

THE LADDER of PERSONAL FINANCE

Roth IRA

“Compounding.” Albert Einstein said, “is mankind’s greatest invention because it allows for the reliable, systematic accumulation of wealth.”

Open up a Roth IRA and contribute as much money as possible to it. You are allowed to contribute \$6,000 in 2019. As long as your income is \$120,000 or less. With a Roth, you invest already – taxed income and you don’t pay any tax when you withdraw it.

To start a Roth IRA, you’re first going to open an investment brokerage account with a trusted company. Think of the “investment brokerage account” as your house and the Roth IRA as one of the rooms.

Q: I DON’T WANT TO LOCK MY MONEY UP IN A RETIREMENT ACCOUNT- I MIGHT NEED IT SOON. WHAT SHOULD I DO?

A: Many people think of a retirement account as “locking” the money up, which is not entirely accurate. Remember that if you contribute to a Roth IRA, you can always withdraw the money you contribute (“the principal”) penalty-free.

Factors to Consider When Choosing Your Investment Brokerage

Minimums: Before you open your investment account, you’ll want to compare minimum requirements. You use a discount brokerage. Most do require a minimum contribution of \$1,000-\$3,000 to open a Roth IRA, but they’ll often waive it if you set up automatic transfer. Even if it doesn’t waive any minimums, I recommend setting up a monthly automatic transfer so your money will grow without you having to think about it.

Signing up should take about an hour. You can do it entirely online, you can call the companies and they’ll mail or email you the necessary documents. Remember to tell them that you want to open a Roth IRA so they give you the right paperwork. There will be a way to connect your checking account to your investment accounts so that you can regularly automatically transfer money to be invested. I’ll show you how companies waive minimum investing fees if you agree to automatically send \$50 or \$100 per month. But opening a Roth IRA is free. Ideally you will be able to increase that amount.

Most people don’t know this, but you can withdraw your principle (the amount you invested from your pocket) penalty – free. This reason alone is enough for you to open your Roth IRA this week.

Recommended Discount Brokerages

POPULAR INVESTMENT FIRMS WHO OFFER THE BEST ROTH IRA ACCOUNTS OF 2019:

Ally Invest	Top All Around
M1 Finance	Free Stock/ETF Trading
Betterment	Best: Beginners & Hands-off
Lending Club	Best: Non-Stock Options
Vanguard	\$1,000 Minimum but well worth it
TD Ameritrade	Best: Brick and Mortar
E*TRADE	Best: Overall Services
Wealth simple	Automated Management
Firstrade	Best: Low Fees
Ellevest	Best For Women

Whether you choose a robo – advisor (M1 Finance, Betterment), Vanguard or another low-fee brokerage is a minor detail. Pick one and move on.

Feed Your Investment

If you didn't set up automatic contributions, do so now, even if it's just \$50/month. It's a good habit to get into and will help you accrue any necessary minimum.

CONGRATULATIONS!

Take a second to pat yourself on the back – you've started up the Ladder of Personal Finance. You now have a system set up to grow your money. This is important. Having investment accounts means you're starting to think about rapid growth and distinguishing between short-term savings and long-term investing. And that \$50 you sent may seem like a small step, but I believe it's the most significant \$50 you'll ever invest.