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New legislation in place for 2010 has many Taxpayers considering converting their traditional IRA accounts into Roth IRA accounts.

Now may be a good time to consider converting all or part of your traditional IRA account into a Roth IRA account.

Roth IRA accounts have significant advantages compared to traditional IRA accounts. Generally, the principal and accumulated earnings can be withdrawn tax free upon reaching two tests: reaching age 59 ½ and having a Roth IRA account open for at least five years. Also, taxpayers are not required to take minimum required distributions after reaching 70 ½.

The advantages of a Roth IRA are nothing new. However, in the past only taxpayers with modified adjusted gross income under \$100,000 were eligible to convert their traditional IRA accounts into a Roth IRA. Starting in 2010 the IRS has eliminated this restriction. In addition as the law currently stands income tax rates could be significantly higher starting in 2011.

For 2010 conversions only Taxpayers can elect to defer the recognition of the taxable income on their 2010 returns and spread the taxable income evenly over their 2011 and 2012 returns. This defers the recognition of the income and “locks in” the tax now and allows for all the future distributions to be tax free.

There are numerous factors to consider in converting a traditional IRA, including but not limited to, your planned retirement age, the income tax bracket you are in now and plan on being in upon retirement, state of residency, etc.

If you would like more information we please consult your SKP contact person to discuss how best to proceed.