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## What's new for 2010?

Previously people who made "too much money" could not convert to a Roth IRA. However, effective 1/1/2010, there will be no income restrictions. So, anyone can convert an IRA to a Roth IRA.

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# Roth Conversions - What you want to know

## Who is eligible?

- Eligible accounts include traditional IRAs, 401(k)s, SEP IRAs, SIMPLE IRAs and other retirement accounts. (View IRS publication 590 for detailed info)
- No age restrictions
- No income restrictions as of January 1, 2010 and beyond
  - Previously only households with \$100,000 or less in annual income could convert to a Roth IRA.

## How much can be converted?

- No dollar limit on conversion amounts

## Tax Information<sup>1</sup>

- Prior to 2010, the income was taxed in the year of the conversion.
- For conversions in year 2010, you can a) spread the tax equally over 2011 and 2012 or b) pay entire amount in 2010.
- For conversions after 2010, income is taxed in the year of the conversion.

## Why Consider a Roth Conversion?

- When you're retired, it's helpful to have at least a portion of your income be tax-free. Roth IRAs make this possible. Withdrawals from a Roth IRA are tax-free
  - You must hold a ROTH for five years and be at least age 59½ for withdrawals of earnings to be tax free. Early withdrawals are subject to penalties. Converted amounts that taxes have been paid on may be taken out prior to five years without a penalty but not before age 59½.<sup>1</sup>
- ROTH IRA's are not subject to required mandatory distributions at age 70½
- Reduced exposure to future tax increases.
- Heirs will not owe taxes on withdrawals. However,
  - ROTH IRA beneficiaries do have to take distributions based on their life expectancies
  - ROTH assets are included in the valuation of estate's assets
- No age limitations for converting

## Other Important information

- Contributions to a Roth IRA are not tax deductible and non-converted contributions are still subject to income limitations.
- It is important that you consult your tax advisor when considering a ROTH IRA.

<sup>1</sup> Individuals should consult their own competent tax advisors with any questions they have regarding their own factual situation.

American General has the tools to help you convert to a Roth IRA.

Visit [www.rothandroll2010.com](http://www.rothandroll2010.com) to learn more.

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# Are you a Roth IRA Candidate?

## Pre-Retiree

- Age 40-50 who have considerable 401(k)s, but little or no Roth IRAs
- Has 20 or more years before they need to receive income
- Currently in 25+% federal income tax bracket
- Assumes same or higher tax-bracket in retirement
- Has other assets to pay the tax for conversion to Roth IRA

## Retiree/Pre-retiree

- Age 55+
- Does not need traditional IRA asset(s) for future income needs
- Wants to convert to more efficient estate asset to pass to heirs
- Wants to reduce RMD eligible assets
- No age limitations in converting

## Questions to ask yourself?

### When will you need the money?

- All other things being equal, the more time you have on your side, the more a Roth conversion might be worth considering

### Do you think your tax rates will increase in the future?

- If you think your tax-rate will not decrease – and will perhaps increase in the future, you may want to convert to a Roth IRA, rather than pay future income taxes at higher rates.

### Do you have the resources to pay the tax bill?

- Only consider converting to a Roth IRA if you have non-qualified assets to pay the tax bill.

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Visit us at [www.rothandroll2010.com](http://www.rothandroll2010.com) to gain access to a user-friendly Roth IRA conversion calculator or contact your insurance professional.

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