Retirement Planning

Roth IRAs for Teenagers



Making contributions to a Roth IRA during a child's teenage years is a great way to get young savers started with tax deferral and potentially tax-free growth. The one catch – they have to have earned income. Age doesn't matter when contributing to a Roth IRA but earned income does.

Lots of kids work summer jobs, or work evenings or weekends during the school year and that earned income can be used to fund a Roth IRA for them.

For 2023, you can contribute the lesser of earned income or $6,500 ($7,000 for 2024). For example, if your teenager earned $1,000 from a part-time job over the summer, $1,000 can be contributed to a Roth IRA.

Although it might be difficult to convince a teenager to save all of their earnings instead of spending it, keep in mind that the contribution does not have to come from them. Anyone – parents, grandparents, friends or neighbors – can make the Roth IRA contribution. And Roth IRA contributions can be withdrawn at any time without income tax or IRS penalties if needed for college or any other reason. ■

IMPORTANT DISCLOSURES The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. It is made available with the understanding that Benjamin F. Edwards is not engaged in rendering legal, accounting or tax preparation services. Specific questions on taxes or legal matters as they relate to your individual situation should be directed to your tax or legal professional. In providing this information to you, neither Benjamin F. Edwards nor our financial advisor, is acting as a "fiduciary" under the Employee Retirement Income Security Act of 1974 (ERISA) and it should not be considered individualized investment advice or an investment recommendation.