



To: Clients, Associates & Friends of Pro@ctive CPA
From: Mark Wyssbrod, Managing Member
Date: November 29, 2010
Re: Roth Conversion

The holiday season is in full swing and the end of the year is quickly approaching. We wanted to quickly touch on a topic which we have recently received some inquiries. The information below will be general information. Please call us to discuss how to apply the information to your specific situation at (770) 664-8583.

Should I convert my retirement account to a Roth IRA? Maybe! There are many other issues involved with the conversion and I would like to mention the following:

- Can you pay for the Roth conversion taxes without dipping into other retirement accounts?
 - If you do not have the monies to pay the tax outside of your retirement accounts you may not want to trigger the income and possible penalties
- Payment of taxes
 - Do you want to pay your taxes now or later?
 - If you want to pay more tax in the short-term you are a candidate
 - Will you be in a higher tax bracket now or later?
 - If you are in a high tax bracket I would recommend that you not convert
 - If you are in a lower tax bracket and your average tax rate is less than 20% then you are a candidate
- Do you have other losses which you can offset the conversion amount which is taxable?
 - If so, then you are a candidate
- Once the estate tax laws are retroactive on January 1, 2011 will you have an estate tax issue?
 - If so, then you are a candidate
- Are you paying Alternative Minimum Tax?
 - If so, then the conversion may not fully be taxable and you are a candidate

You can use the similar points above to determine if you should participate in a Roth 401(k).

Roth IRA conversions during 2010 can choose to be taxable in 2010 or ½ of the conversion can be taxable in 2011 and ½ of the conversion can be taxable in 2012.

Additional Comments: When was the last time Congress had taxpayers willingly paying taxes? I find it interesting that taxpayers usually want to pay as minimal tax as possible, but when they hear about a Roth IRA conversion they just cannot wait to convert and pay more tax now! This seems like a contradiction to me.

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