4 INVESTMENT ACCOUNTS TO CONSIDER FOR YOUR KIDS

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Do you want to teach your kids how to invest but you're not quite sure how to get started? As a minor, your child has limited options when it comes to opening investment accounts (opening a savings account for kids is pretty simple). However, as a parent, there are investment accounts you open on behalf of your child.

Investing for your child while they're still young can help build an education fund and show them the importance of compound interest, all while potentially reducing the need to take on loans later on in life.

A 15 year old investing $200 a month into a US Equity Mutual Fund or ETF earning an average of 7% per year could have $1,006,589 after 50 years!

529 EDUCATION SAVINGS PLANS

- Anyone is eligible to open and contribute to a 529 plan.
- There are 2 types of 529 Plans: Prepaid Tuition Plans & Education Savings Accounts.
- There are no contribution limits.
- 529 Plans can be used to pay for qualified education expenses.
- You can choose from a range of mutual funds and exchange-traded funds (ETFs).
- Withdrawals are tax-free as long as they're used for qualified expenses.
- Contributions may be tax deductible, or eligible for a tax credit, depending on the state where you live.

TAXABLE BROKERAGE ACCOUNT (UNDER THE PARENT'S NAME)

- Simple brokerage accounts have minimal fees.
- Provides for a buy-and-hold strategy for long-term investing.
- Stocks, bonds, mutual funds, and ETFs can be purchased for a variety of investment options.
- Involving children in a few select stock picks is also a great way to get them interested in investing at an early age. Provides the chance for children to learn about investing with their parents.
- Putting the account in the parent's name helps the parent maintain control and oversight until a child shows they can handle making smart financial decisions.

CUSTODIAL ROTH IRA

- If your child has earned income, they may be eligible for a Custodial Roth IRA.
- The parent opens and maintains control of the account until the child turns 18 (21 in some states).
- Contributions grow tax-deferred with the potential to be tax-free.
- Contributions (not earnings) can be used for major expenses that pop up once the account has been funded for a minimum of five years.
- Both contributions and earnings can be pulled for qualified education expenses without having to pay early withdrawal penalties.

CUSTODIAL ACCOUNT (UTMA/UGMA)

- Uniform Gift to Minors Act and Uniform Transfer to Minors Act (UGMA/UTMA) accounts are types of custodial trust accounts.
- A parent or relative can open an account on behalf of a child and act as the custodian until the child comes of age.
- Age the child can take over ranges from 18-25, depending on the state.
- There is more flexibility with the uses of the funds, but not as many tax advantages as other options.
- Withdrawals can be used for education or anything else that benefits the child.