

**Q&A**

# Liberalized Roth Conversion Rules Spell Opportunity

Q&A talks retirement planning strategies with Brian P. Beck, president and CFO, and Daniel J. Friedman, CEO, Wealth Management Group of North America LLC in Farmington.

**Q:** What are the liberalized Roth IRA conversion rules that went into effect in January?

**Friedman:** As of Jan. 1, 2010, the \$100,000 adjusted gross income threshold for converting Traditional IRAs to Roth IRAs was uncapped. This means that folks who have a modified adjusted gross income of more than \$100,000 will be allowed to convert a Traditional IRA to a Roth IRA but just in 2010. The income taxes due on the 2010 conversion can be spread over basically three years. When you do your 2010 taxes next year, you can select to pay 100 percent of taxes owed or pay nothing in your 2010 taxes and then 50 percent in 2011 and 50 percent in 2012. For example, on a \$100,000 converted IRA you can choose to add \$100,000 to your income in 2010 or \$0 in 2010 and then \$50,000 in 2011 and \$50,000 in 2012. And remember — if President Obama doesn't extend President Bush's tax cuts, the top two tax brackets are scheduled to go up in 2011 and 2012.

**Q:** A study showed that a lot of investors are showing little interest in the Roth IRA with the new guidelines. What is your perception of that?

**Beck:** I think most are still feeling a little shell shocked from the recent stock market decline and don't want to convert an asset which they think still may go down in the future.

**Q:** The same study showed the investment advisors aren't advising their clients about the new Roth IRA rules. Where does your firm stand on this?

**Friedman:** This is part of the reason that studies show that investors are showing little interest in Roth IRA conversions; their advisors are either misinformed or do not know what their clients should be doing. Either

way, a lot of folks are missing out on a huge opportunity. Our firm's stance on this issue is, unlike the typical investment advisor who usually only looks at the piece of the portfolio they are working on, we look to maximize the opportunities that exist.

**Q:** Do you agree with the sentiment that the arguments for conversion aren't compelling enough? That paying the conversion taxes isn't worth it?

**Beck:** You can make a case for someone 21 with \$10,000 to an individual 75 with \$1 million of why they shouldn't convert; however, there is probably an equally compelling argument of why they should. There are many tax and estate planning opportunities due in large part to market conditions over the last three years that make the conversions even more compelling. I think you must look at each client's situation individually and run the numbers. However, if someone has any IRA and their

financial advisors and accountants aren't talking to them about it; it is probably a good time to find some new advisors.

**Q:** Is there a general ongoing unwillingness to embrace new investment products or new guidelines for existing investment products?

**Friedman:** There is an understandable skepticism for investors and advisors after what has happened to be wary of new investment products. Our firm is hesitant to jump right into something new, yet we continually look to maximize opportunities and embrace technological advances when we can clearly define the benefit for our clients.

**Beck:** Most people don't like change, especially when it comes to their investments. With the recent ups and downs of the stock market, clients have told us that they are most worried about making their money last the rest of their lives and leaving a legacy to their family. The three things they told us that will affect this most is: volatility, inflation and taxes. ■

**BRIAN P. BECK**



**Position:** President and CFO  
**Company:** Wealth Management Group of North America LLC

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**DANIEL J. FRIEDMAN**



**Position:** CEO  
**Company:** Wealth Management Group of North America LLC

► **'There is an understandable skepticism for investors and advisors after what has happened to be wary of new investment products.'**

Dan Friedman, CEO, Wealth Management Group of North America LLC

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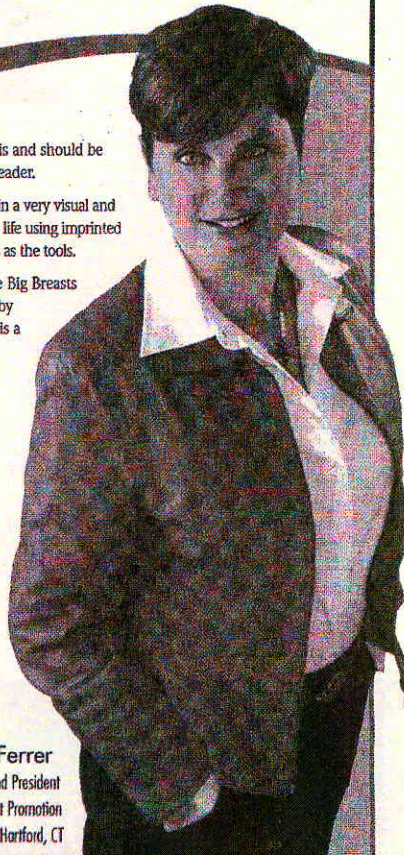
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