

## 10 Points

### Ten Points About: Roth IRA Conversions

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1. 2010 represents an opportunity for all taxpayers, regardless of income, to convert traditional IRAs (including SEPs and IRA Rollovers) to Roth IRAs.
2. Prior to 2010, you were disqualified from this conversion option if you had a modified adjusted gross income over \$100,000.
3. The main benefit of Roth IRAs is that all account growth and eligible distributions are income tax-free.
4. Unlike traditional IRAs, the original owner is not required to take distributions after age 70.
5. Roth conversions have income-tax implications in that all pre-tax contributions and earnings are taxed as ordinary income in the conversion year.
6. Income-tax rates are at historic lows. Paying income tax on a Roth conversion at current rates will insulate that amount, and any further growth it accumulates, from future tax-rate increases.
7. Being taxed at ordinary income rates is the trade-off for future tax-free accumulation and tax-free income.
8. If you elect to convert, you have the option of paying the federal income tax due in 2010, or paying in equal installments over the following two years (2011 and 2012).
9. Should you decide the conversion was not a good idea for any reason, you have the option to recharacterize back to an IRA before your tax-filing deadline, including any extensions.
10. Roth IRA conversions aren't advantageous to everyone. It is important to consider all potential consequences.



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