



# Generational Wealth & Minor Account Setup Checklist

Universal Child Accounts, Custodial Roth IRAs, 529s, and UTMA/UGMA comparison.

## Universal Child Account

Structure: Section 530A Pilot

Max: \$5,000 / Year

**Tax Treatment:** Tax-Deferred Growth

Eligibility: None (No Earned Inc.)

Core Advantage: Any purpose at legal majority; \$1,000 newborn federal seed.

## Custodial Roth IRA

Structure: Roth Brokerage

Max: Earned Income (to \$7,000)

**Tax Treatment:** Tax-Free Compounding

Eligibility: Legitimate Earned Income

Core Advantage: Lifetime tax-free compound growth; penalty-free principal.

## 529 College Savings

Structure: State Qualified Plan

Max: Annual Gift Limit (\$19k)

**Tax Treatment:** Tax-Free for Education

Eligibility: Qualified Education Only

Core Advantage: State tax deduction, K-12 tuition, up to \$35k Roth rollover.

## UTMA / UGMA Custodial

Structure: Trustee Brokerage

Max: No Federal Limit

**Tax Treatment:** Kiddie Tax Rules Apply

Eligibility: Irrevocable Transfer

Core Advantage: First \$1,350 tax-free; next \$1,350 at child rate. Hands-off.

## AGE PROGRESSION STRATEGY & TRANSITION PLAYBOOK

### Birth to Age 5

529 Superfunding & Child Acct seed deposit

### Age 6 to 13

Kiddie Tax 0% gain harvesting on UTMA's

### Age 14 to 17

Custodial Roth with teen W-2/business payroll

### Age 18 to 22

15-yr 529-to-Roth rollover & full account title shift

## CRITICAL COMPLIANCE RULES & TAX HARVESTING BLUEPRINT

### \* Custodial Roth IRA Earned Income Rule:

A child MUST have documented earned income from work (modeling, family business employee, lawn service). Household chore allowances do NOT qualify. Maintain payroll logs, Form W-2 or 1099, and deposited paystubs.

### \* Annual Kiddie Tax 0% Capital-Gain Harvesting:

Under federal tax law, the first \$1,350 of unearned income is tax-free; the next \$1,350 is taxed at the child's single bracket (usually 10%). Parents can harvest up to \$2,700 in capital gains each December inside a UTMA at nearly zero tax cost.

### \* SECURE 2.0 529-to-Roth Rollover Safety Hatch:

Up to \$35,000 lifetime can roll from a 529 into the beneficiary's Roth IRA. Key conditions: the 529 must have been open for at least 15 years, and earnings/contributions from the trailing 5 years cannot be rolled.

### \* FAFSA Financial Aid Impact:

Assets in a 529 owned by a parent assess at a max rate of 5.64% on FAFSA. Assets in a UTMA/UGMA owned directly by a student assess at 20%. Keep college funding inside 529 accounts to safeguard need-based aid eligibility.

### \* Zero Transfer Reversals on UTMAs:

Deposits into a UTMA/UGMA are irrevocable gifts. When the beneficiary reaches age 18 or 21 (state law), ownership transfers outright. For discretionary governance, pair with a Revocable Living Trust.

