



## Double Up with a Spousal IRA



If you and your spouse are looking for a way to build your retirement savings but one of you is not working, you might consider funding a spousal IRA. This could be the same IRA that the spouse contributed to while working or it could be a new account.

In either case, IRS rules allow a married couple to fund separate IRA accounts for each spouse based on the couple's joint income. The total of both IRA contributions cannot exceed the total taxable income reported on the couple's joint tax return.

You can make contributions for 2022 up to the April 2023 tax filing deadline. You might also get a head start for 2023 and contribute for both years.

For tax year 2022, an individual with earned income from wages or self-employment can contribute up to \$6,000 annually to his or her own IRA and up to \$6,000 more to a spouse's IRA. An additional \$1,000 catch-up contribution can be made for each spouse who is 50 or older. For tax year 2023, the contribution limit increases to \$6,500, but the \$1,000 catch-up contribution remains the same.

### **Traditional IRA Deductibility**

If neither spouse is an active participant in a workplace retirement plan such as a 401(k), contributions to a traditional IRA are fully tax deductible. However, if one or both are active participants, income limits may affect the deductibility of contributions. Limits are higher for contributions to the IRA of a nonparticipating spouse, so some participants in workplace plans who earn too much to deduct an IRA contribution for themselves may be able to make a deductible IRA contribution to a spousal account.

For joint filers, the ability to deduct contributions to the IRA of an active participant in 2022 is phased out at a modified adjusted gross income (MAGI) between \$109,000 and \$129,000, but contributions to the IRA of a nonparticipating spouse are phased out at a MAGI between

\$204,000 and \$214,000. (For 2023, phaseouts increase to \$116,000–\$136,000 and \$218,000–\$228,000).

Withdrawals from traditional IRAs and workplace plans are taxed as ordinary income and may be subject to a 10% penalty if withdrawn prior to age 59½, with certain exceptions.

## The Roth Option

Roth IRA contributions are made with after-tax funds, so they can be withdrawn without penalty at any time. For a tax-free withdrawal of earnings, the account must meet a five-year holding requirement, and the withdrawal must take place after age 59½ (or result from the owner's death or disability).

Regardless of participation in a workplace plan, the ability to contribute to a Roth IRA in 2022 is phased out at a joint MAGI between \$204,000 and \$214,000 (\$218,000–\$228,000 in 2023).

Questions? Contact First Financial's Investment & Retirement Center by calling 732.312.1534. You can also email [mary.laferriere@lpl.com](mailto:mary.laferriere@lpl.com) or [maureen.mcgreevy@lpl.com](mailto:maureen.mcgreevy@lpl.com)

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