

## Here's what Pink's 11-year-old daughter should do with her 'minimum wage' job

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This strategy 'will pay off in a very big way one day'



Pink said she's taking her two children with her on tour, and her 11-year-old daughter will work a 'minimum wage' job.

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Pink's 11-year-old daughter is working a "minimum wage" job on her mom's upcoming tour, and while she's learning about taxes and salary negotiations she may want to consider opening a retirement account.

During an interview on “Today,” the pop star said she was bringing her 11-year-old daughter, Willow, and her 6-year-old son, Jameson, on tour with her. Pink said she also taught her daughter how to negotiate a salary — when she said she’d pay her daughter \$22.50 a show, Willow said she’d take \$20 because it’s easier math. “I’m like, ‘that’s not how you negotiate for yourself,’” she told the show hosts. “I’m like, ‘you’ll take \$25 so it’s easier math.’”

Another thing Willow could benefit from: opening a retirement account with her earnings.

IRAs can only be funded when the account holder has earned income, which means working children could have an account. The caveat — that money must be recorded, such as with a W-2 or 1099, to prove that income (so an allowance for chores around the house won’t do).

“Anytime we can legitimately confirm or arrange for the work income, it’s a great idea,” said Daniel Galli, a certified financial planner at Daniel J. Galli & Associates.

Any type of account is a step in the right direction, but Roth accounts are a strong choice as they allow individuals to pay taxes at the time of contribution as opposed to distribution. Roth accounts are best for people who are in lower tax brackets and who expect to be in higher tax brackets later in life.

For example, if Willow earned \$25 a show and she worked 54 shows this year, she would earn \$1,250 before taxes. If she were to contribute \$1,000 to a Roth IRA and not touch it for 50 years (at which point, she’d be 65), that account balance would grow to more than \$23,255, assuming a 6% rate of return compounded annually. If she were to contribute just \$1,000 to that account every year with the same rate compounded annually for the next 54 years, her account balance would be almost \$371,000 by age 65.

Opening a retirement account teaches children and young adults the power of saving, investing and planning for the long-term, all while setting them up to benefit financially when they’re older. IRAs not only help in retirement but can be used for education expenses or up to \$10,000 on a first-time home purchase. Individuals can also withdraw from a Roth IRA tax- and penalty-free prior to age 59 ½, unlike a traditional IRA or a 401(k) plan, when they follow distribution rules.

Retirement assets for both parents and children do not count against financial aid, either, said Susan Hamilton, a certified financial planner.

Some parents generously match their children’s earnings, so that they can spend or save their wages as they like and still build a retirement account. Contributions can’t exceed

what the child earned that year, but parents interested in this strategy may either let their children keep their earnings and their match goes into the retirement account, or they may try to encourage their children to put as much away in the account as possible by saying they'll match the child's contribution. In the latter case, if a child earned \$1,000 for the year, she may opt to keep \$500 and invest the remaining \$500 and her parents could contribute an additional \$500 to her account.

"Encouraging the child to open a Roth and put as much of their earned income in there is the trick," said Ian Weinberg, a certified financial planner and chief executive officer at Family Wealth & Pension Management, who follows this strategy with his own children. "It will pay off in a very big way one day."