THE MILLIONAIRE CURRICULUM

Booklet 3

The Roth IRA Playbook

Why This Account Is the Young Investor's Secret Weapon

For College Students & Young Professionals

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CHAPTER 01

What Is a Roth IRA — and Why Should You Care?

Most people have heard the term. Very few truly understand the power behind it. Once you see the numbers, you will wonder why this is not taught in every school in America.

The Simple Explanation

IRA stands for Individual Retirement Account. A Roth IRA is a special type of investment account with one defining superpower: your money grows completely tax-free, and you pay zero taxes when you withdraw it in retirement.

Here is how it works in plain English:

- You contribute money you have already paid income taxes on (after-tax dollars).
- That money is invested and grows — potentially for decades.
- When you retire and withdraw the money, you owe zero federal taxes on any of it — not the original contributions and not the decades of investment growth.

The Core Advantage

Imagine you invest $6,000 at age 22, and it grows to $120,000 by age 65. With a regular brokerage account, you would owe capital gains tax on the $114,000 of growth. With a Roth IRA, that entire $120,000 is yours — tax-free. Every dollar you would have paid in taxes instead stays in your pocket.

Why Young People Have a Massive Advantage

The Roth IRA was practically designed for young investors, and here is why: the tax benefit is most powerful when your money has the longest time to grow.

Consider the math on a single $7,000 contribution made at different ages:

Age at Contribution	Growth at 8.5% to Age 65	Tax Owed at Withdrawal	True Value vs. Taxable Acct
22	~$234,000	$0 (tax-free)	+$56,000 extra vs. 25% tax rate
30	~$122,000	$0 (tax-free)	+$28,000 extra vs. 25% tax rate
40	~$54,000	$0 (tax-free)	+$11,000 extra vs. 25% tax rate
50	~$24,000	$0 (tax-free)	+$4,250 extra vs. 25% tax rate

One $7,000 contribution at age 22 is worth $56,000 more than the same investment in a taxable account — simply because the Roth grows without the tax drag. This gap multiplies dramatically over a full career of contributions.

> 📖 **Real Story: Emma vs. Noah — Same Money, Very Different Outcomes**
>
> *Emma and Noah both invest $500/month for 40 years at 8% return, ending with approximately $1.75 million each. Emma used a Roth IRA. Noah used a regular brokerage account. At retirement, Emma withdraws her $1.75 million tax-free. Noah owes capital gains taxes on the roughly $1.51 million of growth in his account — potentially $225,000+ in taxes depending on the year. Same monthly contribution, same market return. Emma walked away with hundreds of thousands more — just by choosing the right account.*

The 2026 Roth IRA Rules at a Glance

The IRS sets annual rules for Roth IRA eligibility and contributions. Here are the key numbers for 2026:

Rule	2024 Details
Annual contribution limit	$7,500/year ($625/month)
Catch-up contribution (age 50+)	+$1,100 extra = $8,600/year
Income limit — single filers	Full contribution up to $153000; phases out by $168,000
Income limit — married filing jointly	Full contribution up to $242,000; phases out by $252,000
Deadline to contribute	Tax filing deadline (typically April 15 of the following year)
Minimum age to open	No minimum — even minors with earned income can contribute
Age to withdraw tax-free	59.5 years old (contributions withdrawable anytime)

> ⚠ **Earned Income Requirement**
>
> You can only contribute to a Roth IRA if you have earned income (wages, salary, self-employment income) equal to or greater than your contribution. If you earn $3,000 in a year, you can contribute up to $3,000 — not the full $7,500. Investment income, gifts, and allowances do not count as earned income.