

Richard E. Boretti, CPA, CFP®

319 Littleton Road, Suite 204

Westford, MA 01886

978-392-3630

rboretti@cwagroup.com

mauth@cwagroup.com

Roth IRA Conversion Now Has No Income Limitations

Prior to 2010, IRS rules barred all single and joint filers with a modified adjusted gross income (MAGI) of more than \$100,000 from converting their traditional IRA to a Roth IRA.

Effective January 1, 2010, there is no earnings limit, thanks to the Tax Increase Prevention and Reconciliation Act of 2005. That could be very good news, especially for investors whose earnings still prevent them from contributing to a Roth IRA.

Although the conversion from traditional IRAs to Roth IRAs requires taxes to be paid currently in year of conversion, the Roth IRA offers potential longer term tax advantages such as:

- Tax-free withdrawals — Roth distributions are tax-free if taken at least five years after the initial contribution or latest conversion *and* the investor is at least age 59½ or is disabled or uses the money for a first-home purchase (\$10,000 lifetime limit). Also, upon the Roth IRA owner's death, withdrawals by the beneficiary are generally tax-free.
- Tax diversification — If investors have tax free accounts (such as a Roth IRA) and tax-deferred accounts (such as a 401(k) plan or a traditional IRA), they'll have the income flexibility they may need during retirement as their tax rate rises or falls.
- No required minimum distributions (RMDs) —Roth IRA owners do not have to take RMDs during their lifetime.
- Estate planning — Beneficiaries will receive the money from a Roth IRA income-tax-free but must begin taking RMDs after the death of the owner.

Please feel free to call or email our office to further discuss this tax law change and how it can potentially help you.