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 ($6,000 for 2022). 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 And Roth IRA contributions can be withdrawn at any time without income tax or IRS penalties if needed for college or any other reason. ■

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