

This blog is for parents who have teenage children who are in or will soon enter the workforce.

There are two tax tips I want you to consider.

First, if they are unlikely to earn more than about \$13,000, they should make sure that their W-4 is marked EXEMPT. If they do that, there will be no income tax withholding. (They will still pay FICA and Medicare.)

Every year clients bring me W-2s from their teenage children and ask me if the child has to file a return.

Jim: Yes, if she wants that \$65 refund. Otherwise, no because her income is under the limit.

Client: How much will you charge to prepare the return?

Jim: More than her \$65 refund.

Don't make it so that I, you, or your teen have to file a tax return totally unnecessarily or, alternatively, walk away from a tax refund. Mark that W-4 EXEMPT until that teen starts making real money.

Second, fund your teen's Roth IRA to the maximum allowed. A teen whose Roth IRA is funded to the max every year until she retires will have a non-taxable nest egg worth close to a million dollars. That's adjusted for inflation! And doesn't include their future 401Ks.

Don't believe me? Let's see what Al Einstein had to say about it:

**"Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."**