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August 2009

Volume 9 Issue 8

High Taxes or No Taxes Through Retirement

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David Gergen, senior political analyst and former advisor to Presidents Nixon, Ford, Reagan, and Clinton said, "There's going to be upward pressure on corporate taxes. There's going to be upward pressure on capital gains taxes and possibly on dividend taxes, because there's a lot to pay for."

Do you agree with Mr. Gergen? With the amount of money the federal government is printing and spending, do you think there is a good chance that higher taxes are coming? If you do, keep reading. This could be an ideal time for you to convert your traditional IRA to a ROTH IRA. Company plans such as 401(k)s and 403

(b)s could also qualify. Taxes need to be paid at your ordinary income tax rate on money withdrawn from your traditional IRA. Consider the alternative of converting to a ROTH IRA. Some of the advantages of a ROTH IRA include: 1) withdrawals from the ROTH IRA are tax free as long as it has been established for at least 5 years *and* you are at least 59 ½ years old 2) unlike traditional IRAs, distributions (RMD) are not required when you turn 70 ½ years old 3) and since RMDs are not required, you could continue your legacy by leaving the ROTH IRA to your children or grandchildren. In addition, if you con-

vert in 2010, more benefits are realized. Prior to 2010, modified adjusted gross had to be less than \$100,000 to qualify for a ROTH IRA conversion. In 2010 this limit will be eliminated, so that anyone can convert, regardless of income, with no limit on the convertible amount. Also, you will be able to pay your taxes on the conversion over the tax years 2011 and 2012. This is a great benefit, because the first tax payment will not be due until the 2011 due date, which would normally be April 15, 2012. The final payment would not be due until April 15, 2013.

In addition to these ROTH IRA benefits,

advanced planning techniques will be available based on your personal situation. These techniques include recharacterization (changing your mind after you convert), phase-in conversions, partial conversions, and multiple conversions based on asset classes.

Are you worried about high tax rates following you through your retirement? If you are, give me a call. We can sit down together and formulate a plan that will allow you to withdraw money from your ROTH IRA tax free thus giving you more money to use for the things you enjoy.

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