

Roth IRAs Help the Stay-at-Home Spouse Reach Retirement Goals

Studies show that Americans are concerned about their retirement – and women even more than men. Since women statistically live longer than men, they are more likely to come up short of the funds needed during retirement. Many women choose to put their careers on hold for several years to devote time to their children. With the focus on family, there may be less consideration given to retirement savings. But, taking a several years off from saving can make quite a difference in the long run.

In general, your IRA contribution for any year cannot exceed your compensation income. But, there are special rules for spouses. The stay-at-home spouse without an income may be able to contribute to a Roth IRA. Generally, a married couple filing jointly with an adjusted gross income of less than \$150,000 can contribute the full amount to a spousal Roth IRA. For 2005 and 2006, the maximum contribution amount is \$4,000, and if the spouse is age 50 or over, the limit is \$5,000.

For example, suppose that a 28-year old takes time off work to have a baby and be a stay-at-home mother until her child starts school. During those five years, she and her husband make contributions to her Roth IRA. The outcome of making five \$4,000 deposits into a Roth IRA can be substantial – even with no further payments. With almost forty years to take advantage of compounding, assuming a hypothetical rate of return of 6 percent, the Roth IRA grows to over \$170,000 at normal retirement age, illustrated here at age 67 (see chart).

Age	Roth IRA Earnings Savings	Projected at 6%	Roth IRA Balance
28	\$4,000	\$0	\$4,000
29	\$4,000	\$240	\$8,240
30	\$4,000	\$494	\$12,734
31	\$4,000	\$764	\$17,498
32	\$4,000	\$1,050	\$22,548
33	\$0	\$1,353	\$23,901
40	\$0	\$2,034	\$35,937
45	\$0	\$2,722	\$48,092
50	\$0	\$3,643	\$64,359
55	\$0	\$4,875	\$86,127
60	\$0	\$6,524	\$115,258
65	\$0	\$8,731	\$154,240
67	\$0	\$9,810	\$173,304

The contributions to the Roth IRA are not deductible. However, the earnings will be *free of income tax*, assuming the Roth IRA account has been established for five years and the account owner is over age 59½ when distributions are made. In this example, that amounts to over \$150,000 tax-free income.

Remember the stay-at-home spouse as a prospect – five years of Roth IRA contributions can make a difference in reaching retirement goals!

If you are considering placing an annuity in an IRA or other tax qualified plan, which is already tax-deferred, remind prospects that they will receive no additional tax advantage from the annuity. Therefore, in considering whether or not to purchase such an annuity, prospects should consider the annuity's other features, including the availability of lifetime payments and death benefit protection.

