

To: P&G Employees
From: John B. Cornetet, CPA, J.D., CFP 513-771-2444

Re: Roth IRA for Grandchildren

A Roth IRA grows tax free until retirement and is withdrawn tax free. A great gifting idea is for you to fund a Roth IRA for your grandchildren. The Roth IRA contribution limit is the amount your grandchild earns up to \$3,000 per year for years 2002 - 2004, \$4,000 for years 2005 - 2007 and \$5,000 for years 2008 and thereafter. For example, your grandchild has a part time job and makes \$1,800. You may give that grandchild \$1,800 to put into his or her Roth IRA. It will give them an incentive to work. You are matching dollar for dollar their earnings up to \$3,000.

If you contributed \$3,000 per year for each year between 16 and 21, at a 8% rate of return, the Roth IRA would grow to \$443,000 when your grandchild attained the age of 60. At age 65 it would be worth \$650,000. At a cost of 18,000, over six years, you would leave your grandchild a tax free retirement asset of \$650,000.

What a great gifting opportunity to use your wealth to set up your grandchildren's tax free retirement account.

John