

# To Convert or Not to Convert



By Ruth A. Forsyth, MS, CFP

## Should you convert your IRA (or 401k) to a Roth IRA in 2010?

The opportunity to convert is available to **everyone** in 2010, regardless of income. Whether or not you should is an individual matter.

Converting your IRA means paying taxes on the value now in exchange for the opportunity to take tax free distributions in the future. Those who convert by 12/31/2010 can ease the tax burden by spreading payments equally in 2011 and 2012. Some advantages of converting:

- Tax free income in retirement
- Protection from future tax increases
- Ability to allow your money to grow tax free – even beyond age 70 ½ - no required distributions while you are alive
- Potential to leave a larger legacy to your heirs

Some things to consider:

- If at all possible, taxes for the conversion should be paid from non-qualified assets. Monies taken from the IRA to pay taxes would additionally be subject to 10% penalty if you are under 59 ½.
- Think twice about converting if you have children who are or will soon be college bound. The amount converted will be counted and taxed as ordinary income and could disqualify your family from financial aid.

To find out whether a 2010 Roth IRA conversion will help you meet your retirement goals, feel free to contact my office at...

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