

[TOPIC]

2010: A Roth Conversion Odyssey

[ADVICE]

As we welcome in the New Year, we also welcome the new Roth IRA conversion rules effective for 2010. A couple of very key changes are being made to these rules that up until now limited who could or should convert an IRA to a Roth IRA. The first limitation was eligibility. Conversions were limited to those with household incomes below \$100,000. The second limitation was the taxes due in the year of conversion. Even if one was eligible to convert, the higher taxes resulting from conversion many times negated the positives.

Starting in 2010, income limitations on Roth IRA conversions are removed, and all 2010 conversions can elect to defer the tax liability and spread the cost equally over the tax years of 2011 and 2012. This means that effectively anyone with an IRA is eligible for a Roth IRA conversion, and for 2010 conversions the ability to defer and spread the tax liability may be financially advantageous.

Every situation is different, and many factors go into determining if a Roth IRA conversion is the right thing to do, but these changes are significant enough that everyone with an IRA should check with their financial advisor to find out. What was once the rare Roth IRA conversion will become more common, and 2010 is set to lead the way.



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