

Maximizing Wealth: How Gifting to a Family Member's Roth IRA Can Strengthen Their Financial Future

As investment advisers, we often talk about strategies that not only grow assets but also build lasting legacies. One such strategy is gifting to a family member's Roth IRA—a tool that helps secure financial independence, offers tax-free growth, and ensures your loved ones can enjoy the benefits of early retirement planning.

The Power of a Roth IRA: A Tax-Free Future

A Roth IRA is an essential financial tool because it allows contributions to grow tax-free, with withdrawals also being tax-free in retirement. The beauty of a Roth IRA lies in its potential for long-term growth. Contributions, once made, continue to grow without being taxed, giving your family members a chance to accumulate wealth over time.

Why Gifting to a Roth IRA is a Smart Choice

Gifting to a Roth IRA isn't just about giving money; it's about providing an opportunity for financial growth that lasts. Here's why this is one of the best ways to help your loved ones:

- **Long-Term Tax-Free Growth:** When you gift to a Roth IRA, you enable your family member to enjoy years—if not decades—of tax-free growth. This is especially valuable if the gift is made early in their life or career, allowing their contributions to grow substantially over time.
- **Tax-Free Withdrawals:** Roth IRAs allow for tax-free withdrawals once account has been open for five years and the account holder is 59½ or older. By gifting, you're helping ensure your family member has a financial cushion in retirement that's free from tax burdens.
- **Accelerate Retirement Savings:** The annual contribution limit to a Roth IRA for 2025 is \$7,000 if you're under 50 and \$8,000 if you're 50 or older with the \$1,000 catch-up contribution. By gifting, you can help family members reach their maximum contribution each year, especially if they're just starting out.

Teaching the Value of Saving: In addition to growing their retirement funds, you're teaching younger family members the importance of saving early and often. This is a lesson that will serve them for a lifetime, providing them with more than just financial growth but also financial literacy.

Key Factors to Consider When Gifting to a Roth IRA

Though gifting to a Roth IRA can be a great move, there are a few essential factors to consider ensure you're following the rules and maximizing the benefits.

- **Gift Tax Exclusion:** The IRS allows a \$19,000 annual exclusion for gifts made to any recipient in 2025. This means you can gift up to \$19,000 each year to a person without incurring gift taxes. If you gift beyond this limit, it may be subject to gift taxes or reduce your lifetime estate and gift tax exemption.

- **Eligibility Requirements:** To contribute to a Roth IRA, the recipient must have earned income. Their total income must also fall within the eligibility limits. For 2025, the income phase-out for Roth IRA eligibility is \$150,000 to \$163,000 for single filers and \$236,000 to \$246,000 for married couples filing jointly. If the recipient's income exceeds these limits, they won't be eligible to contribute to a Roth IRA.

Ownership and Control: While you can make contributions to a family member's Roth IRA, they will ultimately control the account once it's set up. If you're contributing to a child or grandchild's account, they'll gain full control once they reach the age of majority. It's important to plan for this transition and help them understand how to manage the funds for maximum benefit.

How to Contribute to a Family Member's Roth IRA

Contributing to a family member's Roth IRA is simple and can be done directly:

- **Confirm Eligibility:** Make sure the recipient has earned income and their income falls below the Roth IRA contribution limits for their filing status.
- **Open the Account:** If your family member doesn't already have a Roth IRA, assist them in opening one at a financial institution, such as a brokerage firm or bank.
- **Make the Contribution:** Contribute to their Roth IRA up to the annual limit. You can add to their account on top of what they've contributed, as long as the total contributions do not exceed the annual contribution limit.

Monitor and Advise: Once the contribution is made, help them monitor the account's performance. Encourage periodic reviews and make adjustments to the investment strategy as needed to align with their long-term goals.

Final Thoughts

Gifting to a family member's Roth IRA isn't just a simple financial transaction, it's an investment in their future. The benefits of early, consistent contributions to a Roth IRA are immense, offering your loved ones a tax-free nest egg for retirement. By gifting to a Roth IRA, you are helping them start on a path to financial independence while teaching valuable lessons about saving and investing.

At NovaPoint, we specialize in wealth management and retirement planning. If you're considering gifting to a family member's Roth IRA or want to explore other strategies to support their financial future, [contact us here](#). We're here to help you achieve your wealth goals and leave a lasting impact on your family's financial legacy.

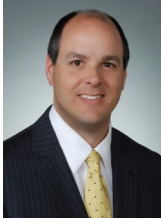
Written by Blake McDaniel, Investment Associate, Financial Planning Team

The NovaPoint Team



Joseph Sroka, CFA, CMT / Chief Investment Officer / jsroka@novapointgroup.com

Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



Alan J. Conner / President and Chief Compliance Officer / aconner@novapointgroup.com

Alan has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a fixed income manager at both Spectrum Advisory Services and a private family office. Alan was also with the Bank Group division of Countrywide Capital Markets where he developed balance sheet strategies for depository institutions. He holds a BS in Banking and an MBA in Finance from Nova Southeastern University. Alan is an endurance athlete and three-time IRONMAN finisher.



Frederick Wright, CFA / Managing Director & Portfolio Manager / fwright@novapointgroup.com

Frederick has over 30 years of experience in the investment management industry. Prior to joining NovaPoint, Frederick was a Partner and Investment Advisor at Brightworth where he advised high net worth investors. Frederick began his investment career in 1991 at Balentine & Co where he rose to Partner. He also co-founded and served as Chief Investment Officer at Wright Investment Management and at Smith & Howard Wealth Management. Prior to beginning his investment career, Frederick served as an Engineer officer in the U.S. Army. He holds a BS from the U.S. Military Academy at West Point and an MBA from Emory University. Frederick is a Chartered Financial Analyst (CFA).



Larry Dixon, EA / Tax Managing Partner / ldixon@novapointgroup.com

Larry leads NovaPoint's accounting, tax and outsourced CFO business. He built his previous company, Atlas Solutions, as a solo entrepreneur before merging into NovaPoint CFO. Larry began his career as a Field Artillery officer in the United States Army. Larry earned his Bachelor of Science degree from the U.S. Military Academy at West Point, where he was a four-year letterman on the football team. Larry is a certified Enrolled Agent, recognized by the U.S. Department of the Treasury to represent taxpayers before the Internal Revenue Service.



Meghan Hoover / Investment Associate / mhoover@novapointgroup.com

Meghan is an Investment Associate focusing on financial planning. Prior to joining NovaPoint, Meghan spent 18 years in government service as an Operations Officer in military intelligence. She holds two Bachelor of Science degrees from the University of Maryland and a Master of Science from the Joint Military Intelligence College. Meghan has additional education specializing in financial planning and is a member of the Financial Planning Association.



Blake McDaniel / Investment Associate / bmcdaniel@novapointgroup.com

Blake is an Investment Associate focusing on financial planning. Prior to joining NovaPoint, Blake served in the United States Army with 7th Special Forces Group, specializing in intelligence. Following his service, he worked as a financial planner in Atlanta. Blake has a Bachelor's degree in business administration and analytics from the American Military University and a Bachelor's degree in finance from Georgia State University.

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