



Pre-tax / After-tax Contribution Optimizer

The Pre-tax /After-tax Contribution Optimizer, used currently to help people decide whether to contribute to a traditional vs. a Roth IRA (and, starting in 2006, allocate between traditional and Roth-style 401(k) or 403(b) accounts):

- proposes an allocation between pre-tax and after-tax retirement plan contributions based on objective analysis;
- performs a traditional analysis based on specified tax rates and other information, or a more sophisticated risk analysis, basing allocation on the probability of each contribution method out-performing the other;
- takes into account uncertainty regarding taxes, rates of return, and future withdrawals;
- calculates the effects of required minimum distributions on pre-tax money
- determines eligibility for IRAs and Roth IRAs and calculates maximum permissible contributions to both.

This calculator is unusual in that, most of the time, rather than calculating a specific result, it calculates the risks involved in making one choice versus another.

It does this because, in the purest and simplest situation, where there is a fixed pattern of contributions and withdrawals and an unchanging tax rate, the ultimate after-tax effect of using pre-tax or after-tax contributions is exactly the same. But, of course, things do change, and so the two strategies will not, in reality, produce equal results. If we knew exactly how things were going to change, we could always place winning bets. But since we don't know, choosing between pre-tax and after-tax strategies remains something of a gamble.

When to Use This Calculator

Prior to 2006, this calculator is applicable only to IRA and Roth IRA plans. You can use it any time you want to evaluate the way available contributions should be split between the traditional and Roth options. You can also use it to calculate eligibility and contribution limits for both kinds of plans.



How to Use This Calculator

The Pre-tax / After-tax Contributions comparison can, as previously mentioned, be used in either a sophisticated or a simpler mode. In either case, observing that the main input screen is divided into three sections, top to bottom, start at the top and work your way down. As you do so, various fields and options will be enabled or disabled, which will help guide you through the process. Use the detailed instructions that follow, or press the <F1> key at any time during the input process to obtain on-line Help.

When you have finished entering all the required information, use the "Print" menu to print or preview the results, or to export the comparison data to an Excel spreadsheet (automatically named Roth.XLS).

To test IRA and Roth IRA eligibility and contribution limits, open the Pre-tax / After-tax Contributions screen. "Eligibility" will then appear in the menu bar as an option. Click on it to open the Eligibility screen.

Sophisticated (Monte Carlo) Analysis: Assumptions using +/- variances

In its most powerful mode, the calculator evaluates the odds of each strategy (pre-tax vs. Roth) out-performing the other, and suggests an allocation of contributions that corresponds to those odds. The way it performs the evaluation is by testing the results of thousands of randomly generated scenarios, and determining in each case which option did better, and by how much. But in order to have a reasonable way of generating plausible scenarios, the system requires the user to input not only the best guess about each input item, but the range of plausible values around the best guess.

The "+/-" entries indicate these ranges. The system requires that they be specified so that there is only about a one in twenty chance that reality will fall outside that range. (Technically, we will interpret the range as equal to two standard deviations, which is closer to one in twenty-two). This means that if you indicate a projected retirement age of 65 +/- 5 years, you are indicating that there is only about a one in twenty chance of retirement before age 60 or after age 70. The system will use this information to generate random retirement ages, mostly between 60 and 70, when it generates comparisons between pre-tax and after-tax contributions. The sample detail report produced as a result shows only one scenario, the one specified as most likely – in this example, using retirement age 65. But the suggested allocation between pre-tax and after-tax contributions is based on the combined results of all the scenarios tested.

What if you just want one scenario?

Delete all the "+/-" entries. Also, choose "Specified" in the "How are current and future tax brackets determined?" field. With this method, the system cannot really analyze the risk, so it determines the allocation by comparing the long-term results of each contribution strategy



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under the one scenario that you specify. But, in most cases, it will still suggest some split between the two options rather than allocating 100% to the fund that came out ahead in the illustration. You can disregard this suggestion, however, and contribute everything into one fund if you are extremely confident that the illustrated scenario will come true.

Resetting default values

The system provides its own default values for retirement age, rates of return, +/- variances, etc. You can create your own defaults by filling out these various items on the screen, then clicking the "Save Values as Defaults" button on the lower left of the screen.

The screenshot shows the RetirementWorks software interface for the "Pre-tax / After-tax Contribution Optimizer". The window title is "RetirementWorks®" and the menu bar includes "File", "Print", "Calculations", "Eligibility", "Windows", and "Help".

Pre-tax / After-tax Contribution Optimizer

Name: [] Date of birth (mm/dd/yyyy): []

How are current and future tax brackets determined? Calculated Specified Year: 2001

Tax Filing Status: Married Filing Jointly Current year taxable income: \$ [] (assuming no contributions)

Current state + local marginal tax rates: [] % Federal income tax marginal rate: [] %

Contribution amounts: Pretax: \$ [] Calc equivalent After-tax: \$ []

Check here if plan is an IRA

For projections of future values

BEST GUESS: Retirement age or year: 62 +/- 10 yrs.

Post-retirement marginal federal income tax rate: [] % +/- [] %

Expected withdrawals: No withdrawals (except as required by law)

Age or year when withdrawals begin: [] +/- [] yrs.

Annual withdrawal dollar amount: \$ [] +/- [] \$

Increasing each year by the following percentage: [] % +/- [] %

Average annual rate of return AFTER retirement: 8.00 % +/- 5.00 %

Average annual rate of return BEFORE retirement: 8.00 % +/- 5.00 %

Chance of withdrawal within 5 yrs of first after-tax contrib. [] % 1st Year: []

Personal / family

Participant's sex: Male Female Smoking status: Non-smoker Smoker Unknown

Dates of birth (mm/dd/yyyy) of plan beneficiary: Spouse: [] Non-spouse: []

Spouse smoking status: Non-smoker Smoker Unknown

Buttons: Close, Save Values as Defaults

Version 2.20A, expires 08/01/01



Detailed Input Instructions

Name

Enter the plan participant's name as it should appear on the printed report.

Date of birth (mm/dd/yyyy)

Enter the participant's date of birth in mm/dd/yyyy format.

How are current and future tax brackets determined?

There are two options available:

- **Calculated.** Select this option if you want the system to calculate the federal income taxes using tax tables for each year. This method is more sophisticated, and choosing it allows you to input data relating to current and future taxable income, as well as inflation and other factors that might affect future tax rates. These items, other than current taxable income, are all subject to fluctuation in the course of the calculation, so that the actual future risk of higher or lower taxes can be modeled with reasonable accuracy. Since changes in tax brackets are one of the most important factors affecting the relative benefit of pre-tax and after-tax contributions, using this method is normally recommended, since it recalculates each year what the approximate tax will be, and will use more than one tax bracket in a given year when appropriate.
- **Specified.** If you prefer, you can choose this option and specify the current marginal federal income tax rate. This rate will be used for all years before retirement. You can also specify the post-retirement marginal federal tax rate, using a +/- variance; this same rate will be used for all post-retirement years.

Year

Enter the calendar year (e.g. "2001") during which contributions are to be made. The system will illustrate contributions for one year at a time only. It does not, therefore, show the total



projected accumulation in a fund, just the possible future of one year's contributions.

Tax Filing Status

This field is active if you've chosen "Calculated" in the "How are current and future tax brackets determined?" field.

Select the correct filing status that the fund owner is expected to use on his or her federal income tax return. This is important, because the system will be performing tax calculations using actual or projected income tax rates, which differ depending on filing status.

Current year taxable income

This field is active if you've chosen "Calculated" in the "How are current and future tax brackets determined?" field.

Enter the amount of ordinary taxable income after deductions and expenses that the fund owner expects to have during the year being calculated. Include all ordinary income before the retirement plan contribution is made. Exclude long-term capital gains or other income subject to special taxes.

It is important to make a reasonable guess at this value, though it will seldom be known precisely. Leaving it at zero will severely underestimate the taxes associated with the qualified plan contribution.

Current state and local marginal tax rates

Enter the combined state and local tax, if any, on ordinary income as a percentage. If the jurisdiction has a different rate for investment income than for income earned from salary or wages, enter the investment income rate.

This calculator does not recalculate state and local income taxes at different income levels. If your state has varying rates for different income levels, use the marginal tax rate applicable in the year the contribution is being made.

If you do not wish state and local taxes to be taken into account, leave this field blank or enter "0".



Federal income tax marginal rate

This field is active if you've chosen "Specified" in the "How are current and future tax brackets determined?" field.

Enter the current marginal federal income tax rate as a percentage. The marginal rate is the rate at which the next dollar of income will be taxed. The marginal rate is generally higher than the average rate at which income is taxed.

Contribution amounts

There is a field for pre-tax contributions, a field for after-tax contributions, and a "Calc equivalent" button between them.

Enter the maximum amount you would consider contributing to a pre-tax account OR to an after-tax account. Do not split the total contribution into the two buckets. That is what the system will do for you.

Tax-equivalent values. In many cases, you will want to enter tax-equivalent values. That is, the after-tax contribution amount is the same as the pre-tax contribution amount minus taxes. So the after-tax contribution amount is smaller. This way, the impact on current after-tax income is the same.

The best way to enter tax-equivalent amounts is to: 1) enter either the pre-tax or the after-tax amount, and 2) click the "Calc equivalent" button to automatically compute and fill in the other amount.

Non-tax-equivalent values. One of the advantages of the Roth account is that you can contribute the same amount after-tax as you could pre-tax. Since the after-tax amount is worth more (because taxes on it have already been paid), the ultimate after-tax value of the account is much higher if the same amount is put in on an after-tax basis that would have been put in on a pre-tax basis. So, if you want to tax-shelter more money than traditional pre-tax accounts allow, use the Roth after-tax option.

The system will allow you to put non-tax-equivalent amounts into the "Contribution amounts" fields. Normally, the pre-tax contribution, though still greater than or equal to the after-tax contribution, would be **less** than the pre-tax equivalent of the after-tax amount. If it is more, the system will issue a warning when you try to run the report.



Check here if the plan is an IRA

This box should be checked on. Starting in 2006, other options are available.

Retirement age or year

In the left hand field, enter the most likely retirement date as a year (e.g. "2020") or as an age (e.g. "65").

If you feel certain of the retirement age, or you don't want the system to vary the retirement age in testing different scenarios, delete the "+/-" entry.

Post-retirement marginal federal income tax rate

These fields are active if you've chosen "Specified" in the "How are current and future tax brackets determined?" field.

In the left hand field, enter the most likely federal marginal income tax rate after retirement. In the "+/-" field at the right, enter the range of probable variation in the income tax rate.

If you feel certain of the tax rate, or you don't want the system to vary the tax rates in testing different scenarios, delete the "+/-" entry.

Expected withdrawals

These fields are used to indicate some pattern of normal post-retirement withdrawals. Do NOT use them to indicate required minimum distributions since these are calculated automatically by the system when appropriate.

Please keep in mind that only one contribution is being illustrated, not multiple years of contributions, so any specified withdrawal cannot be too large.

All specified withdrawals are from the pre-tax account. Withdrawals from the after-tax account will be illustrated so that they are equivalent on an after-tax basis. This means that the illustrated after-tax withdrawals will generally be smaller than the pre-tax withdrawals.

The five withdrawal options are:

- **No withdrawals (except as required by law).** Select this to indicate that no



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voluntary withdrawals are anticipated. Note that use of this option will tend to result in a larger suggested allocation to the Roth after-tax fund (other things being equal). This is because no withdrawals will be illustrated from that fund, while required distributions will be illustrated from the pre-tax fund. The required distributions will then go into a side fund that is not tax-sheltered, and that therefore will tend to have less benefit.

- **Level annual dollar amounts.** Select this option to indicate that you want to specify a level amount to come out of the fund at the beginning of each year. If you select this option, you will be expected to indicate the starting withdrawal age or year, and the annual amount in the fields below.
- **Increasing annual dollar amounts.** Select this option to indicate that you want to specify a certain amount to come out of the fund in the first year of withdrawal, and increase that amount by a specified percentage each year. If you select this option, you will be expected to indicate in the fields below the starting withdrawal age or year, the initial withdrawal amount, and the percentage by which it should increase each year.
- **Fixed percent of beginning-of-year balance.** Select this option to indicate that you want to withdraw a fixed percentage of the beginning of year fund balance each year. If you select this option, you will be expected to indicate the starting withdrawal age or year and the annual percentage for withdrawal in the fields below.
- **Amortization over a fixed number of years.** Select this option to indicate that you want to amortize the pre-tax account balance over a specified number of years (using the post-retirement rate of return). If you select this option, you will be expected to indicate in the fields below the starting withdrawal age or year, and the number of years over which the fund is to be amortized.

Age or year when withdrawals begin

Enter the most likely starting withdrawal date as an age (e.g. "65") or a year (e.. "2020"). In the "+/-" box to the right, enter the range of probable variation.

Annual taxable withdrawal dollar amount

If you've chosen "Level annual dollar amounts" or "Increasing annual dollar amounts", enter the most likely dollar amount to be withdrawn in the first year. In the "+/-" box to the right, enter the range of probable variation.



Increasing each year by the following percentage

If you've chosen "Increasing annual dollar amounts", enter the most likely percentage by which annual withdrawals will increase. In the "+/-" box to the right, enter the range of probable variation.

Average annual rate of return AFTER retirement

Enter the most likely post-retirement average annual rate of return as a percent (e.g. "7.5"). In the "+/-" box to the right, enter the range of probable variation.

Average annual rate of return BEFORE retirement

Enter the most likely pre-retirement average annual rate of return as a percent (e.g. "7.5"). In the "+/-" box to the right, enter the range of probable variation.

Keep in mind for both "Average annual rate of return" fields that when specifying the +/- variance, this is the **average** rate of return. In many funds, annual returns may fluctuate wildly, but the average return over a long period of time is usually easier to predict and has a much smaller variance.

If you don't want the system to vary the rates of return in testing different scenarios, delete the "+/-" entries.

Chance of withdrawal within 5 yrs of first after-tax contrib.

Enter the likelihood, expressed as a percentage, that the funds will be withdrawn within five years of the first Roth IRA contribution. Once Roth IRA contributions have been made for five years, therefore, this field should always be "0".

If the individual has substantial non-qualified funds that could be used for large and/or unexpected cash needs, this value may also be "0", or close to it. For younger participants with changing lives and little savings, however, the odds of early withdrawal may be fairly high.

If the percentage is greater than zero, indicate in the box to the right the year that the first contribution to the Roth IRA was made.

This information is required because a 10% penalty applies if Roth funds are withdrawn within



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five years of the first contribution. If you indicate a likelihood greater than 50% in this field, the sample detail report will show a full withdrawal occurring in the fifth year.

Open detail – BEST GUESS on future tax and income changes

If you click on the “Open detail” button, a gray panel with additional input items appears in the middle of the screen (see illustration, following).

This additional input is available only if you have selected “Calculated” in the “How are current and future tax brackets determined?” field.

The screenshot shows the RetirementWorks software interface. The main window is titled "RetirementWorks (tm)" and contains a "Pre-tax / After-tax Contribution Optimizer" sub-window. The sub-window has a blue background and contains various input fields and buttons. The "How are current and future tax brackets determined?" field is set to "Calculated". The "Tax Filing Status" is "Married Filing Jointly". The "Year" is "2001". The "Current year taxable income" is "\$". The "Current state + local marginal tax rates" is "%". The "Federal income tax marginal rate" is "%". The "Contribution amounts" are "Pretax: \$" and "After-tax: \$". There is a "Check here if plan is an IRA" checkbox. Below this is a section titled "BEST GUESS on future tax and income changes" with a gray background. It contains several input fields and radio buttons. The "Annual rate of growth in taxable income BEFORE retirement" is "3.00%". The "Reduction in taxable income AT retirement" is "30.00%". The "Annual rate of growth in taxable income AFTER retirement" is "3.00%". The "General inflation rate (to be applied to federal income tax tables)" is "2.50%". There are radio buttons for "Increase slightly", "Stay about the same", "Decrease slightly", "Increase moderately", "Decrease moderately", and "Increase considerably". The "Chance of withdrawal within 5 yrs of first after-tax contrib" is "%". Below this is a section titled "Personal / Family" with input fields for "Participant's sex", "Smoking status", "Dates of birth (mm/dd/yyyy) of plan beneficiary", "Spouse", and "Spouse smoking status". The "Close detail" button is visible in the gray panel. The version number "Version 2.17A expires 05/31/01" is at the bottom.

Field	Value
Annual rate of growth in taxable income BEFORE retirement:	3.00%
Reduction in taxable income AT retirement:	30.00%
Annual rate of growth in taxable income AFTER retirement:	3.00%
General inflation rate (to be applied to federal income tax tables):	2.50%



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Annual rate of growth in taxable income BEFORE retirement

Enter, as a percentage, the annual rate at which taxable income is expected to increase from the amount entered in the "Current year taxable income" field on the main screen until retirement age. A negative number indicates an annual decrease in taxable income. In the "+/-" box to the right, enter the range of probable variation.

Reduction in taxable income AT retirement

Enter the percentage by which taxable income is expected to decrease at retirement. A positive number means that at retirement, taxable income is expected to decrease by the indicated percentage. If taxable income is expected to increase at retirement (which is unusual, but it sometimes does happen), enter a negative number. In the "+/-" box to the right, enter the range of probable variation.

Annual rate of growth in taxable income AFTER retirement

Enter, as a percentage, the annual rate at which taxable income is expected to increase after retirement. An entry of "0" indicates a projection of flat retirement income. A negative number indicates an annual decrease in taxable income after retirement. In the "+/-" box to the right, enter the range of probable variation.

Please note that when estimating changes in taxable income, do not take into account income from the retirement plan being calculated. The system will add such amounts in, where necessary.

General inflation rate (to be applied to federal income tax tables)

Enter the most likely future average annual inflation rate as a percentage. In the "+/-" box to the right, enter the range of probable variation.

Your expectation about the long-term future trend of federal income tax rates

Click on one of the seven options, ranging from "Increase considerably" to "Decrease considerably".

A "slight" change means that current tax rates will be increased or decreased 10% over a 20 year period. For example, a 15% tax rate gradually becomes 16.5% or 13.5%, with an additional 10% variance around those targets, so that about 19 of 20 scenarios will show a 15% tax rate falling into the 15-18% range in 20 years if you indicate "Increase slightly", or the 12-15% range if you indicate "Decrease slightly".

A "moderate" change means that current tax rates will be increased or decreased 25% over a 20 year period. For example, a 15% tax rate gradually becomes 11.25% or 18.75%, with an additional 20% variance around those targets, so that about 19 out of



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20 scenarios will show a 15% tax rate falling into the 15.75-21.75% range in 20 years if you indicate "Increase moderately, or the 8.25-14.25% range if you indicate "Decrease moderately".

A "considerable" change means that current tax rates will be increased or decreased 50% over a 20 year period. For example, a 15% tax rate gradually becomes 7.5% or 22.5%, with an additional 20% variance around those targets, so that about 19 out of 20 scenarios will show a 15% tax rate falling into the 19.5-25.5% range in 20 years if you indicate "Increase considerably", or the 4.5-10.5% range if you indicate "Decrease considerably".

If you select "Stay about the same", there will be an average 0% change in tax rates, but with a 10% variance, so that about 19 out of 20 scenarios will show a 15% tax rate falling into the 13.5-16.5% range in 20 years.

In all scenarios, tax rates remain flat after 20 years, except for inflation adjustments.

Note that these increases or decreases are in addition to any changes already mandated by law. The 2001 EGTRRA legislation specifies a gradual reduction in marginal tax rates, effective through 2010. The "Stay about the same" option, therefore, already represents a significant drop in future tax rates (and assumes they do not bounce back in 2011).

Participant's sex

Select "Male" or "Female" for the plan participant. Different mortality tables are used for males and females, since women, on average, live longer.

Smoking status

Select "Non-smoker", "Smoker", or "Unknown". Smoking status should be based on one's general past practice. If someone has recently quit after a long period of smoking, enter him or her as a "Smoker". Different mortality tables are used for smokers and non-smokers, since non-smokers, on average, live longer.



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Dates of birth (mm/dd/yyyy) of plan beneficiary

Enter the date of birth only for the person, if any, who is the plan beneficiary and whose life expectancy will need to be taken into account when the system calculates required minimum distributions. If there is no beneficiary, and life expectancy is based on the plan participant alone, leave both dates of birth blank. If a spouse is the beneficiary, enter the spouse's date of birth and leave the other blank. If there is one or more non-spouse beneficiary, enter the date of birth of the oldest non-spouse beneficiary in the right hand box and leave the spouse date of birth blank.

Spouse smoking status

If you have entered a spouse beneficiary's date of birth in the preceding field, select the appropriate smoking status for the spouse beneficiary.

The purpose of the above four fields is to help the system estimate life expectancy. In the case of the plan participant, this is done so that an appropriate number of scenarios will show the plan ending (at least under the participant's ownership) before withdrawals or other events occur. In the case of a spouse beneficiary, it is so that appropriate adjustments can be made in the required minimum distributions if the spouse is projected to die first.

Eligibility and contribution limits for IRAs and Roth IRAs

When the main input screen for this utility opens, you'll notice that "Eligibility" appears on the menu bar. Click on "Eligibility" to open the "Eligibility for IRA and Roth Accounts" screen. You can calculate, preview, or print the special IRA/Roth IRA eligibility report directly from this screen.



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Eligibility for IRA and Roth Accounts

Traditional and Roth IRAs

Fill in the following information, then click the Calculate button:

Name: Date of birth (mm/dd/yyyy):

Tax filing status: **Married Filing Jointly** Spouse date of birth (mm/dd/yyyy):

Check here if you were covered at any time during the tax year by an employer-sponsored pension plan

Check here if your spouse was covered at any time during the tax year by an employer-sponsored pension plan

Your modified Adjusted Gross Income this tax year (<F1> for Help) \$ Year: **2001**

Your spouse's modified Adjusted Gross Income for this tax year \$

Your total compensation for this tax year (<F1> for Help) \$ Spouse comp: \$

Calculate **Preview** **Print**

	<i><u>Yourself</u></i>	<i><u>Your spouse</u></i>
<i>Traditional IRA Deductible Amount</i>	\$	\$
<i>Roth IRA Contribution Limit</i>	\$	\$

Roth 401(k) and Roth 403(b) plans

Roth 401(k) and 403(b) accounts are authorized under the Internal Revenue Code, but will not be available until 2006. Once authorized by law, Roth accounts must still be provided for by the employer sponsoring the plan before employees are eligible to contribute.

Close Version 2.31A expires 10/31/01

The "Name", "Date of Birth (mm/dd/yyyy)", "Tax Filing Status", and "Spouse date of birth (mm/dd/yyyy)" fields appear on this screen as well as on the main input screen. These fields have the same meaning and value on both screens, and if you fill them in on one screen, they will automatically be filled in on the other.

Some input items on this screen will be turned off or on depending on the "Tax filing status" you indicate. Fill in all the applicable information, then click on the "Calculate", "Preview", or "Print" buttons to get results. Hit the "Close" button to return to the main input screen.

Year

Enter the year for which the IRA and Roth IRA eligibility is being determined.



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Check here if you were [your spouse was] covered at any time during the tax year by an employer-sponsored pension plan

Check these boxes to indicate that the IRA owner (and/or his or her spouse, if applicable) is covered by an employer-sponsored pension plan during the year for which the IRA and Roth IRA eligibility is being determined.

You are considered to be covered if you were covered by any employer's plan at any time during the year in question. The IRS suggests that you consult your W-2 form or ask your employer if you are not sure whether you are covered by such a plan.

Although pension coverage does not affect the total amount you can contribute to a traditional IRA, it does affect the amount that is deductible, which is the amount the system is trying to calculate. Pension coverage has no effect on Roth IRA eligibility.

Your [your spouse's] modified Adjusted Gross Income this tax year

Use these fields to indicate the modified Adjusted Gross Income (AGI) of the IRA owner and/or his or her spouse, if applicable. Deductibility limits on traditional IRAs and contribution limits on Roth IRAs depend on these figures.

Modified Adjusted Gross Income is determined differently depending on whether you file Form 1040A or Form 1040.

If you file Form 1040A, modified AGI is the "adjusted gross income" amount on page 1, without taking into account the following items:

- IRA deduction
- Student loan interest deduction
- Exclusion of qualified bond interest shown on Form 8815
- Exclusion of employer-paid adoption expenses shown on Form 8839

If you file Form 1040, modified AGI is the "adjusted gross income" amount on page 1, without taking into account the following items:

- IRA deduction
- Student loan interest deduction
- Foreign earned income exclusion



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- Foreign housing exclusion or deduction
- Exclusion of qualified bond interest shown on Form 8815
- Exclusion of employer-paid adoption expenses shown on Form 8839

Your total compensation for this tax year [Spouse comp.]

Enter the total compensation of the IRA owner and/or his or her spouse, if applicable. Contributions for any individual are limited to his or her compensation for the year (except that, when married filing jointly, one spouse's IRA may be funded using the other spouse's compensation).

Compensation includes wages, salaries, etc. as reported in box 1 of your W-2 form, less any nonqualified plan monies as reported in box 11. Compensation also includes commissions, self-employment income, alimony and separate maintenance payments. If you have a loss from self-employment, but you also have compensation from another source, you do not have to subtract the self-employment loss from other compensation for purposes of these input items.

Compensation specifically does NOT include:

- Earnings and profits from property such as rental property, interest or dividends
- Pension or annuity income
- Deferred compensation received
- Income from a partnership for which you do not provide services that are material income-producing factor, or
- Any amounts you exclude from income, such as foreign earned income and housing costs.

Calculate / Preview / Print

Use the Calculate button to show the results on the screen. For a complete report, click on the Preview or Print buttons.