused quite a stir when it reported that 43 percent of American workers have less than \$10,000 saved for retirement. As traditional retirement age draws near for the Baby Boomer generation, many are wishing they had started saving earlier and more aggressively. If you want to help your children avoid that mistake, now is a perfect time to start them on the road to saving for a comfortable retirement, which may have the added benefit of enabling them to better care for you in your elderly years. It's good for them, good for you! Consider funding an IRA for your minor child.

"While your child's retirement may seem light years away, imagine the tax-free compounded interest that even a small amount of money could be earning during that time," said Cherry Comstock, an enrolled agent at Jet Tax in Antioch, CA. "And there's more good news: in keeping with Roth IRA withdrawal rules, the earned portion of the money may be withdrawn from such an account without tax or penalty at any time to pay for expenses such as college or buying a first home."

IRS requires that the child be the legal owner of the account, and so the income must be earned by the child. That summer job at the mall, a part-time job or paper route will count, but gifts and allowances will not. Even if Junior has already spent the money or is saving for his college expenses, IRS will allow you to put an amount equivalent to his earnings into his IRA.

It's not hard to do—check with your bank or brokerage firm to find out if it offers IRAs for minors. With a Roth IRA, you can avoid saddling your child with the tax burden at retirement. In tax year 2010, you or your child may contribute up to \$5,000 or 100% of compensation per year, whichever is less. You'll need to prove the income by providing a W-2, W-4 or other proof of income documents, and for minor children a parent or legal guardian must sign the application.

If you have questions about this or about means of reducing your tax burden, you may want to consult an enrolled agent. Enrolled agents (EAs) are federally-licensed tax practitioners who have passed a stringent, three-part exam on individual and business taxes and representation before the IRS for audits, collections and appeals. EAs must pass a background check and complete annual continuing education credits that are reported directly to IRS. To locate an enrolled agent tax specialist in your area, visit the National Association of Enrolled Agents' "Find an EA" directory at www.naea.org.

The National Association of Enrolled Agents (NAEA) is the professional society representing tax preparers who have earned the distinction of "enrolled agent" (EA). NAEA supports its members with resources, education and networking and by representing their interests to government, business and the general public. Members of the NAEA are obligated to complete more continuing education than is required by IRS and adhere to a code of ethics and rules of professional conduct.