

Upcoming Changes to Rules on Roth IRA Conversions in 2010

Starting on January 1, 2010 the \$100,000 AGI limit on Roth conversions is eliminated, thereby making anyone who holds a traditional IRA account eligible to convert part or all of their traditional IRA into a Roth IRA.

Roth IRAs – What are the benefits?

- Qualified distributions are tax free.
- Earnings grow tax free.
- No Minimum Required Distributions during your lifetime.
- Your beneficiaries inherit the account without paying any income tax on the distributions, though they must start taking distributions within certain time limits.
- Taxes paid on conversion reduce overall estate subject to potential taxes at death.

Who should consider a Roth conversion?

- You expect your tax rate to be the same or higher when you retire.
- You can afford to pay taxes incurred on the conversion from funds other than those held in the converted account.
- You have tax carryovers that will offset the income incurred by the conversion. For example, Net Operating Losses, Charitable Contribution carryovers or Business Credit carryovers.

How the Roth conversion works:

- The amount converted can either be reported as income in 2010 or split into the following two years - 2011 & 2012.
- The assets must remain in the Roth IRA for 5 years after the conversion and you must be over 59.5 to qualify for tax free distributions.

Each situation is unique; please call us to discuss whether a Roth conversion is right for you.

Any tax advice in this communication is not intended to be a "covered opinion" as described under IRS Circular 230. It is therefore not intended to be used, and cannot be used, by a client or any other person or entity for the purpose of avoiding penalties that may be imposed on any taxpayer.

**CLOTHIER
& HEAD**^{PS}

Certified Public Accountants
and Business Advisors
1301 Fifth Avenue Suite, 2800
Seattle, WA 98101
206.622.1326 phone
www.clothierandhead.com