

Schwab Custodial IRAs

Give a teen a head start on saving for retirement

If your teen has earned income, opening a custodial IRA for him or her can be a great way to help teach important lessons on the value of starting early to save for retirement—and the benefits of many years of compounded growth.

Features

Tax benefits—Custodial IRAs have the same tax advantages as traditional and Roth IRAs, with the added benefit of getting your child started early so they can take advantage of compounding.

Choice of IRA—A custodial IRA can be opened as either a traditional IRA or a Roth IRA.

Advantages

Investment flexibility—You have access to research and information to help you choose stocks, bonds, CDs, mutual funds, and more, or you can select a single-portfolio solution.

Easy to open an account—There is no account minimum to open a custodial IRA. Plus, there are no account opening or maintenance fees. Other account fees, fund expenses, and brokerage commissions may apply.¹

Help and guidance—Schwab investment professionals are always available to answer your questions.

Important information

Please consider the following restrictions before applying to open a custodial IRA account for your child:

IRA assets—Generally, all assets in a custodial IRA are managed by the custodian until the child reaches the age of 18 or 21 (age varies by state).

Contribution limit—The maximum annual contribution for a custodial IRA is \$6,000 in 2021 and 2022. Contributions may not exceed the minor's earned income for the year.

Withdrawals^{2,3}—Generally, funds can be withdrawn once the beneficiary reaches retirement age (starting at 59½).

Assets withdrawn before the beneficiary reaches retirement age are subject to an early withdrawal penalty and state and federal taxes (exceptions include withdrawals, such as birth or adoption or higher-education expenses).

Next steps

Call 1-888-302-1559 to speak with a Schwab investment professional about opening a custodial IRA.

Visit a Schwab branch near you.

Go to Schwab.com/IRA to apply to open a custodial IRA.


Brokerage Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value

¹Please go to schwab.com/pricingguide to see the *Charles Schwab Pricing Guide for Individual Investors* (“the Guide”) and any amendments to the Guide for comprehensive details on fees.

²Roth IRA: Tax-free withdrawals of earnings are permitted five years after creating account with the first contribution. Once the five-year requirement is met, distributions will be free from federal income taxes if taken: (1) after age 59½; (2) on account of disability or death; (3) to pay up to \$10,000 of the expenses of purchasing a first home; or (4) birth or adoption expenses of up to \$5,000. Withdrawals that do not meet these qualifications will be subject to ordinary income taxes and a 10% federal tax penalty.

³Traditional IRA: Withdrawals prior to age 59½ may be subject to a 10% federal tax penalty.

This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Where specific advice is necessary or appropriate, Schwab recommends consultation with a qualified tax advisor, CPA, financial planner, or investment manager.

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