

# Golden Bullets

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## ROTH IRAs AND THE COMING CHANGES OF 2010:

### THINGS TO CONSIDER

In 2010, the rules with regard to **Roth IRAs** will be changing. More taxpayers will be asking this question:

Is it **better** to keep my **traditional IRA**, or should I **convert** to a **Roth IRA**?

The answer depends on your goals with regard to

- Current income tax results,
- Retirement income,
- Family wealth distribution, and
- Tax timing.

A conversion is a big financial decision. In most cases, it means paying income taxes on the entire IRA balance to be converted.

So why would anyone ever choose to convert a traditional IRA to a Roth IRA?

Like a traditional IRA, a Roth IRA accumulates on a tax-deferred basis. Unlike a traditional IRA, **qualifying distributions** from a Roth are federal income **tax-free**. And during the participant's lifetime, **no minimum distributions** from the Roth IRA are required.

With the new rules that go into effect in **January, 2010**, taxpayers with incomes of more than \$100,000 will be able to convert a traditional IRA into a Roth IRA.

As an added incentive for conversion in 2010, the taxpayer will also have the **option** to defer the federal income tax liability for the conversion to 2011 and 2012.

In addition to the expanded opportunity for conversion, the new rules also create another more subtle possibility. Those who have been previously ineligible to contribute to Roth IRAs in the past may be able to use a **special technique** to contribute indirectly to a Roth IRA in 2010 and beyond.

You should **consider** converting a traditional IRA to a Roth IRA in the following situations:

1. You expect the IRA account to grow substantially, and would prefer to **pay taxes** on the **lower current account balance** instead of on the expected **larger future amount**.
2. You expect that the **post-retirement income tax bracket** will be the same or **higher** than the current one.
3. You expect to live for a long time after conversion, and you do not want to **have** to take distributions from the IRA if they are not needed—preferring the money to be for the **ultimate benefit** of your **family**.

Does a Roth conversion make sense for everyone? No. I can help you decide **whether it makes sense** for you, and whether **other financial tools** might be a better fit.

***AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.***

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