ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning For Your Retirement Savings

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Join the Retirement Planning Conversation

Retirement Savings Milestones: *A Century of Planning*

The road to retirement and beyond is long. Important milestones will be reached on the journey. The rules on when clients can participate in specific retirement events are hard and fast. *Age 50?* Catch-up contributions. *Age 70½?* RMDs. And the list goes on.

If a milestone is missed, a client could be penalized or, maybe even worse, lose out on an opportunity. To avoid such missteps for clients, every advisor must be able to recognize and take advantage of each retirement savings landmark. Using these milestones as a timeline for planning is fundamental to ensuring your clients will be ready for retirement.

Starting to Save

When does the retirement planning timeline start? What is the best time to start saving? Every advisor has been asked those questions, and most advisors likely know the answer: the earlier the better.

What does that mean for retirement accounts? Well, your average 15-year-old is not likely to be able to participate in a 401(k) or another employer plan, but an IRA is a different story. A minor can contribute to an IRA if she has taxable compensation.

The IRA contribution limit for those age 50 or under in 2019 is the lesser of $6,000 or 100% of compensation. As long as the minor has taxable compensation, it can be used as the basis for an IRA contribution, even if the actual contribution is funded by someone else.

Example: This summer, Alana, age 15, plans on getting a part-time job working at the Inside Scoop ice cream parlor. By the end of summer – *and the end of a paycheck* – Alana should have earned $2,000 in taxable compensation. Her IRA contribution limit for 2019 is $2,000 [the lesser of the yearly contribution limit ($6,000) or her taxable compensation ($2,000)].

To entice Alana to start saving in a Roth IRA, Alana's dad made a deal with her. If she puts part of her income into a Roth IRA, he will match her contribution. So, if Alana contributes $1,000 to a Roth IRA, her dad will do the same out of his pocket, which would fully fund her IRA for the year.

As young people enter the workforce and begin full time jobs or become self-employed working in the ever growing "gig" economy, the opportunity to participate in, or maybe start their own employer plan, will present itself.