

SAMPLE ES FOR RETIREMENT SAVINGS

Expectation Statement

I realize it can be difficult to save for the future when you're just starting out, but I also know that it would be an incredible loss if you didn't start saving for the future now, when you have time and the power of compound interest on your side.

I would like to make an investment in your future financial freedom but also want to be sure that it's an investment that's likely to make a difference in your life. For this reason and to prevent any miscommunications between us, I created this statement. This statement is not designed to restrict your freedom nor is it a promise to provide any specific sum towards savings. It is just a statement outlining the minimum behavior I expect from you to be willing to make an investment in your financial security.

Here's what I expect:

- You will open a Roth Individual Retirement Account.
- You will provide me with proof of your earned income prior to year end.
- You will provide me with a copy of your Roth IRA statement prior to year end.
- You will avoid unnecessary debt and only charge on credit cards what you can afford to pay off monthly.
- You will provide me with your credit report in June and December. (annualcreditreport.com)
- You will avoid actions that harm you or others such as drug use or criminal acts.

I, _____, understand what you expect from me to be eligible to receive financial assistance to save for my future. I agree to inform you of any action or concern that I might not be able to meet any of the above listed expectations. As soon as I am concerned, I will inform you so that we may come to a solution.

Student

Date

GUIDELINES TO HELP A YOUNG ADULT FUND A ROTH IRA

Given the incredible power of compounding, in an ideal world all young adults would begin saving immediately and preferably into a tax-advantaged retirement plan like a Roth IRA. Yet the reality is that few people get around to saving until their mid-30's or 40's, either because they lack the ability to see the need to save for a distant future or lack the funds to save given the costs of starting an adult life.

The good news is that the funds a young adult contributes to a Roth IRA don't have to come directly from your loved one's earnings; they just can't exceed earnings or the maximum amount that can be contributed annually to a Roth IRA. Each year the Roth IRA contribution cap increases slightly but for 2019, the maximum amount he or she can contribute is limited to the lesser of earned income or \$6,000, reduced by any contribution to a Traditional IRA. This gives you the ability to essentially match up to \$6,000 of what your child or grandchild earns for saving on a tax-advantaged basis in a Roth IRA in 2019.

Your child or grandchild has until April 15th of each year to contribute to the Roth IRA for the previous year. Your gift to your child or grandchild to fund the Roth IRA is not income to them nor should it be considered a taxable gift from you that causes you to pay gift tax or use your credit against gift tax provided that the total amount you have given to your child for the year doesn't exceed the annual exclusion gift limit (\$15,000 in 2019).

Caution for High Income Earning Young Adults. It's unlikely that a child or grandchild that you are helping get a jump on retirement savings would themselves earn so much that they couldn't take advantage of contributing to a Roth IRA. However, you should know that the amount he or she may contribute begins to get phased out if a child's AGI is above of \$122k if single or \$203k if married filing jointly (2019).