

## HARTFIELD FINANCIAL & INSURANCE SERVICES, INC.

(805) 522-5815 — [WWW.HARTFIELDFINANCIAL.COM](http://WWW.HARTFIELDFINANCIAL.COM)

### THE ROTH IRA: TO CONVERT OR NOT TO CONVERT?

*On January 1, 2010 the income limits on converting a Traditional IRA to a Roth IRA were eliminated. That means everyone is eligible to convert to a Roth and after investors complete the conversion process, they will not be taxed on future investment growth.*

*But a Roth conversion may not make sense for all investors. If you're thinking of converting to a Roth, here are some things to discuss with your tax advisor.*

Beginning in 2010, the income limits on Roth IRAs will be eliminated, so investors of all income levels will be able to convert their Traditional IRA assets to Roth IRA assets. This is significant because today your modified adjusted gross income (MAGI) must be \$100,000 or less for you to be able to convert.

#### Your Tax Advisor Can Help You Consider These Key Points:

- **You may pay less in taxes** – If you convert your Traditional IRA balance to a Roth IRA, you'll pay taxes on the amount being converted. But because of market volatility, your account balance may be lower than it was when the market was stronger. In effect, you may pay less in taxes.
- **Option to spread the tax burden over two years** – When you convert to a Roth IRA, you will have to pay taxes on any deductible contributions and investment earnings. But, if you make the conversion in 2010, you can pay the taxes in 2010 or you can spread the taxes over the subsequent two years, 2011 and 2012.
- **No required minimum distributions** – Unlike Traditional IRAs, Roth IRAs do not require that you take required minimum distributions when you reach age 70½. That means your account can continue to grow tax-free until you – or your heirs – are ready to withdraw the money.
- **Income limitations still apply** – You may not necessarily be eligible for further contributions to a Roth IRA. Income limitations will still apply to Roth contributions. Talk with your tax advisor to learn more.

#### Roth IRAs:

- Once you have held the Roth IRA for at least five years and you are at least age 59½, withdrawals are tax-free
- You don't have to take required minimum distributions when you turn age 70½
- If you don't need the money, you can leave your Roth assets to your children or other heirs

#### Traditional IRAs:

- Contributions may be tax-deductible\*
- Offers incentives for taxpayers who expect to be in a lower tax bracket during retirement
- The taxpayer gets the tax benefit immediately

\* Contributions to a Traditional IRA may be tax deductible depending on your income and whether or not you participate in an employer-sponsored retirement plan.

#### A Hypothetical: Spreading the Tax Burden

- Matthew's Traditional IRA has a \$50,000 balance
- He converts it to a Roth IRA on February 1, 2010
- Matthew decides not to pay the taxes on the conversion in 2010
- Matthew elects to include \$25,000 in gross income for 2011 and \$25,000 in gross income for 2012.

Source: IRS Publication 590

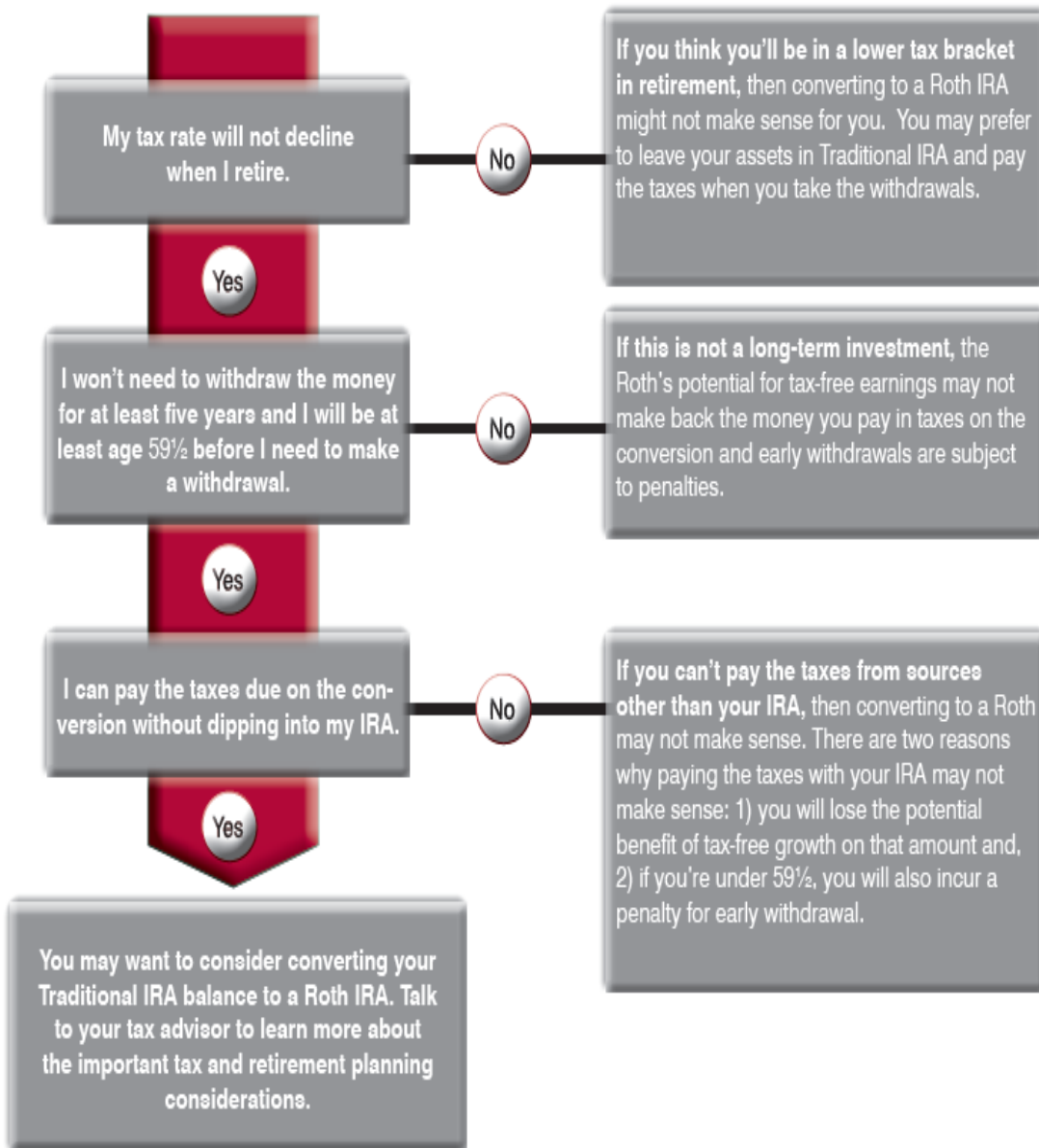
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Comparison of a Traditional IRA versus a Roth IRA

Is a conversion to a Roth IRA right for you? Here are some points to consider:



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