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MEMBER

No Income Limits on Roth IRA Conversions in 2010

Part of the 2006 tax reconciliation bill became important for many of us in January 2010. It's sort of a good-news/bad-news deal -- but more good than bad for many. As of January 1, 2010, there are no longer any income limits for those who want to convert a traditional IRA to a Roth IRA. That's good because until this year, households with an adjusted gross income of more than \$100,000 were barred from converting their IRAs to Roth IRAs and married spouses filing alone were barred regardless of their income.

Roth IRAs, for those of you in need of a quick review, are retirement savings accounts where you pay the income taxes due when you contribute to the account -- then, it grows virtually tax-free and your withdrawals are also tax-free (but you don't get the income tax deduction when you contribute the money, like with traditional IRAs).

So, for those of you whose traditional IRAs are now worth far less than they used to be worth (that's the bad news part), converting to a Roth IRA in 2010 could be a great idea. Since the account is now worth so much less, the taxes on the conversion will also be much less than they might have been, and if tax rates go up in the future, as many predict they will, you'll have already paid the taxes due on the account.

For more information about retirement account planning (including conversion and customized beneficiary designations), call us today at 866-ELDERLAW.