

VIDEO

May 8, 2020

Focus on Funds: Boost Your Family's Savings with a Spousal Individual Retirement Account

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A lesser-known tax code provision can help nonworking spouses build savings in an individual retirement account (IRA). In the May 8, 2020, edition of *Focus on Funds*, ICI Senior Director of Retirement and Investor Research Sarah Holden details how it works.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: Looking for a way to tell someone you love “happy birthday,” “happy anniversary,” or just “you’re kind of special”? Well, maybe it’s an individual retirement account [IRA] that says that. We don’t often get romantic advice from our economists at ICI, but today we do because there’s a spousal individual retirement account that you can look at, Sarah.

Sarah Holden, ICI senior director of retirement and investor research: Yes, this is really a little-known provision on the tax code, which is that if you are working and you have a spouse that either earns a lot less or is not working, you can use your earnings to open up an IRA for that nonworking spouse. And it really is a great provision of the tax code, in that it allows a working individual to help their nonworking partner or spouse build a nest egg for retirement.

Ortbals-Tibbs: This does sound like it could be a really nice idea for a lot of folks. How do they get started?

Holden: So basically, the first thing you need to do is decide where you’re going to open the IRA. A lot of people will go to a financial adviser or a broker to open up the IRA. Some people are “do it yourself,” in which case you can go directly online to a mutual fund company or through a discount broker. You need to be married, filing joint, on your tax return. And then you need to be sure that you have enough earnings to cover that

contribution to the IRA for your spouse. The IRA will be set up in your spouse's name, and then you contribute the money.

Ortbals-Tibbs: So this is a way to just increase your family's retirement security.

Holden: It certainly is. Because many folks, if you are working, you typically will have a 401(k), so you're able to do that. Your nonworking spouse isn't able to do that, so this is really a great gift of having a nest egg earmarked for that spouse for retirement.

Additional Resources

- [Ten Important Facts About IRAs](#)
- [A Spousal IRA May Be the Best Gift You Can Give Your Non-Working Husband or Wife](#)
- [Frequently Asked Questions About Individual Retirement Accounts](#)
- [IRA Resource Center](#)

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