

ROTH IRA CONVERSIONS:

Does it make sense for you?

The Government's Gifts:



Tax-Deductible Contributions



Tax-Deferred Growth



Tax-Free Withdrawals

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The Government's Gifts:



Tax-Deductible Contributions + Tax-Deferred Growth

- TRADITIONAL IRAs
- QUALIFIED RETIREMENT PLANS
 - ▣ 401(k), 403(b), 457, etc.

The Internal Revenue Code already provides tax deferral to IRAs, so there is no additional tax benefit obtained by funding an IRA with an annuity; consider the other benefits provided by an annuity, such as lifetime income and a death benefit.

The Government's Gifts



Tax-Deferred Growth + Tax-Free Withdrawals

- LIFE INSURANCE (non MEC)
- ROTH IRAs

Although Roth IRA contributions (including Traditional IRA conversion amounts) are made with after-tax dollars, the interest earnings generated in the Roth IRA grow tax deferred and may be withdrawn tax free if certain conditions are met.

The Roth Story



- 1974: The Traditional IRA is introduced
- 1990s: Government added flexibility
- 1997: Roth IRAs were introduced through the
Taxpayer Relief Act

Withdrawing from a Roth IRA

FLEXIBILITY...

A Roth
Allows for
Qualified
Distributions



- ❑ Must be taken at least 5 years after the Roth IRA was first funded
- ❑ Withdrawal options:
 - ❑ For first time home buyers
 - ❑ If owner becomes disabled
 - ❑ As death benefit proceeds to beneficiaries
 - ❑ If owner is at least age 59½

Taxable amounts withdrawn prior to age 59½ may be subject to a 10% IRS excise tax except under certain circumstances. There are requirements for meeting the First Time Home Buyer exception, please see your agent for details.

Roth IRA vs. Traditional IRA

Roth IRA

- ❑ After Tax Contributions
- ❑ Tax-Free Withdrawals
- ❑ No Required Minimum Distributions at Age 70½
- ❑ Flexible Access to Principal

Traditional IRA

- ❑ Tax Deductible Contributions
- ❑ Withdrawals Taxed
- ❑ Required Minimum Distributions at age 70½
- ❑ Penalty for Principal Withdrawals

Although Roth IRA contributions (including Traditional IRA conversion amounts) are made with after-tax dollars, the interest earnings generated in the Roth IRA grow tax deferred and may be withdrawn tax free if certain conditions are met. Roth IRA investments won't be taxed, as long as you wait until you're at least age 59 ½ to withdraw your earnings. There may be penalties assessed by the product carrier for early withdrawals.

Why might I want a Roth IRA?

- TAX-FREE Withdrawals
- Flexibility and Access to Principal
- No Contribution Cut-offs
- No Required Minimum Distributions

Restrictions, penalties and taxes may apply. Unless certain criteria is met, Roth IRA owners must be 59 1/2 or older and have held the IRA for 5 years before tax-free withdrawals are permitted. Although Roth IRAs allow access to principal, there may be penalties assessed by the product carrier for early withdrawals.

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The Conversion Option

Special Rule for 2010 Conversions

- You can report half the income from the conversion on your 2011 tax return, and half on your 2012 tax return
- OR**
- Report it all on the 2010 return, if you choose

Although qualified withdrawals from a Roth IRA are tax free, when converting a Traditional IRA into a Roth IRA, the entire converted taxable amount is reportable as income in the year of conversion.

Why Now?

In 2009:

- You could NOT convert if:
 - ▣ Your modified adjusted gross income exceeds 100,000

OR

- ▣ You married and your filing separate federal income tax returns

In 2010:

- No Income Restrictions on Conversions

Any conversion recommendation requires a thorough analysis of your individual circumstances (age, tax bracket, other resources, longevity profile, etc) and a number of assumptions. Please consult with a qualified professional regarding the applicability of this option for your situation.

What the Experts Say

□ **"Roth IRA conversions are the silver lining to the economic crisis."**

□ IRA expert Ed Slott, a CPA in Rockville Centre, N.Y.

□ **"These may be the lowest tax rates you'll see for the rest of your life. And with account values down, it's a double sale."**

□ Article by Mary Beth Franklin (Kiplinger's Personal Finance, September, 2009)

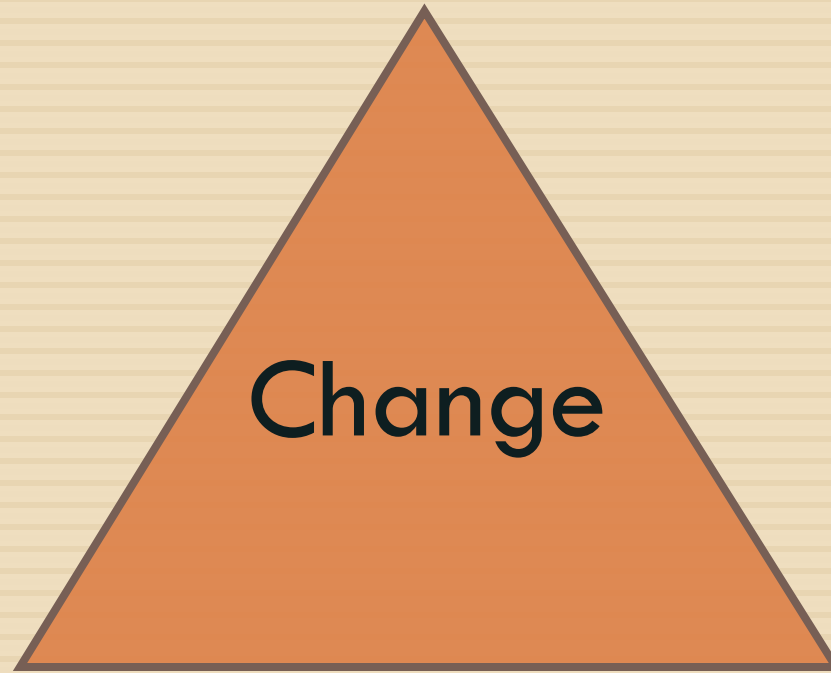
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Conversion: The Right Choice?



- Income tax rate
- Withdrawal horizon
- State tax laws
- How you will pay the conversion tax

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The Law

Financial Tools

Life Is Change

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COMPLIMENTARY REVIEW

- ✓ Look at your current plan and identify if it still “fits” your needs
- ✓ Get your questions answered
- ✓ Decide what steps to take next, if any



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WITH A FREE ANALYSIS

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