

ROTH ROLLOVER CONVERSIONS

In 2010, there are opportunities for rollovers from IRA's and Qualified Retirement Plans.

Should you make the conversion? You must consider the following prior to making the decision: If you are not yet 59 ½, you will pay a 10% penalty in addition to the income tax. You should have a minimum of 8 years prior to needing access to the account. Can you pay the tax from other monies rather than paying it from the rollover?

The focus of various articles and the news media has been on the income tax side of the equation. I believe the estate side is the real value for the following reasons:

- A. No minimum distribution requirements for the participant or their spouse.
- B. If the participant and the spouse do not take distributions, their children upon the death of their parents are required to take minimum distributions over their life expectancies without any tax.
- C. If the participant paid the income tax from their estate, their estate tax will be lowered.

monies other than from the rollover; their estate is reduced by the amount of the tax.

General notations to consider in making the decision to rollover to a Roth:

- A. The income tax is not due until 2011 & 2012.
- B. The 5 year clock starts at the time of the rollover
- C. The rollover may not have the same creditor protection as the Qualified Plan
- D. Make sure the beneficiaries of the rollover are named people as opposed to a Trust as a Trust has no life expectancy.

Current accounts that may or may not rolled over:

- A Profit Sharing balances if the plan allows for in-service distributions. Plan may be amended to allow for same.
- B 401(k) accounts may not be rolled over until a participant has attained age 59 1/2. This is a rule under 401(k) plans.
- C You may not have a rollover from a Defined Benefit Plan unless the participant has attained age 62 or later
- D If the Profit Sharing Plan has monies transferred from a prior pension plan, that money cannot be transferred prior to age 62.

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