



As most of you are aware, beginning in 2010, the \$100,000 modified AGI limit on conversions to Roth IRAs no longer applies.

For the first time, married taxpayers filing separately may make roll-overs to Roth IRAs. This means you may roll-over amounts in qualified employer sponsored retirement accounts, such as 401(k) and profit sharing plans, and regular IRAs, into Roth IRAs – regardless of your adjusted gross income. **This creates interesting opportunities which may need to be further investigated based on your personal situation.**

#### Why Roth IRAs are attractive.

- Earnings within the account are tax-free.
- Unlike a regular qualified employer plan or IRA, withdrawals from a Roth IRA aren't taxed if certain relatively liberal conditions are satisfied.
- A Roth IRA owner does not have to commence lifetime required minimum distributions after he or she reaches age 70 ½ as is generally the case with regular qualified employer plans and IRAs.
- Beneficiaries of Roth IRAs also enjoy tax-free earnings and tax free withdrawals. Non-spouse beneficiaries do, however, have to commence regular withdrawals from a Roth IRA after the account owner dies.

#### The Big Detriment

The issue is that the roll-over will be fully taxed. If you make the roll-over to a Roth IRA in 2010, the tax that you owe as a result of the roll-over will be payable half in 2011 and half in 2012, unless you elect to pay the entire tax bill in 2010.

#### Who Should Consider a Roll-Over to a Roth IRA?

- You should probably only consider a roll-over if you could pay the tax from non-retirement funds.
- You will need to anticipate your tax rate in retirement when you are taking required minimum distributions. If this rate will be higher than your tax rate now, or you anticipate tax rates going up and your income as a result of the IRA distributions not going down significantly, you may want to consider a roll-over.
- You should consider a roll-over to a Roth IRA if you will not need these funds in retirement.
- The younger you are, the more attractive the roll-over will be based on the number of years of tax free growth.
- You have to be willing to pay the tax price now for the opportunity to pass on a source of tax free income to your beneficiaries.

After you have answered the above questions, if you are interested in the conversion to a Roth IRA in 2010, please contact us at 973-994-9494 so that we may discuss your specific situation and run calculations that may help you finalize your decision.