

February 2010

## **Xponent Group Tax Alert: 2010 Roth IRA Conversion Opportunity**

Congress has authorized the elimination of income limits for individuals converting from a traditional IRA to a Roth IRA. Beginning January 1<sup>st</sup>, the income status requirements for rollovers (including conversions) to a Roth IRA were changed.

In addition, for the year 2010, you will be allowed two years to defer the tax owed on the conversion. This means that instead of including the income on the conversion this year, you can include half in 2011 and the remaining half of the conversion income in 2012.

Under the new rules you can convert the following to a Roth IRA regardless of your income or filing status:

- Traditional IRA, SEP IRA or SIMPLE IRA;
- Eligible rollover distributions such as 401(k) or a 403(b) plan;
- Eligible rollovers from retirement plans whereby you are a beneficiary.

The reasons you may want to consider a Roth IRA include:

- Tax-free growth of IRA assets;
- Tax-free withdrawals of IRA assets (assuming you are 59½ or older and the Roth IRA is more than 5 years old);
- No minimum distribution requirements once you turn 70½.

Should you move to a Roth IRA? Like most tax and investment decisions, the answer is “it depends”. So, contact us with your questions and let’s work together on the right answer for your situation