

**Question:** Is it true that anyone, regardless of their income, can convert their traditional IRA to a Roth IRA?

**Answer:** Not yet! If your modified adjusted gross income (MAGI) is more than \$100,000, you cannot convert your IRA to a Roth IRA in 2008 or 2009. If your MAGI is less than \$100,000 you can convert your IRA to a Roth IRA in 2008 or 2009.

Here's the good news: In 2010, this income limit or income test gets eliminated and anyone regardless of their income can make the conversion from their traditional IRA to a Roth IRA. That means even if you make hundreds of thousands of dollars per year, you can do the conversion.

The advantage: Lots of high-income earners (100k+ annual income) have previously rolled old 403b, 401k, and 457 plan assets from their former employers into traditional IRAs. These people will be forced to take out money by age 70 ½ under IRS rules and it will all be taxable. However, if they convert to a Roth IRA, they will have no required minimum distributions once they turn 70 ½ and their withdrawals will be tax-free (assuming they are 59 ½ or older and the Roth IRA is more than 5 years old).

When you do a Roth conversion you have to pay taxes on the amount you convert. This is why the government is giving IRA holders a break. They need your money badly! This rush to convert traditional IRAs to Roth IRAs will mean a lot of taxes being generated for Uncle Sam.

**Bill's Bottom-line:** The good news is that if you do this conversion in 2010, you don't have to pay your taxes right away. According to the IRS, unless you elect otherwise, the taxes on the conversion will be spread out over the 2011 and 2012 tax years. In effect, this will give taxpayers the ability to delay full payment of any tax due until 2013. Coordinate this with your tax advisor.



Bill Losey, CFP®, CSA, America's Retirement Strategist®, has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, FOX's "Hannity & Colmes", and Bloomberg Business Radio. Bill publishes *Retirement Intelligence*, a free award-winning weekly newsletter that reaches over 5,000 subscribers worldwide. He is the Author of *Retire in a Weekend!* and can be reached online at [www.MyRetirementSuccess.com](http://www.MyRetirementSuccess.com) or by calling 1-866-786-2521.