

Consider A Spousal IRA

Nonworking spouses can save for retirement, too. If you are employed, you may be able to set up and contribute to an individual retirement account (IRA) on your spouse's behalf.

How it works

Spousal IRAs allow nonworking spouses to make deductible IRA contributions from \$0 to \$5,000 for 2010 (up to \$6,000 if age 50 or older). To qualify, couples must file a joint federal tax return and the working spouse must have an earned income (including wages and tips) of at least the amount contributed. Deductible contributions for the nonworking spouse phase out for people with modified adjusted gross income (MAGI) between \$166,000 and \$176,000 if the working spouse is covered by a qualified retirement savings plan, such as the one you have at work.

Say a married couple has a MAGI of \$125,000, all from the wife's job. If she participates in an employer-sponsored retirement savings plan, the nonworking husband can make a \$5,000 (or \$6,000 if age 50 or older) deductible IRA contribution because their joint MAGI is under \$167,000.

Qualified-plan effects

Whether either spouse works or not, when neither is in a qualified retirement plan, they both may contribute to an IRA a deductible amount up to \$10,000 (\$12,000 at age 50 and older). If both spouses work and participate in qualified employer plans, each can contribute a deductible amount up to \$5,000 to an IRA (or \$6,000 at age 50 plus) if their joint AGI is \$166,000 or below. If it exceeds \$176,000, neither can make a deductible contribution for that year. The beauty of the Spousal IRA is it lets stay-at-home parents and other nonworkers set aside money for their *own* golden years.

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