

# 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 potential for many years of compounded growth.

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## 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.

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## 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.<sup>1</sup>

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

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## 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 \$7,000 in 2024 and 2025. Contributions may not exceed the minor's earned income for the year.

**Withdrawals<sup>2,3</sup>**—Generally, funds can be withdrawn once the beneficiary reaches retirement age (starting at 59½).

Assets withdrawn before the beneficiary reaches retirement age are subject to an early withdrawal penalty and state and federal taxes (exceptions include withdrawals, such as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

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## 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](https://www.schwab.com/IRA) to apply to open a custodial IRA.

**Investment and Insurance Products: Not a Deposit ▪ Not FDIC Insured ▪  
Not Insured by any Federal Government Agency ▪ No Bank Guarantee ▪ May Lose Value**

<sup>1</sup>Please go to [schwab.com/pricingguide](https://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.

<sup>2</sup>Roth IRA: Tax-free withdrawals of earnings are permitted five years after creating an 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) to cover birth or adoption expenses of up to \$5,000. Withdrawals that do not meet these qualifications will generally be subject to ordinary income taxes and a 10% federal tax penalty. However, certain distributions are not subject to the 10% federal tax penalty, but are subject to ordinary income taxes over one or more years, although such tax may be refunded if the distribution is repaid within three years: (1) a distribution of up to \$22,000 due to a qualified federally declared disaster; (2) the lesser of \$10,000 or 50% of the vested account balance to a domestic abuse victim; and (3) one emergency expense distribution per year up to the lesser of \$1000 or the vested account balance minus \$1000.

<sup>3</sup>Traditional 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, you should consult with a qualified tax advisor, CPA, Financial Planner, or Investment Manager.

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