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## **New Roth Rollovers**

Are you ready to roll? Starting next year, a new tax rule takes effect that allows more individuals to convert—or roll over--their traditional IRA savings into a Roth IRA.

As you may know, traditional IRAs and Roth IRAs are flip sides of the same coin. With a traditional IRA, you deduct your retirement savings contributions up front, but pay tax down the road when you withdraw funds during retirement. With a Roth IRA contributions are not deductible—you make your contributions with after-tax dollars, but withdrawals during retirement are tax free. In other words, traditional a Roth IRAs offer a choice between tax deferral and tax-free buildup of income.

The tax law also offers the opportunity to second-guess your initial decision. Individuals who have been saving in a traditional IRA have the option of rolling over the funds into a Roth IRA. Tax must be paid on the rolled over funds—but earnings on the converted funds will be tax-free at retirement.

Unfortunately, many individuals have been locked out of that option until now. For 2009 and earlier years, taxpayers with incomes above \$100,000 were barred from making Roth IRA rollovers. Starting in 2010, however, the income ceiling on rollovers will be repealed allowing taxpayers at any income level to convert their traditional IRAs into Roth IRAs. Moreover, for rollovers made in 2010, the tax on the converted amount won't have to be paid all at once. The tax will be payable over two tax years beginning in 2011.

If you would like more information about making a Roth IRA rollover, please feel free to contact us.