

Should I convert to a Roth IRA?

The Roth IRA offers a number of advantages over its traditional counterpart. These include:

- Tax-free distributions at retirement
- Ability to continue making contributions beyond age 70-1/2
- No required minimum distributions beginning in the year you turn 70-1/2
- Leaving assets to survivors that are free from income taxes

Details on eligibility to convert a traditional IRA to a Roth IRA.

- For years before 2010, if your filing status is married filing separately, you don't qualify unless you lived apart from your spouse for the entire year.
- For years before 2010, if your modified adjusted gross income is greater than \$100,000, you can't convert a traditional IRA to a Roth IRA.
- For years before 2008, direct conversions from an employer plan to a Roth IRA were not permitted. You can do that now, but in some situations it may be preferable to roll to a traditional IRA and then convert to a Roth IRA.
- If you inherited a traditional IRA from a person other than your spouse, you can't convert it to a Roth IRA.
- You can convert a traditional IRA to a Roth IRA even if you made a rollover within the previous 12 months.
- If you're otherwise eligible, you can convert part of a traditional IRA to a Roth IRA. But you can't convert only the nontaxable part.

Assets converted to a Roth IRA must remain in the account for at least five years before any distributions are taken. Otherwise, a significant tax penalty may apply.

You'll maximize the potential for tax-free income later if you pay conversion taxes out of pocket, rather than withdrawal them from your IRA. If you can't pay conversion taxes without using part of your IRA funds, you probably shouldn't convert unless you are certain you will be in a high tax bracket during retirement.

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Updated 3/24/2010

