

Kiplinger's

PERSONAL FINANCE

Make your children MILLIONAIRES

HOW CAN YOU turn a mere \$1,000 into a cool million? Open a Roth IRA for your child. As long as your son or daughter has earned income from a job—

whether it's mowing lawns, babysitting or any other legitimate, paid employment—he or she can invest those earnings in a Roth, up to a maximum of \$3,000 per year. Or you

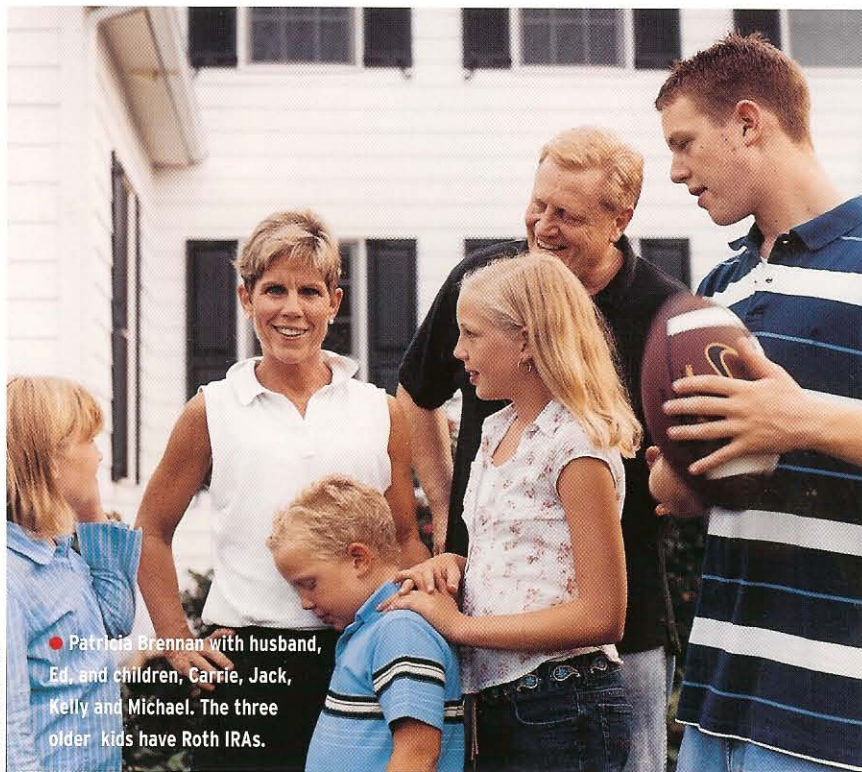
can invest on your child's behalf.

Say that your 10-year-old daughter earns \$1,000 per year delivering newspapers. Invest that money each year in a Roth that returns 8% annually, and she'll have \$10,637 in the account by the time she's ready to start college. And she can withdraw her \$8,000 in contributions tax- and penalty-free to pay for tuition.

If she elects to pay for her senior years rather than senior year, that \$10,637 will grow to nearly \$500,000 by the time she's 68, which she can withdraw tax-free. And if she faithfully contributes \$1,000 each year until then, she'll have more than \$1 million, again assuming an 8% annual return.

Patricia Brennan, a financial planner in West Chester, Pa., has opened Roth IRAs for her three older children, whom she employs in her business, starting at a wage of about \$7 an hour. Michael, 15, does computer research and copying. His Roth, opened in 2000, is now worth \$8,700. Kelly, 11, and Carrie, 10, both do filing and copying and occasionally answer the phone. Kelly has more than \$7,000 in her Roth, and Carrie has \$5,500.

The kids collaborate with Mom to choose investments and monitor their accounts. "An \$80 return on \$1,000 is huge in their eyes," says Brennan. "It's equivalent to long hours of really boring work at Mom's company." —**K.L.**



● Patricia Brennan with husband, Ed, and children, Carrie, Jack, Kelly and Michael. The three older kids have Roth IRAs.

GABRIELLE REVERE

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