

***Qualified Retirement Plans
Practice Alert
March 2010***

Roth Conversions – Another View

Alex, Rachel and Michael each have traditional IRA accounts valued at \$500,000. In addition they have taxable investment accounts with a current value of \$200,000. All three are age 65, in the 40% tax bracket and their investments earn 10%. Alex chooses to retain his traditional IRA and take RMDs when required. Rachel chooses to convert her IRA to a Roth IRA and pay the taxes from her IRA account while Michael converts to Roth but pays the taxes from his taxable investment account. Here is an illustration of the results at their age 90.

End Of Year	Age	Alex's Accounts			Rachel's Accounts		Michaels Account
		IRA Balance	RMD Balance	Taxable Account Balance	Converted IRA Balance	Taxable Account Balance	Converted IRA Balance
1	66	550,000		212,000	300,000	212,000	550,000
2	67	605,000		224,720	330,000	224,720	605,000
3	68	665,500		238,203	363,000	238,203	665,500
4	69	732,050		252,495	399,300	252,495	732,050
5	70	805,255		267,645	439,230	267,645	805,255
6	71	885,781	18,232	283,704	483,153	283,704	885,781
7	72	940,933	40,087	300,726	531,468	300,726	974,359
8	73	998,271	65,348	318,770	584,615	318,770	1,071,794
9	74	1,057,682	94,436	337,896	643,077	337,896	1,178,974
10	75	1,119,010	127,814	358,170	707,384	358,170	1,296,871
11	76	1,182,046	166,002	379,660	778,123	379,660	1,426,558
12	77	1,246,521	209,416	402,439	855,935	402,439	1,569,214
13	78	1,312,375	258,824	426,586	941,529	426,586	1,726,136
14	79	1,378,964	314,734	452,181	1,035,681	452,181	1,898,749
15	80	1,446,144	377,863	479,312	1,139,250	479,312	2,088,624
16	81	1,513,424	449,009	508,070	1,253,174	508,070	2,297,486
17	82	1,580,218	529,052	538,555	1,378,492	538,555	2,527,235
18	83	1,645,829	618,962	570,868	1,516,341	570,868	2,779,959
19	84	1,709,441	719,810	605,120	1,667,975	605,120	3,057,955
20	85	1,770,099	832,300	641,427	1,834,773	641,427	3,363,750
21	86	1,827,507	957,561	679,913	2,018,250	679,913	3,700,125
22	87	1,880,648	1,096,844	720,707	2,220,075	720,707	4,070,137
23	88	1,928,366	1,251,504	763,950	2,442,082	763,950	4,477,151
24	89	1,969,362	1,423,012	809,787	2,686,291	809,787	4,924,866
25	90	2,002,185	1,612,044	858,374	2,954,920	858,374	5,417,353
Gross Value				\$ 4,472,603		\$ 3,813,294	\$ 5,417,353
Tax Due				800,874		-	-
Net Value				<u>\$ 3,671,729</u>		<u>\$ 3,813,294</u>	<u>\$ 5,417,353</u>

**Stephen Abramson, CPC, CLU, ChFC
APS Pension & Financial Services Inc.
(516) 228-8444 E-mail steve@apsension.com**