KRASNEY FINANCIAL PRESENTS:

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"Roth IRA Conversions for 2010"

In 2010, anyone may convert a traditional IRA to a Roth IRA. No income limits will stand in the way of the conversion.[1] Here's why it may make sense for you to go Roth next year.

A Roth IRA permits tax-free growth *and* tax-free income distributions in retirement (if you are age 59½ or older and have held your Roth account for 5 years or longer). You can contribute to a Roth IRA after age 70½, without having to take mandatory withdrawals. While contributions to a Roth IRA aren't tax-deductible, the younger you are, the more attractive a Roth IRA may seem.[2]

Older investors have reason to go Roth as well – especially if they don't really need to withdraw IRA assets. Converting an untapped traditional IRA to a Roth will shrink the size of your taxable estate, and careful estate planning could foster decades of tax-free growth for those IRA assets.[3]

If you name your spouse as the beneficiary of your Roth IRA, your spouse can treat the inherited IRA as his or her own after you die and forego withdrawals. So those Roth IRA assets can keep compounding untaxed across the rest of your spouse's life.

If your spouse then names a son or daughter as a beneficiary, that heir has the choice to make minimum withdrawals according to his or her life expectancy, all while the assets continue to compound tax-free. Withdrawals from an inherited Roth IRA are currently, not subject to income tax.[3]

The IRS regards a traditional IRA-to-Roth IRA conversion as a distribution from a traditional IRA – a taxable event.[4] You'll need to pay taxes on the entire amount of the conversion. Make sure you have the money to do that?

DEAR CLIENTS, ASSOCIATES, AND FRIENDS:

We appreciate the opportunity to talk with "Friends & Family" who can benefit from our services. If you know someone not happy with their current financial relationship, or going through a "life event", we would appreciate the opportunity to be of service to them. If you provide their contact information, we will gladly reach out to them, without cost or obligation. Thank you so very much for keeping us in mind.

With the market down, most IRA values are lower than they have been for years. That means paying less tax on gains. Now may be a good time to convert since tax rates could increase in the

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years ahead. (You could simply do a partial Roth IRA conversion **if converting the full amount would send you into a higher tax bracket.**)[4]

You may be tempted to use the current IRA assets to pay the conversion tax, but if you're younger than 59½, you're looking at a 10% penalty on the amount you withdraw to pay the tax.[5]

Why you might want to fund a Roth IRA this year. *In 2009, any withdrawals from a traditional IRA can be used to fund a Roth IRA.*[6] Why?

Mandatory withdrawals from a traditional IRA in years past typically couldn't be deposited into a Roth IRA. But the federal government has suspended mandatory IRA withdrawals for 2009.[7] Any IRA withdrawals made in 2009 are thereby elective withdrawals. So, if your adjusted gross income (AGI) is $100,000 or less, you have an option to fund a Roth IRA with a withdrawal from a traditional IRA – at least through the end of 2009.[6]

In 2009, you can fund a Roth IRA with after-tax contributions to a 401(k), 403(b) or 457 retirement savings plan. This year, you can take those contributions and convert them to a Roth IRA tax-free, provided your AGI is $100,000 or less. More good news: there is no limit to the conversion amount.[1]

A potential tax break for those who convert in 2010. If you do a Roth conversion during 2010, you can choose to divide the taxes on the conversion between your 2011 and 2012 federal returns.[8]

It is a very good idea before you arrange any rollover, trustee-to-trustee transfer, or same-trustee transfer of your IRA assets **to consult your tax advisor before you convert**. In any year, you should fully understand the potential tax impact of a Roth conversion on your finances and your estate. Also, remember that while the income limit on Roth IRA conversions will go away in 2010, the income limits on Roth IRA *contributions* still apply next year and for the foreseeable future.[8]

Citations.

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