New Roth IRA Rules

Thought You Didn't Qualify for a Roth IRA Conversion...

...Think Again!!!

What you may know already...

A Roth IRA is a retirement savings plan that offers additional benefits not available with traditional IRAs or employee qualified plans. A Roth IRA can qualify for tax-free withdrawals of both contributions and earnings once you reach age $59^{1/2}$ *(Note: Withdrawals made prior to age $59^{1/2}$ may be subject to a 10% Federal income tax penalty)*. Plus, there are no required minimum distributions when you reach a certain age, so all the money can remain in your account for as long as you like.

What you may not know...

In 2010, more investors will be able to convert their IRAs and other qualified accounts to a Roth IRA. Here's a quick overview of the major 2010 Conversion Rules.

2010 Roth IRA Conversion Rules

1. **Income limits for conversions are being lifted.**[1]
   Taxpayers with adjusted gross income above $100,000 are now able to convert assets into a Roth IRA.

2. **The new rules apply to conversions only.**[2]
   Income limits are still in place for contributions to a Roth IRA.

3. **You must pay income tax on the conversion amount.**[2]
   Individuals must pay tax on the qualified dollars being converted, but not on any after tax amounts that may have been contributed.
   Note: Consider using assets outside of the Roth IRA to pay taxes on the conversion. Individuals who use the conversion proceeds to pay taxes due might be subject to both income tax and a 10% early withdrawal penalty.

4. **Conversions made in 2010 are eligible for a one time tax-deferral opportunity.**[1]
   Individuals are eligible to spread out the tax burden from a conversion equally over 2011 and 2012.
   Note: After 2010, investors will still be able to convert to a Roth (regardless of income limits) however; they will have to pay taxes all at once.

5. **If you are married but filing your taxes separately, you now qualify for a conversion.**[1]
   Prior to 2010, Roth IRA conversions were only available to spouses filing their taxes jointly.

6. **You may also be able to convert older qualified plans (401(k), 403(b), pension plans, etc).**[2]
   The Roth IRA option may allow for enhanced diversification and expanded investment choices, whereas many qualified plans may limit investment choices.

1. Source: CPA Journal, TIPRA and the Roth IRA, 2007
2. Source: IRA.gov/Roth IRA, 2009

Other things you need to remember...

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- Any taxpayer should seek advice based on the taxpayers' particular circumstances from an independent tax advisor.

- Investors should carefully consider an investment's objectives, risks, charges, limitations, expenses and possible loss of principal

While no size fits all, a Roth IRA conversion can be beneficial for many different types of investors. Converting retirement assets to a Roth IRA may provide you with considerable tax advantages.

Work with your financial advisor to see if a Roth IRA conversion makes sense for you.

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