

Your Retirement in Focus

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Savings for Stay-at-Home Spouses

It can be challenging for a spouse who doesn't have access to an employer's retirement plan to save for retirement. One potential solution: opening a spousal individual retirement account (IRA).



How It Works

A spousal IRA can be a good option for a stay-at-home spouse or a spouse who has little or no earned income. Although a couple may jointly contribute to the spousal IRA, it's a separate account held in the name of the spouse for whom the account is established. This allows that spouse to make any decisions that affect the account, such as choosing investments and designating a beneficiary.

Generally, for 2016, an individual can contribute up to \$5,500 (\$6,500 if over age 50) of earned income to an IRA. Under the spousal IRA rules, contributions may be made for one spouse based on the other spouse's earned income. Couples must file jointly to contribute to a spousal IRA, and IRA contributions for both spouses can't be more than their combined earned income.

Traditional Spousal IRA Contributions

Contributions to a traditional IRA may be tax deductible. A full deduction is available if neither spouse actively participates in an employer's retirement plan. However, if one spouse actively participates in a retirement plan, the tax deduction for the nonparticipant spouse's contribution begins to phase out once combined 2016 modified adjusted gross income (AGI) exceeds \$184,000. The deduction for the participant spouse's contribution to his or her own IRA begins to phase out when combined AGI exceeds \$98,000.

Earnings in a traditional IRA are tax deferred. Withdrawals are generally taxable except to the extent of any nondeductible contributions made to the account.

Roth Spousal IRA Contributions

A Roth spousal IRA is another possibility to consider. Roth IRA contributions are not tax deductible. However, there are still AGI limits on contributions. For couples filing jointly, eligibility to contribute to a Roth IRA for 2016 phases out with combined AGI between \$184,000 and \$194,000.

Earnings in a Roth IRA are tax deferred. Account withdrawals are income tax free after five tax years and attaining age 59½.

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