

IRAs & Roth IRAs

The Spousal IRA & Roth IRA Contribution

Questions & Answers

Purpose. This brochure explains the special rules and considerations which apply to spousal contributions made to a traditional IRA and/or Roth IRA.

What is a spousal contribution?

It is a special type of regular or annual contribution. The federal tax laws require that a person must have compensation in order to make an annual IRA contribution. However, a spousal contribution is an exception to this rule. A spousal contribution is an IRA contribution made by a married individual, but the basis for this contribution is his or her spouse's compensation along with his or her own compensation.

Must I be married to make a spousal IRA contribution?

Yes. You must be married as of December 31 of the year for which the contribution is made.

Must my spouse make the spousal IRA contribution to my IRA?

No. The basic legal concept used to be that the compensated spouse made a spousal contribution on behalf of his or her non-working spouse. The legal concept now is, the non-working or lower-income spouse makes a contribution for himself or herself based on the spouse's compensation, along with his or her own compensation.

Must I designate my spouse as my beneficiary of this IRA?

The general answer is "no." Unlike many types of employer-sponsored pension plans, you are not required by federal law to designate your spouse as your IRA beneficiary. State laws govern however, and in those states with community property laws or marital property laws, your spouse does have a property right to a portion of your IRA.

What constitutes compensation (i.e. earned income) so an IRA contribution can be made?

Earned income means wages, salary, professional fees, and other amounts received in exchange for personal services rendered. It includes such things as bonuses, commissions, tips, self-employment and taxable alimony. It does not include interest, dividends, pension payments, deferred payments, social security payments, or rental payments.