



## Are you married and not earning compensation? You may be able to put money in an IRA

When one spouse in a married couple is not earning compensation, the couple may not be able to save as much as they need for a comfortable retirement. In general, an IRA contribution is allowed only if a taxpayer earns compensation. However, there's an exception involving a "spousal" IRA. It allows contributions to be made for a spouse who is out of work or who stays home to care for children, elderly parents or for other reasons, as long as the couple files a joint tax return.

For 2023, the amount that an eligible married couple can contribute to an IRA for a nonworking spouse is \$6,500, which is the same limit that applies for the working spouse.

### **Benefits of an IRA**

As you may know, IRAs offer two advantages for taxpayers who make contributions to them:

- Contributions of up to \$6,500 a year to a traditional IRA may be tax deductible, and
- The earnings on funds within the IRA aren't taxed until withdrawn. (Alternatively, you may make contributions to a Roth IRA. There's no deduction for Roth IRA contributions, but, if certain requirements are met, future distributions are tax-free.)

As long as a married couple has a combined earned income of at least \$13,000, \$6,500 can be contributed to an IRA for each spouse, for a total of \$13,000. (The contributions for both spouses can be made to either a regular IRA or a Roth IRA, or split between them, as long as the combined contributions don't exceed the \$13,000 limit.)

**Higher contribution if 50 or older**

In addition, individuals who are age 50 or older can make “catch-up” contributions to an IRA or Roth IRA in the amount of \$1,000. Therefore, for 2023, a taxpayer and his or her spouse, who have both reached age 50 by the end of the year can each make a deductible contribution to an IRA of up to \$7,500, for a combined deductible limit of \$15,000.

However, there are some limitations. If, in 2023, the working spouse is an active participant in one of several types of retirement plans, a deductible contribution of up to \$6,500 (or \$7,500 for a spouse who will be 50 by the end of the year) can be made to the IRA of the nonparticipant spouse only if the couple’s AGI doesn’t exceed a certain threshold. This limit is phased out for AGI between \$218,000 and \$228,000.

If you’d like more information about IRAs or want to discuss retirement planning, contact us.