



Roth IRAs Now Available To More People

New Opportunities Could Be Beneficial For People at All Income Levels

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Effective January 1, 2010, for the first time, a new federal law allows individuals who have modified adjusted gross incomes in excess of \$100,000 a year to have access to the tax and estate planning benefits of Roth IRAs. This means that, unlike in previous years, people of higher incomes are eligible to convert their Traditional IRAs to Roth IRAs. This significant change in the tax law is one many people may want to look into this year as it may have significant benefits for them. Now that they are eligible, the question people now may want to ask is this: Is a Roth IRA conversion/rollover opportunity right for you?

The Facts

1. **This change in the law involving Roth IRAs is an important opportunity, because Roth IRAs were not available to people with modified adjusted gross incomes of more than \$100,000 a year prior to January 1, 2010.**
2. **There are numerous benefits to investing with Roth IRAs rather than traditional IRAs. These include:**
 - a. Tax-free compound growth of assets and earnings;
 - b. Tax-free distributions after 5 years (providing certain rules are met);
 - c. No "Required Minimum Distributions" (or "RMDs") means additional wealth-accumulation potential and legacy advantages; and
 - d. Contributions permitted after age 70 ½ and as long as you have earned income.
3. **Now may be the best time to convert to a Roth IRA for the following reasons:**
 - a. This tax law change comes at a good time for investors who have seen the value of their retirement assets retreat with the recession. If those assets are beginning to rebound, converting them now could mean a lower tax impact than if converted in the future.
 - b. The relatively low income tax rates today (vs. higher rates that are anticipated in the future) may offer immediate tax advantages to those who decide to convert to a Roth IRA.
 - c. The IRS is offering a unique opportunity this year to encourage those who may want to convert: if you convert to a Roth IRA this year, you can pay the taxes that you'll owe in two separate installments - half in 2011 and half in 2012. This could be quite beneficial to some investors.
4. **People with traditional IRAs still need to consider a variety of issues before making the decision to convert – this is not a "one size fits all" situation. Here is a quick primer to help determine if converting is a good idea for you:**
 - a. Converting Could Work For You If:

- You want tax-free distributions in retirement;
- You believe you will be in a higher income tax bracket when those distributions begin;
- You won't need access to the money for at least five years;
- You don't anticipate needing all of your IRA assets for retirement and would like to extend their tax-free growth potential for your heirs;
- You have losses for the tax year to offset the ordinary income created by the conversion.

b. Converting May Not Work For You If:

- You believe your income tax rate will stay the same or drop in retirement;
- You don't have enough cash in a taxable account to pay the taxes due on the conversion;
- You're planning to leave your IRA assets to a charity.

5. As always, it makes sense to consult a tax professional before making this decision on converting to a Roth IRA. But if it *is* the right decision, this change in the law, effective January 1st of this month, gives the opportunity for major investment benefits, both today and into the future.

For more information, please contact Mary Hoyt at 866.356.BLUM.