



Self Directed IRAs for Minors

Who Qualifies

- ✓ The minor must be 17 or younger.
- ✓ The minor must have earned income.
- ✓ The IRA account will become property of the minor when the minor reaches age of maturity.

Rules and Requirements

AGE TO START AN IRA:

There is no minimum age to contribute to an IRA.

EARNINGS REQUIREMENT:

Minors may contribute to 100% of their earned income, up to the annual contribution limit.

\$6,500 for 2023. For example, if Hunter gets a summer lifeguard job at his local pool and makes \$4,000, the maximum 2023 contributions for Hunter will be \$4,000.

Fee Schedule

Annual Account Membership: **\$175**

- * No additional IRA fees apply
- * The minor may make unlimited investments
- * Cash in the account is FDIC insured
- * Minimum cash balance in the IRA account: \$500



Paying a Minor



If you own a business such as an LLC, it's easy. The business simply pays the child as an employee and issues a W-2 to the child. *(Preferred way.)*



Another option is to pay the child and issue a Form 1099. This will show the child has paid, however, may incur Self Employment Tax. *(Self Employment tax isn't awful, however, paying with a W-2 can avoid it.)*

Notes

- 1 The amount you pay to the minor should be similar to the amount you would pay a non-family member for the same task.
- 2 What type of work may I pay my child for? How about stuffing envelopes, shredding papers, filing, social media, etc. Tasks should be age appropriate. *Example: Your two-year-old shouldn't help you move your office, but can be a model for your website or business cards.*
- 3 Generally, household chores may not be included. *(Sorry, you can't pay Jr. \$6,000 to straighten his room.)*
- 4 The above assumes the child has less than \$350 of unearned income. Hence, if Grandma gave Jr. 1500 shares of General Electric stock, which is paying a dividend of more than \$350 a year, please see your tax professional regarding Kiddie Tax.

