

DANIELS, ALEXANDER & DANIELS FREEDOM FINANCIAL GROUP, INC.

Spousal IRA's

WHAT IS A SPOUSAL INDIVIDUAL RETIREMENT ACCOUNT (IRA)?

If you meet certain conditions, you can set up and contribute to an IRA (traditional or Roth) for your spouse, even if he or she receives little or no taxable compensation for the year of the contribution. Such an IRA is commonly referred to as a spousal IRA. A spousal IRA is not, however, a special type of IRA. It is merely a way of describing the fact that you are making a contribution to your spouse's traditional or Roth IRA. To contribute to a spousal IRA, you must meet four conditions:

- **You must be married at the end of the tax year**
- **You must file a joint federal income tax return for the tax year**
- **You must have taxable compensation for the year**
- **Your spouse's taxable compensation for the year must be less than your taxable compensation.**

Taxable compensation includes wages and salaries, commissions, self-employment income, and taxable alimony or separate maintenance. It does not include earnings and profits from property

(such as rental income, interest income, and dividend income), pension or annuity income, deferred compensation received, or any items that are excluded from income.

Example(s): You have taxable compensation of \$80,000 for 2024. Your spouse has no taxable compensation. Assuming you file a joint federal income tax return and are married at the end of the tax year, you may be able to contribute up to \$7,000 to an IRA in your spouse's name (\$8,000 if your spouse is age 50 or older). If you do this and are also able to contribute \$7,000 to your own IRA (\$8,000 if you are age 50 or older), your total IRA contribution for 2024 to the two IRAs can be as much as \$14,000 (\$16,000 if you are both 50 or older).

TRADITIONAL SPOUSAL IRAS AND ROTH SPOUSAL IRAS

If you meet the above conditions for spousal IRAs, you can contribute to a traditional IRA in your spouse's name. All or part of your contribution to your spouse's traditional IRA may even be tax deductible under certain conditions.

You may also be able to contribute to a Roth IRA in your spouse's name if you meet the above conditions and your combined modified adjusted gross income (MAGI) is within certain limits (see last paragraph). Roth IRA contributions are never tax deductible, but withdrawals may be tax free under certain conditions.

Tip: If eligible, you can contribute to both a traditional IRA and a Roth IRA for your spouse, as long as your total contributions to all of the spousal IRAs don't exceed the limits described below.

HOW MUCH CAN YOU CONTRIBUTE TO A SPOUSAL IRA?

Unless your spouse is age 50 or older, you can contribute no more than \$7,000 to a spousal IRA for 2024 (up from \$6,500 in 2023). To be more specific, the maximum amount that you can contribute to a spousal IRA for 2024 is the lesser of:

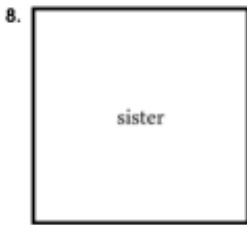
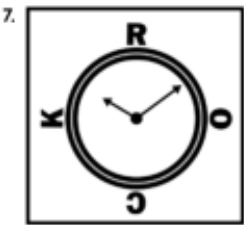
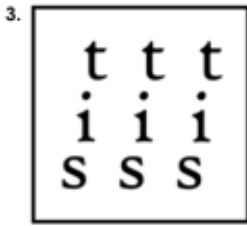
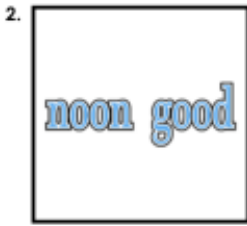
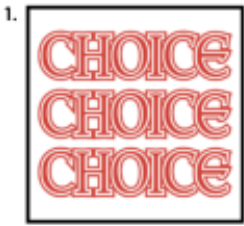
- \$7,000 (\$8,000 if your spouse is age 50 or older)
- The combined taxable compensation of you >>>

>>> and your spouse, less any amounts contributed to your own traditional and Roth IRAs

Example(s): You have \$7,000 in taxable compensation for 2024. Your spouse has \$500 in taxable compensation for 2024. Both of you are younger than age 50. You contribute \$5,500 to your own Roth IRA. The maximum amount that you can contribute to your spouse's IRA (traditional or Roth) is \$2,000.

If your and your spouse's combined MAGI for the year is more than \$230,000 in 2024 (\$218,000 for 2023), your ability to contribute to a Roth IRA in your spouse's name is limited, and phased out entirely if your combined MAGI in 2024 is \$240,000 or more in 2024 (\$228,000 or more for 2023). If either you or your spouse is covered by an employer-sponsored retirement plan and your combined MAGI exceeds certain levels, your ability to make deductible contributions to a traditional IRA in your spouse's name may also be limited (or phased out entirely).

Brain Teasers



Answers:
Multiple choice, 2. Good afternoon, 3. Sit ups, 4. Little house on the prairie, 5. Breakfast 6. adverb, 7. Rock around the clock, 8. Little sister, 9. I'm counting on you



Upcoming Events

APRIL 2ND
ALEX'S BOOK CLUB
"THE COVENANT OF
WATER"
BY ABRAHAM
VERGHESE

APRIL 8TH
ECLIPSE PARTY
- "TOTAL SOLAR
ECLIPSE"