



The attorneys of Johnson, Gasink, & Baxter, LLP (JGB) welcome you to this edition of our newsletter in which Jeremy C. Johnson explores Roth Conversions. For our professional advisors, we will be offering a Continuing Education class on this and other topics on March 23rd at The Chesapeake in Newport News.

ROTH CONVERSION: STEAK OR JUST SIZZLE?

by: Jeremy C. Johnson

We all have heard a great deal in the news about Roth Conversions; however, there still doesn't seem to be a great deal of actual, helpful information available from which one can begin to determine if a Roth Conversion is right for their personal situation. As estate planning attorneys, we have had to educate ourselves on Roth Conversions so that we can advise our clients on the impact to their estate plans if they choose to convert.

WHAT IS A ROTH CONVERSION

A Roth Conversion is the process of moving all or part of your tax deferred retirement account (Traditional IRA, 401(k), 403(b), 457, TSP, Simple/Sep IRA) into a Roth IRA, which enjoys tax free growth. If you will, your tax deferred retirement accounts are in essence subject to a tax lien by the government, being that at some point in the future, ordinary income taxes must be paid on the pre-tax amounts in these accounts. This tax lien impacts you in the form of future Required Minimum Distributions (RMDs) and it impacts your heirs who receive the account as your designated beneficiaries in a similar manner at your death.

Upcoming Seminars

Please attend our upcoming seminars - or better still, invite a friend!

Attendance is free, but you will receive a wealth of information.

Sheraton Richmond West (6624 W. Broad St)	6:30 PM	March 9, 2010
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Sheraton Richmond West (6624 W. Broad St)	6:30 PM	March 11, 2010
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RSVP NOW by calling **757-220-9800**
or by registering at:

<http://www.williamsburgtrusts.com/workshop>



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In the alternative, a Roth IRA does not require RMDs to be paid to the original account owner during his/her lifetime. Also, the monies that do come out of the RMDs are (generally) ordinary income tax free instead of tax deferred, even for your heirs.

HISTORY

The Roth conversion has been in the works since 2006 when Congress enacted the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA). HOWEVER, there have been modified adjusted gross income (MAGI) ceilings in effect, preventing many people from participating in a Roth conversion. As of the beginning of 2010, the MAGI ceiling was lifted, so that anyone can participate in a Roth conversion regardless of their income level. Many believe that this may prove to be good of a deal for a permanent lifting of the MAGI ceiling and therefore there is concern among many professionals that the government may reinstate the MAGI ceiling after 2010.

WHO SHOULD CONSIDER A ROTH CONVERSION

Simply stated, you should discuss the application of a Roth Conversion with your Financial Advisor, CPA and Estate Planning Attorney if you believe: 1) your traditional retirement account value will increase over time; and (2) ordinary income tax rates will increase in the future; and (3) it is important to you to leave an income tax free legacy to your heirs after your death.

THE "CATCH"

When you convert a traditional tax deferred retirement account to a Roth IRA, you must recognize the amount of the conversion as ordinary income.

Professional Advisors:

FREE CE CREDITS

We will be teaching a **FREE** continuing education course on **March 23, 2010**, from 8:30am until noon at The Chesapeake in Newport News. A complimentary breakfast and materials are included with the course.

Topics include:

"Roth IRA Conversion in 2010,"

"The Basics of Basis: Planning for Estate and Capital Gains Taxes in a changing landscape," and

Ms. Kelly Oldfield from the American Cancer Society will teach a segment on Charitable Giving from the Charity's Perspective.

Please RSVP by calling 757-220-9800 or email Lauren at lkn@williamsburgtrusts.com.

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Typically this would all be recognized and reported for the year of the conversion. However, the IRS has granted taxpayers the option to claim 50% of the conversion amount as income in 2011 and the remaining 50% in 2012. Keep in mind this option is **only for conversions processed in 2010**. Be advised, for taxpayers who expect to be taxed at higher rates in 2011 and 2012 this deferral option may be less attractive because they may ultimately pay more income tax over the two year stretch than if they just recognized all of the conversion amount in one year.

IMPACT ON SOCIAL SECURITY

There may also be an impact on how your social security benefits are taxed in both a negative and positive way. In the year(s) that you recognize the conversion as ordinary income, a larger amount of your social security benefits may be subject to ordinary income tax (the formula to determine this impact exceeds the scope of the discussion for this newsletter). However, in subsequent years, your income base will not include taxable RMDs (provided you are past your required beginning date) on the amounts converted to the Roth IRA. As such, the amount of your social security benefits that are subject to ordinary income tax will decrease.

EVERY SITUATION IS UNIQUE

There is no one right answer with regard to Roth Conversions. It is a very powerful tool for the right people. Consult your Financial Advisor, CPA and Estate Planning Attorney to determine if a Roth conversion is appropriate for you. They Attorneys of Johnson, Gasink & Baxter, LLP are not financial advisors and we do not hold any investment or insurance licenses.

JGB is proud to announce that we are sponsoring a Running Team for the 2010 RED WHITE & BLUE 5K organized by the Greater Williamsburg Chamber & Tourism Alliance.

Date: May 15 (Race starts 8:30 am)

We have five open spaces on our team left. If you would like to run in this 5K for a great cause as a member of Team JGB, please contact Jeremy at 220-9800 or jcj@williamsburgtrusts.com. These five open team spots will be allocated on a first come, first serve basis.

Members of Team JGB will have their registration fees covered by JGB and will receive a Team JGB shirt for participating in the 5K.

COME JOIN US IN THIS FUN-FILLED SALUTE TO OUR MILITARY!

*To add another e-mail address
or to unsubscribe,
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