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Can you benefit from the 2010 Roth IRA conversion opportunity?

The advantages of a Roth IRA are now available to more investors, including the wealthiest. Traditionally, only households with income under $100,000 can convert Traditional IRAs (as well as 401(k) and other retirement plan assets) to Roth IRAs. Currently, this opportunity is available to all investors, no matter their annual household income.

The advantages of a Roth IRA

Although contributions to a Roth IRA aren't tax-deductible, qualified withdrawals are normally income-tax free. In addition, there are no required minimum distributions during the Roth IRA owner's lifetime, and no age at which you must stop making contributions. A Roth IRA offers these benefits:

- The convenience — and peace of mind — of tax-free income in retirement.
- Protection from possible tax increases in the future.
- The ability to keep your money working tax-deferred — even well into your retirement years.
- The potential to build a bigger legacy for your heirs.
- Tax diversification and less exposure to changing tax laws if you choose to convert only some of your Traditional IRA assets.

Flexibility in paying the taxes

To help ease the tax burden of a Roth conversion, you can choose to pay all the tax in 2010 or to spread it out evenly over 2011 and 2012. This benefit is only available to investors who convert in 2010. You'll get the most benefit from tax-deferred growth if you can avoid funding the conversion taxes from your retirement assets.

Ability to "undo" a conversion

If you complete a Roth IRA conversion and then experience losses, or for any reason regret the conversion, you can "recharacterize" the IRA back to a Traditional IRA at any time up until the due date of your tax return for the year in which you converted. If you file your taxes on time, you are granted an automatic extension to October 15 to complete a recharacterization.

You might benefit from a Roth IRA conversion under the new rules if you…

- Have not yet retired and believe tax rates will increase in the future
- Can fund much of the resulting tax bill from non-IRA assets
- Are already taking required minimum distributions from an IRA but don't need the income to meet your living expenses. You must satisfy RMD for that year before converting
- Have assets left in a former employer's 401(k) or other retirement plan
- Own a business and a SEP IRA and think your tax rates will be higher in the future
- Have a large Traditional IRA balance and want to convert but need the flexibility to spread out the tax liability over two years
- Want to preserve as much of your IRA assets as possible for future generations

Things to consider before you convert

- Contributions you make to a Roth IRA after you convert are not tax-deductible. Also, in order to make contributions, your adjusted gross income cannot exceed $120,000 for an individual or $176,000 for a married couple (as of 2009). For 2010, $120,000 for individual and $177,000 for a married couple.
- You may not take qualified distributions from a Roth IRA within five years beginning January 1 of the year in which you make a contribution and you must attain age 59 1/2 . If you do, you may be subject to a 10% penalty.
- If the market value of the Roth IRA declines after you convert, you will have paid taxes on the larger amount.

Take the next step

Start today to find out whether a 2010 Roth IRA conversion will help you meet your retirement goals.

- Find an advisor you trust
- Analyze a full or partial Roth IRA conversion
- Plan which non-IRA assets you can liquidate to cover taxes

Then, prepare to take these steps in 2010:

- Execute your Roth IRA conversion strategy
- Select the tax payment strategy that best meets your needs

Your financial advisor can help you build and protect your retirement savings, and ensure you take steps to provide for the people you care about after you're gone. Ask your advisor to help you explore whether a Roth IRA is right for you.

Important deadline dates to remember

2009 regular or spousal contribution	April 15, 2010
2010 conversion	December 31, 2010
Elect tax option for 2010 conversion (2010 option or 2011-2012 tax-spread option)	2010 tax filing due date
Recharacterize a 2010 conversion	Six months after your extended 2010 tax filing due date not to exceed October 15

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