

# STRATEGIC

LAW GROUP PC

Strategic Integrated Planning

## **ROTH IRA CONVERSION**

### 2010 ROTH IRA CONVERSION

A new law effective January 1, 2010, will allow all individuals, regardless of income level, to convert regular IRA's to Roth IRA's. Currently the law precludes anyone with income of \$100,000 or more to convert regular IRA's to Roth IRA's. This has prevented the vast majority of people from converting. The opportunity allows one to take an IRA otherwise taxable at retirement to convert, pay taxes today, and then reinvest in a Roth IRA account. Why is this potentially so advantageous?

- Today's income tax rates are at historical lows with a top bracket of 35% vs. tomorrow's tax rates of 39.6% or higher;
- Today's IRA investment values are at historical lows vs. tomorrow's investment values which will eventually return to higher levels;
- No taxes are paid on Roth IRA distributions; and
- The new law allows the income tax payments to be split into two and deferred until 2011 and 2012

### RETIREMENT PLAN TERMINATION – REGULAR IRA TO ROTH IRA CONVERSION

Additionally, if you have a qualified retirement plan (e.g. 401(k), profit sharing, or defined benefit plan) that has little expectation of sizable contributions in the next few years, you can terminate your plan, roll your plan assets out to an IRA and then convert to a Roth IRA on January 1, 2010. The retirement plan termination process typically takes some time and if engaged in currently, could be completed by January 1st in time for the new conversion law.

### IRA CONDUIT TRUSTS

With a properly structured IRA Conduit Trust, you may safely designate a trust as a beneficiary of your IRA account. This allows you to hold the IRA distributions in an asset protection type trust where the distributions are protected from the claims of the beneficiaries' creditors, their ex-spouses in divorce, their own mistakes and immaturity or where there are potentially special needs beneficiaries.

### ACTION STEPS

- Prepare an income tax projection and calculate the amounts
- Terminate qualified plans and roll to IRA's
- Consider IRA Conduit Trusts for transfer of IRA funds to beneficiaries with estate tax minimization

Contact us now for further information. Please direct initial inquiries to June Waage at [jwaage@strategiclawgrouppc.com](mailto:jwaage@strategiclawgrouppc.com) or 866-657-0246.