

# Biz Brain: Choosing between a Roth and traditional IRA



By [Karin Price Mueller/The Star-Ledger](#)

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**Q.** We want to invest for the future. In 2012, I earned \$120,772 and my husband earned \$76,759. Do we qualify for a Roth IRA? Or are we better off with a traditional IRA?

-- MP

**A.** Saving for the future is smart, and the Brain is glad to hear it's part of your plan.

As of 2013, the maximum that an individual can contribute to an IRA or a Roth IRA is \$5,500, with an additional \$1,000 catchup contribution permitted for individuals age 50 and over, said Marnie Aznar, a certified financial planner with Aznar Financial Advisors in Morris Plains.

You can only contribute up to the amount of earned income you received, or that your spouse received if you're contributing to a spousal IRA.

"The income limit for contributing to a Roth IRA has increased in 2013 to \$188,000 for married couples filing jointly, and to \$127,000 for singles and individuals filing as head of household," Aznar said. "The amount you can contribute starts to phase out if your adjusted gross income is \$178,000 or more for joint filers and \$112,000 for singles and heads of household."

The IRS uses your adjusted gross income, or AGI, to determine your eligibility. This includes all earned income less certain adjustments, such as HSA deductions, one-half of self-employment tax, deductible retirement plan contributions, alimony paid, she said.

Based on the information that you provided, your combined earned income was \$197,531 in 2012, which means you're out of luck for a Roth in 2012, she said. That's based on 2012 income limits, which were \$173,000 to \$183,000 for a married couple filing jointly.

If you or your spouse made pre-tax 401(k) contributions in 2012, that would lower your taxable income, and it's possible you'd qualify, she said.

If you don't qualify for the Roth, you can still contribute to a traditional IRA.

There is no income limit for contributing to a traditional IRA, but there are income limits for deducting these contributions. And, if you have a workplace retirement plan, the deduction for a traditional IRA contribution is



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phased out if your modified AGI is \$112,000 or more for marrieds filing jointly for 2012, or \$69,000 or more for individuals, said Laura Mattia, a certified financial planner with Baron Financial Group in Fair Lawn.

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