

Moving Into a Roth IRA



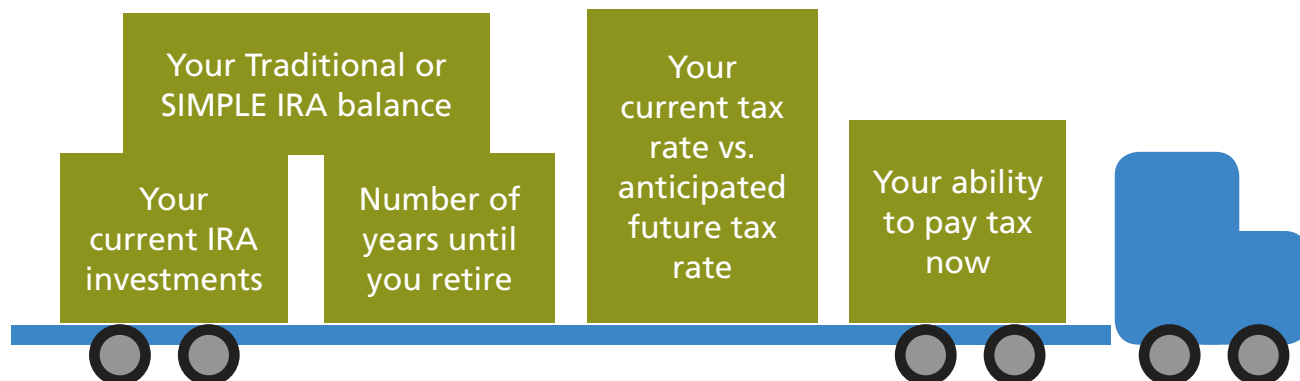
Secure a tax-free income at retirement by moving into a Roth IRA.

Converting your Traditional or SIMPLE IRA to a Roth IRA may be a great way to maximize your IRA savings. Discover how easy it is to convert and how it may affect you financially. This may be a move that you'll want to make.

Learn more today.

"After considering all of the key factors and talking with my tax advisor, I decided to convert my Traditional IRA to a Roth IRA."

Before you make a move, consider these factors.



A conversion is the taxable movement of Traditional or savings incentive match plan for employees of small employers (SIMPLE) IRA assets to a Roth IRA. The financial organization(s) administering the conversion reports the movement of assets to the IRS, while you include any pretax amounts converted in your taxable income for the year of the conversion.

Should You Stay or Should You Go?

Roth IRAs have the potential of providing you with tax-free income now or during retirement. Because you pay tax on the amount you convert in the year you convert, you do not have to pay tax on that money again when you take it out, no matter when that is.* Even better, when you have a Roth IRA qualified distribution (have a Roth IRA for five years and meet one of four qualifying events), the earnings also are distributed tax-free.

Your income must be under certain limits to be eligible to make annual Roth IRA contributions. So if you are not eligible to contribute, converting may be your only way into a Roth IRA.

If your goal is to move money into a Roth IRA but you have concerns about paying the tax, it may be helpful to know that you do not have to convert your entire IRA balance in one year. You can move some of your IRA savings each year, or you may choose to wait until you are in a lower tax rate bracket to convert.

On the Move

You can convert from a Traditional IRA or a SIMPLE IRA directly or indirectly. A direct conversion occurs when the distribution from the Traditional or SIMPLE IRA is payable to the receiving financial organization for the benefit of your Roth IRA. An indirect conversion occurs when the distribution is payable to you, and within 60 days you deposit the money into a Roth IRA.

*Penalty taxes may apply.

The Conversion Excursion

1. The money leaves your Traditional or SIMPLE IRA. (Any amount that you withhold for income taxes is not converted and is subject to income and penalty tax.)
2. The money is deposited into your Roth IRA as a conversion contribution (less any withholding).
3. Include the pretax money that left your Traditional or SIMPLE IRA in your taxable income for the year of the conversion.
4. Enjoy tax-free income during retirement (or before).

Handle With Care

If you take a distribution of your converted assets within five years, a 10 percent early distribution penalty tax generally applies unless you have a penalty tax exception.

Keep in mind that certain distributions you receive from your Traditional or SIMPLE IRA cannot be converted.

- Required minimum distributions (RMDs)
- Substantially equal periodic payments
- Excess contributions

Before doing a conversion, discuss your potential tax outcome with a competent tax advisor. Once assets are converted to a Roth IRA, you cannot “undo” the transaction by moving the assets back to the Traditional or SIMPLE IRA.

For More Information

Talk to us—we’ll be glad to provide you with more information about converting to a Roth IRA.