



Your Nonworking Spouse Can Set Up a Roth IRA

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Even if only one spouse earns income, a nonworking spouse can still fund and convert a Roth IRA – even at very high-income levels – by using a backdoor Roth strategy, if structured properly.

How This Works in Practice

For a married couple filing jointly:

- Household income is above Roth IRA limits
- One spouse has an existing traditional IRA
- The other spouse has:
 - No traditional or rollover IRA
 - A 401(k) plan
 - No pre tax IRA assets under her Social Security Number

The nonworking spouse can complete a clean backdoor Roth IRA that is not affected by their spouse's IRA.

Why This Is Allowed

Spousal IRA rules:

- Married filing jointly with sufficient earned income.
- Even if only one spouse works, each spouse may fund their own IRA.
- IRA eligibility and taxation are evaluated per individual.

They may contribute to a traditional IRA even though:

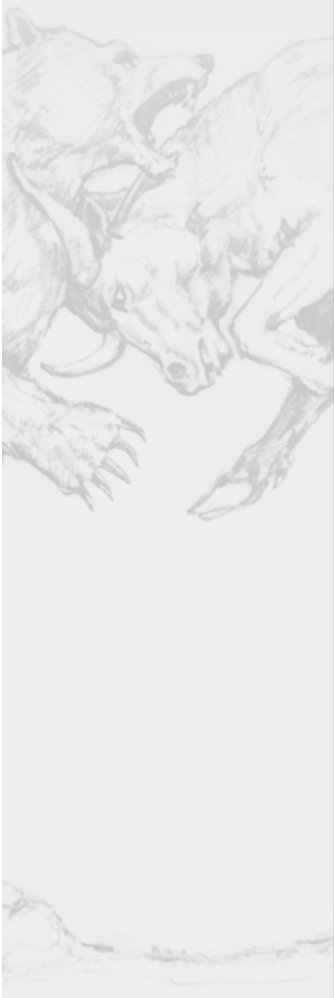
- Household modified adjusted gross income exceeds \$300,000; however, the contribution will be nondeductible.
- Spouse is covered by a 401(k) plan.
- Spouse already has a traditional IRA.

Contribution versus Deductibility

Because the spouse is covered by a workplace plan and income exceeds IRS limits:

- Traditional IRA contribution is non deductible.
- Non deductible contributions create basis, which can be converted to Roth.

This setup is ideal for a backdoor Roth.





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Backdoor Roth Steps

1. Contribute to a traditional IRA (non-deductible).
2. Convert the IRA to a Roth IRA.
3. File IRS Form 8606 to track basis.

Critical Rule: Pro Rata Is Individual

The IRS applies the pro rata rule per person, not per household. So, the working spouse's traditional IRA does not affect the conversion. The rule only applies if the spouse has any of the following as of December 31 of the conversion year:

- Traditional IRA
- Rollover IRA
- SEP IRA
- SIMPLE IRA

If they have none of these (other than the temporary non-deductible IRA being converted), the conversion is effectively tax-free.

Common Pitfalls

- Rolling a 401(k) plan into an IRA later → Would block future backdoor Roths
- Leaving the non-deductible IRA unconverted → Convert shortly after contribution
- Forgetting Form 8606 → Required to preserve basis

A nonworking spouse with no pre tax IRA assets can still build tax-free Roth assets efficiently using a clean backdoor Roth strategy, even in a high-income household.

Decisions to roll over or transfer retirement plan or IRA assets should be made with careful consideration of the advantages and disadvantages, including investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and your unique financial needs and retirement planning. Neither Stifel nor Stifel Financial Advisors provide recommendations with respect to your decision to move assets out of an employer-sponsored retirement plan. Once you inform your Stifel Financial Advisor that you have chosen to roll your retirement assets to an IRA with Stifel, your individual investment needs can be addressed. You should consult with your tax advisor regarding your particular situation as it pertains to tax matters.