

ROTH IRA Conversion



Almost everyone has felt the impact of the recent recession in one form or another. Given these uncertain times it is difficult to plan for the future. However, there is one opportunity that is available to most individuals in 2010 that might eliminate some of that uncertainty in the future. This opportunity is called a **Roth IRA Conversion**.

In 2010, the \$100,000 Modified AGI limit for Roth Conversions will be lifted and allows wealthier individuals to convert some or all of their pre-tax accounts into a Roth IRA. By doing so, you will eliminate some of the uncertainty of future tax rates for these retirement assets as distributions from a Roth IRA are tax free. In addition, if the Roth IRA is transferred to a beneficiary the distributions continue to be tax free. There are also no Required Minimum Distributions from a Roth IRA owner or spouse beneficiary. While non-spouse beneficiaries will be required to take distributions over the course of their lives, the distributions will be tax free. This provides an opportunity to for the Roth IRA to grow tax free for generations.

The challenge is the cost of conversion. Taxes are assessed at the time of conversion. However, if you believe that taxes will be higher in the future, then this might be something that you want to consider. In addition, the regulations provide that individuals, who perform a Roth Conversion in 2010, can spread the taxes over the 2011 and 2012 tax years. That effectively provides three years in which to pay all the taxes associated with this conversion. However, the option for spreading the taxes over three years is only available for conversions that are completed in 2010 so start planning now in order to make a well informed decision.

Roth IRA Conversion – Benefit Summary

Benefits	Explanation
Assets Grow Tax Free	If you believe taxes will grow in the future, converting to a Roth will reduce the overall taxes paid.
Social Security Benefits	Roth distributions maximize Social Security benefits as they are not reported as income.
Legacy Building	No Required Minimum Distribution requirements will lead to increased wealth transfer.
Market Volatility	If your assets that you convert go down in value, the IRS allows you to change your mind (or recharacterization) which allows you to convert back to an IRA and receive any refunds on taxes paid. For conversion completed in 2010, you have until October 15, 2011 to change your mind.

The regulations governing retirement accounts can be complex. However, by soliciting the help of your financial advisor, estate planner and tax accountant, you can take advantage of these opportunities. Please contact RGB Capital Group at 888-742-7472 to discuss these opportunities to see if they make sense for you.