

Information from Financial Services and CFS* to help keep your financial life in balance

Consumer Sense

What's All The Buzz?

Beginning in 2010, millions of additional taxpayers may be able to convert their existing traditional Individual Retirement Accounts (IRAs) to Roth IRAs, which could mean future tax savings.

The Tax Increase Prevention and Reconciliation Act (TIPRA) of 2005 was signed into law on May 17, 2006. TIPRA contains a provision that will make it much easier for higher-income individuals and couples to convert an existing Traditional IRA to a Roth IRA in 2010.

Traditional IRA

IRAs are accounts with tax advantages. Currently, investors may contribute up to \$5,000 in 2009 (\$6000 for those 50 and older). The account grows tax-free until withdrawals are made, usually after 59 ½. If withdrawals are made before age 59 ½, a 10 percent penalty may be assessed by the IRS.

Roth IRA

Unlike with a traditional IRA, owners are not required to take a minimum distribution from a Roth IRA when age 70 ½ is attained. While contributions to a Roth IRA are not tax-deductible, a Roth IRA offers tax-free withdrawals in later years as long as the funds have been in the account for at least 5 years and the owner is at least 59 ½ when distributions are taken. If the owner is under 50 years of age at the end of 2009, the maximum contribution that can be made to an IRA is the lesser of \$5,000 or the amount of taxable compensation for 2009. If 50 years of age or older before 2010, the contribution limit is the lesser of \$6,000 or the amount of taxable compensation for 2009.

Roth Conversion

Investors converting from a traditional to a Roth IRA will pay

taxes on the amount converted based on the market value of the account. The potential "silver lining" in this down market may be that depressed market prices have reduced the value of many traditional IRAs. Converting to a Roth IRA during a down market could potentially result in tax savings. Depending on the portfolio value and when the conversion is completed, taxes may be calculated on a much lower value than in an appreciating market. Roth IRA conversions may also offer several estate planning benefits.

Reaching out to the Investment Professionals at your credit union.

The decision to convert to a Roth IRA is not a simple one. To find out whether a Roth IRA conversion makes sense for you, talk to your financial advisor. He or she may be able to assist you in determining which of these plans fit your unique situation.

CUSO Financial Services, L.P. (CFS) does not provide tax or legal advice. For such guidance, please consult your tax and/or legal advisor.

Source: www.irs.gov

Have You Read...

Go Roth! 2009: Your Guide To The Roth Ira, Roth 401K And Roth 403B by Kaye A. Thomas. This plain language book helps you determine whether a Roth is your best choice, and takes you through all the rules and strategies for creating, maintaining, and using your account.

Find out more.

We specialize in helping people maintain a healthy financial balance and discover smart money strategies. Call us to set an appointment to review your investment objectives, and to discuss any questions you might have. We look forward to speaking with you!



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