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## **Roll over old IRA in 2010 to spread out tax payment**



The following information may be helpful in your retirement planning :

The start of a new year is a time for starting over in many aspects of our life, including financially. There are the usual money tasks, such as forming a yearly budget. But this year brings some new tasks that could bring big benefits in the years ahead.

I won't save the best for last, so I'll get right into that big benefit: converting a traditional Individual Retirement Account into a Roth IRA. In 2010, the IRS is allowing the taxes due in a conversion to be paid over two years. If you converted in earlier years, you had to include it in that year's income and pay taxes by the next April 15.

But conversions this year can be paid over two years and are not included in income until 2011 and 2012 tax years. For example, a tax of \$10,000 on a conversion would result in \$5,000 due April 15, 2012, and \$5,000 due April 15, 2013. That's quite a stretch for saving up to pay the tax. And even if tax day gets close with no money to spare to pay the extra tax, you can convert back to the traditional IRA and not have the tax bill - if you convert back before filing 2010 taxes or amend before Oct. 15, 2010.

Although taxes can be split and delayed, with current tax brackets expiring this year, some higher earning account holders may want to pay all the tax in 2010 before tax rates go back to pre-Bush rates, or higher. Additional to these 2010 changes, the requirement of having under \$100,000 in adjusted growth income to be eligible is lifted, allowing even Warren Buffet to convert.

Of course, the benefit in doing this at all is paying taxes on the current balance and having that balance grow tax-free, avoiding taxes in retirement.

Finally, if you are over 70 1/2 years old, the required minimum distributions are back. Last year, the IRS waived the required retirement account withdrawals. But now seniors must start taking them again in 2010. As usual, when rules change, it's always best to consult with an expert who will help you determine what's right for you.

At our agency we can help you with your retirement need along with IRA's and 401k for your company. Please call me @ 510 494-8862.

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