

THE NEXT-TIER FINANCIAL CHECKLIST

5 Things to Set Up Before Your Kid Turns 5

The next tier, now that the dust has settled.

Nobody's behind here. This is what comes next.

You made it. The newborn haze is over, the sleep is mostly back, and you've probably found a rhythm that resembles an actual life. This isn't a "you're behind" list. Nobody's behind here. This is what comes next, now that survival mode is over.

Same rule as always: this is the order of operations and the questions worth asking, not a script. Your numbers are your numbers.

1 A 529 or Custodial Account, If You Still Haven't

If this one slipped through during the newborn phase, no judgment, it happens. But it moves from optional-feeling to urgent once your kid's out of diapers, because every year you wait is a year of compounding you don't get back.

THE MOVE

- A 529 plan grows tax-free for education costs, and has picked up some added flexibility in recent years depending on your state.
- A custodial brokerage account, UTMA or UGMA, has no restrictions on use but fewer tax perks, and becomes fully the kid's money at the age of majority.
- Open one, set up an automatic monthly contribution, move on. You don't need the perfect plan, you need it running.

WHERE IT GETS SITUATIONAL

Education costs clearly the priority, or your state gives a real 529 deduction? Lean there. Want flexibility beyond school? Custodial account keeps more doors open.

2 A UTMA/UGMA Brokerage Account

This is for the dads who already have a 529 and want more than education-only savings. A first car, a down payment, seed money for whatever your kid turns out to want to do, not the version the 529 assumes.

THE MOVE

- Open a custodial brokerage account in your kid's name. You control it as custodian until they hit the age of majority in your state, typically 18 or 21.
- Invest it like the long time horizon it is. Broad index funds, not stock picking based on what your kid's obsessed with this month.
- Know the tradeoff going in: this money is legally theirs the day they hit that age, to use however they want. A 529 has more restrictions, but also more guardrails on how the money gets spent.

WHERE IT GETS SITUATIONAL

Fine handing an 18-year-old a 5-figure account with 0 strings attached? Straightforward. If that thought makes your stomach drop a little, that's useful information. It might mean you lean harder into the 529, or keep this account intentionally modest.

3

A Roth IRA for Your Kid, If They Have Earned Income

Most parents have no idea this is even possible, which is exactly why it made the list. This one requires real earned income. Allowance for chores doesn't count, no matter how creatively you frame it. A paid modeling gig, acting work, or a genuine role in a family business does.

WHAT IT IS

If your kid has legitimate, documentable earned income, you can open a custodial Roth IRA and contribute up to what they earned, capped at the annual IRA limit. It grows tax-free, and starting at age 5 or 6 instead of 25 gives compounding an absurd head start.

THE MOVE

Only pursue this if there's real income behind it. Don't manufacture "chores as a business" to try to qualify, that's a red flag to the IRS, not a strategy. If your kid earns money for real, child actors, family business payroll, talk to a tax pro about setting it up correctly.

WHERE IT GETS SITUATIONAL

For most families with a 5-year-old, this one doesn't apply yet, and that's completely fine. It's here because when it does apply, almost nobody thinks to do it, and the earlier the runway starts, the bigger the eventual number.

4

A “Life Happens” Account, Separate From Your Emergency Fund

Your emergency fund is for job loss, medical crises, the roof falling in. This is different. It's for the stuff that's predictable in category but unpredictable in timing: orthodontics, a travel sports team, a school trip, the expenses that show up for nearly every family eventually.

THE MOVE

- Open a separate high-yield savings account. It should still earn something while it sits, no reason to leave it flat.
- Fund it gradually with a modest recurring transfer. This one's meant to exist, not to be huge.
- Keep it walled off from your true emergency fund, so a surprise \$3,000 orthodontist bill doesn't force you into your job-loss cushion, and vice versa.

WHERE IT GETS SITUATIONAL

How big this needs to be depends heavily on your kid, your area, and your own history. A family already eyeing travel sports or private school should fund this bigger, and sooner, than one that isn't.

5

Life Insurance Review, Not New, Just Revisited

You already have term life insurance from when your kid was born, if step 1 of the last checklist did its job. This isn't about opening something new. It's about checking whether the amount and term still make sense now that your obligations have changed.

THE MOVE

- Revisit the coverage amount. Income changed? Second kid? Bigger mortgage? Your original policy was sized for a different set of facts than the ones you're living in now.
- Check the term length. Does it still cover the years until your kid is financially independent, or is it going to lapse while they're still in high school?
- Health improved since your original policy? Quit smoking, lost weight, whatever it is? Worth re-shopping. You may qualify for a better rate now than the one you locked in.

WHERE IT GETS SITUATIONAL

This is a 5-minute gut check, not a project, which is exactly why it's easy to forget. You already "did" this once. Set a recurring reminder to revisit it every few years, or whenever something major shifts.

TAKEAWAYS

The Short List

- 🌱 A 529 or custodial account, opened if it still isn't
- 🌱 A UTMA/UGMA account, if you want flexibility past education
- 🌱 A Roth IRA for your kid, only if there's real earned income
- 🌱 A "life happens" fund, separate from your emergency fund
- 🌱 A life insurance review, checking the amount still fits your life

Send this to a dad who needs it.

Expecting another one, or know a friend who is? Send them the other half of this set: **"5 Things to Set Up Before Your Baby Arrives."** The nesting-phase version, for before any of this applies.

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