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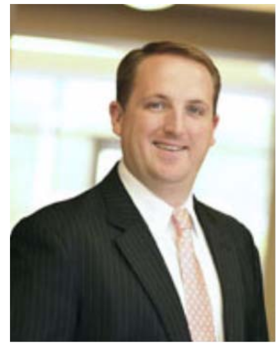
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NEWS

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5 Reasons You Might Want To Pay More Tax in 2010

Independent Financial Professional Provides Strategies to Determine if Roth IRA Conversion Rule Changes Help You

CINCINNATI, OH (November 20, 2009) – Why would you volunteer to pay income tax next year by converting a traditional IRA to a Roth IRA? If you leave things alone, you won't owe any current tax on the assets in your account, regardless of their investment performance. But, according to Chip Workman, Lead Advisor with Cincinnati-based The Asset Advisory Group, this unprecedented time may warrant this approach. "The promise of a future tax payoff, combined with prevailing economic conditions and recent tax law changes makes converting to a Roth IRA in 2010 a possibility worth at least investigating for many investors," Workman says.

With a traditional IRA, contributions may be tax deductible, but the amount you deduct and subsequent earnings will be fully taxed as income when withdrawn during retirement. (The same rules apply to IRAs holding assets rolled over from traditional 401(k)s or other employer-sponsored plans.) And you generally must begin taking those taxable distributions during the year after the year in which you turn age 70½.

In contrast, contributions to a Roth IRA are never deductible, but qualified distributions from a Roth that has been established for at least five years are completely tax free. And because the government won't benefit when you take distributions, it doesn't require you to take them.

Until now, the catch has been that high-income individuals can't contribute to a Roth IRA, and converting a traditional IRA to a Roth hasn't been allowed if your adjusted gross income exceeds $100,000. The latter rule changes in 2010, when the income cap for conversions is eliminated. And though a conversion to a Roth requires you to pay income tax on the amount you convert, if you make the conversion in 2010, you're allowed to spread out your tax payment over 2011 and 2012.

“Spreading the tax payment out may or may not make sense, depending on your situation,” advises Workman, “given where most expect tax rates to go, paying it off in 2010 may be a better option.”

Choosing between saving for retirement with a traditional IRA or a Roth is in part a question of whether it’s better to pay the IRS sooner or later. Being taxed on current contributions to a Roth IRA or for a conversion from a traditional IRA takes money out of your pocket now, but you may do better later, either enjoying tax-free distributions or passing along the account to your heirs, whose withdrawals also won’t be taxed. But the law permitting anyone to convert to a Roth, coupled with depressed asset values from the recent market downturn, adds interesting twists to this debate.

Consider these five reasons it may pay to convert.

1. You’ll pay less to convert an IRA whose value has plummeted. “As painful as the recent downturn has been for investors, the ability to convert to a Roth IRA using depressed assets is a silver lining in otherwise tough times,” Workman explains. You’ll be taxed on the value of the account at the time of the conversion, regardless of what it may have been worth a few years earlier. Suppose the assets in your IRA were worth $500,000 a year ago, but in 2010, they are worth only $400,000. At the top current income tax rate of 35%, that saves you $35,000.

2. You’ll avoid a higher tax bill later if rates rise. With individual tax rates at near-record lows and tax revenue falling far short of federal budget commitments, tax rates are likely to go up in the near future. It may be better to take your lumps under current tax law, even if all or part of the conversion is taxed at the top rate of 35%, than to risk losing much more of your investment to the IRS later.

3. Converting to a Roth IRA gives you maximum flexibility on distributions. There’s not much give in the rules on withdrawals from traditional IRAs and 401(k)s. “Once you reach age 70 ½, the government requires that you take minimum annual distribution to draw down your account,” says Workman, “failing to meet the required distribution means a 50% penalty on any shortfall.” With a Roth, you can take as large or small a distribution as you choose each year, and you have the option of leaving the account intact to provide tax-free income to your heirs.

4. A partial conversion to a Roth lets you customize your tax liability and benefits. “This does not need to be an all or nothing game,” says Workman. You can convert as much or as little as you want each year (although, for now, the option of stretching out tax payments applies only to conversions in 2010). Making a partial conversion lets you limit current payments to the IRS while also providing some tax-free income during retirement.

5. Do not make these decisions alone. “While conversion sounds like a great tax alternative, this is certainly not right for every or even most investors,” Workman cautions, “these decisions need to be made with an independent financial advisor and CPA in the room.” Thoughtful analysis from these professionals will help you make the best choices in light of this potentially fleeting opportunity.

About Chip Workman, CFP® and The Asset Advisory Group

Chip Workman, CFP®, Lead Advisor with The Asset Advisory Group in Cincinnati, Ohio, has spent his career serving the financial needs of his clients. Workman earned his MBA from Xavier University and undergraduate studies were completed at Miami University in Oxford, OH. He spent the early part of his career in various private banking and trust roles, including establishing a private banking presence for several community banks in Cincinnati. He is also a member of the Financial Planning Association, the nation's largest organization of professionals dedicated to championing the financial planning process. The Asset Advisory Group offers independent, fee-only financial planning and investment management services aimed at providing individuals and families with financial and emotional security.

Workman, along with the other advisors at The Asset Advisory Group, have contributed to WNKU's Business Beat, Cincinnati Business Courier, and the Cincinnati Enquirer as well as other financial trade and consumer publications.

Visit http://www.taaginc.com for more information about Mr. Workman and the rest of The Asset Advisory Group's team of advisors and staff.

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NOTE:
When you need a knowledgeable, professional to speak on complicated financial topics in an easy-to-understand and lively way, please call Chip Workman and the advisors of The Asset Advisory Group.