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## How do custodial accounts work?

Have you considered how you'll start building wealth for the younger people in your family? Custodial accounts can be a wonderful solution, allowing you to transfer cash, stocks, bonds or other assets to minors. While the child technically owns the assets, they stay under the adult's thoughtful management until the child reaches 18 or 21, at which point control of the account smoothly passes to the young adult.

### Types of Custodial Accounts

- **Uniform Gifts to Minors Act (UGMA) account.** The UGMA allows adults to open custodial accounts for minors to facilitate the transfer of cash, stocks and bonds.
- **Uniform Transfers to Minors Act (UTMA) account.** The UTMA allows adults more options for passing assets to minors. In addition to cash, you can place physical assets like real estate in a UTMA account.

### Custodial Account Considerations

It is important to understand the rules regarding custodial accounts, as well as their potential benefits and drawbacks:

- **Flexibility:** Custodial accounts do not impose any contribution limits. You can place any amount of cash or other assets in the account for your child or grandchild. Plus, the assets can be used in any way that benefits the minor beneficiary.
- **Cost:** Opening a custodial account is a less expensive alternative to establishing a trust.
- **Taxes:** Any income, such as interest, generated by assets in the account is subject to taxes. Plus, you will need to consider the [gift tax](#) that applies to anything over the lifetime limit.
- **Irrevocability:** Once assets are placed in a custodial account, they are irrevocable. They belong to the minor beneficiary. Once they reach adulthood, they can do whatever they want with the assets in the account.
- **Financial Aid:** Custodial accounts may impact a child's ability to qualify for financial aid.

It is never too early to start thinking about your children or grandchildren's futures. Reach out if you have any questions about financial planning for you and your loved ones.

## ***Financial Planning may help your dreams come true!***

Simple, Smart, and Effective financial planning may help you build wealth. Our strategies and hands-on approach may help you increase savings, lower taxes, provide customized investment advice, help you secure your retirement and more. Together, we will help you build a plan toward making your dreams come true.



# ROI FINANCIAL

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