Ask the Biz Brain

Sunday, January 11, 203

I am employed and I max out my 401(k) and contribute to a Roth IRA each year. My wife is a homemaker. Is she eligible to open a Roth IRA in her own name? My income does not exceed the IRS limit for Roth IRAs.

-- John Van Antwerp

The answer is yes, your wife can open a Roth IRA in her name. And the Brain recommends if you can afford it, do it.

Most financial advisors agree. Marnie Aznar, a certified financial planner and president of Aznar Financial Advisors, a fee-only financial planning firm in Morris Plains, says with the April 15 tax deadline approaching, your question is a timely one.

Aznar says the total annual contribution limit for both your Roth IRA and your wife's Roth IRA may not exceed 100 percent of the combined compensation for both spouses. "Therefore, if you have compensation income in excess of $6,000 and you file jointly, you can each individually make up to a $3,000 annual contribution to a Roth IRA," she says. She also adds that taxpayers who are age 50 and older may take advantage of the "catch-up provisions" that permit an additional annual contribution of $500 each.

If you had earned income during 2003, you and your wife can each open Roth IRAs for 2003 until April 15th of 2004. Plus, if you have the cash, you can open one for 2004, too.

Michael Pirrello, a certified financial planner with Citigroup/Smith Barney in Florham Park, notes the only catch in contributing to a Roth is your modified adjusted gross joint income can't be in excess of $160,000 for the year. You say that isn't a problem for you, but for other Brain readers: If your income is between $150,000 and $160,000, you will have a reduced contribution limit. If you earn more than $160,000, you can't open a Roth, but you can still fund a traditional IRA.

Pirello congratulates you on your retirement savings successes, saying the Roth IRA is probably the single best retirement-relation addition to the tax code in recent memory because of the tax-free growth and withdrawals.

"This is in contrast to a traditional IRA in which your funds grow tax-free, but upon withdrawal are treated like ordinary income and taxed accordingly," he says.

-- Karin Price Mueller