

[https://www.unionleader.com/news/business/money\\_sense/marc-a-heberts-money-ense-what-you-need-to-know-about-spousal-iras/article\\_6b9141b0-4615-5ed4-964c-574078af8190.html](https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-what-you-need-to-know-about-spousal-iras/article_6b9141b0-4615-5ed4-964c-574078af8190.html)

## Marc A. Hebert's 'Money \$ense': What you need to know about spousal IRAs

Jun 13, 2020



ACCORDING to the Employee Benefit Research Institute, the average IRA account balance for men is \$158,521 while for women it is \$101,008 (latest data available is from 2016). One reason cited for the difference is the wage gap. Men potentially earn more than women. Another reason is that women are more apt to stay at home to provide care for family, whether it be children or aging parents. Reduced earnings decrease the ability to save for retirement. In some cases, there may be no retirement savings at all.

There is a way that couples could potentially save more retirement funds for a spouse that has little or no earnings. Doing so will help keep retirement goals on track for both. This will benefit both spouses over the long term and provide a tax deduction for today.

This savings strategy is to make spousal IRA contributions. Deductible IRA contributions are based on earned income levels and whether or not an individual participates in an employer plan. Having no income for one spouse means this individual would fail one eligibility requirement. However, the spouse with no income could use the working spouse's salary to "cover" the contribution made to the spouse's IRA. The rules say a taxpayer can fund a separate IRA for each spouse based on the couple's combined earned income.

The IRA is not jointly owned by the spouses. Each spouse has the potential to set up an IRA in their own name.

Consistent savings into IRA accounts can add up over time. For 2020, an individual with earned income can contribute \$6,000 to an IRA. An additional \$1,000 can be added to the \$6,000 contribution if the spouse making the contribution is age 50 or older. His or her spouse can also contribute \$6,000 to their

account. This is true as long as the couple's combined earned income is greater than the contributions made. The couple must also file a joint tax return.

If neither the husband nor wife participates in an employer-sponsored retirement plan, such as a 401(k), the contribution may be deductible. If a spouse participates in a plan, then the rules change. There are modified adjusted gross income limits that could affect the deductibility of contributions. If a spouse is not covered but the partner is covered by a plan at work, the ability to make deductible contributions phases out starting at modified adjusted gross income of \$196,000 and completely phases out at \$206,000 for 2020.

Spousal IRA contributions can also be made to a Roth IRA. The contribution limits are the same – \$6,000 or \$7,000 for those age 50 and over. You will also need to have earned income to cover the contribution(s). The modified adjusted gross income phase out for Roth IRAs is the same as that for traditional IRAs cited above.

The deadline to contribute to an IRA is usually the same deadline for filing your tax return – April 15. Due to the COVID-19 pandemic, the filing deadline for the 2019 tax year has been extended to July 15. To help taxpayers better manage the financial impact of the pandemic, this extended deadline also applies to the deadline for making IRA contributions. It may be difficult for you to continue to save, but if saving any additional money is possible then it could be the best course of action for you.

The rules for contributions to and the deductibility of IRA contributions can be quite complex. For further guidance, we would suggest consulting a certified financial planner or a personal tax adviser.

---

Marc A. Hebert, MS, CFP, is a senior member and president of the wealth management and financial planning firm The Harbor Group of Bedford. Email questions to Marc at [mhebert@harborgroup.com](mailto:mhebert@harborgroup.com). Your question and his response might appear in a future column.

<]