

Roth IRA Conversions

Conversion

Roth IRA Conversion: A Roth IRA conversion is a type of transaction in which Traditional IRA (or other eligible retirement plan) savings are moved to a Roth IRA. The amount converted to a Roth IRA is typically taxed as ordinary income in the year of conversion (except for amounts representing basis in your existing plan).



Assets Eligible for Conversion

-  Traditional/SEP IRA
-  SIMPLE IRA
-  Qualified Plan
-  403(b)
-  Governmental 457(b)

Conversion Eligibility

Before 2010

Married couples must file joint federal tax return

MAGI cannot exceed \$100,000

2010 and After

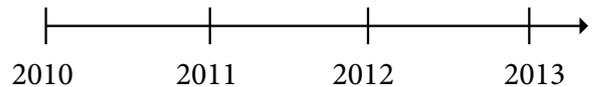
All plan participants, IRA owners and spouse beneficiaries eligible

- Nonsouse beneficiaries *are unable* to convert Traditional, SEP, or SIMPLE IRA assets to a Roth IRA.
- Nonsouse beneficiaries *are able* to convert (roll over) inherited plan assets to an Inherited Roth IRA.

2010 Conversion Taxation Options

Option One

100% Taxable Conversion



Option Two

50% Taxable Conversion 50% Taxable Conversion



Conversion Reporting

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	2011		Form 1099-R
PAYER'S federal identification number		2a Taxable amount	2b Taxable amount not determined		total distribution
RECIPIENT'S identification number		3 Capital gain (included in box 2a)	4 Federal income tax withheld		Copy 1 For State, City, or Local Tax Department
RECIPIENT'S name		5 Employee contributions (Designated Roth contributions or insurance premiums)	6 Net unrealized appreciation in employer's securities		
Street address (including apt. no.)		7 Distribution code(s)	8 Other		
City, state, and ZIP code		9a Your percentage of total distribution	9b Total employee contributions		
1st year of design. Roth contrib.		10 State tax withheld	11 State/Payer's state no.		12 State distribution
Account number (see instructions)		13 Local tax withheld	14 Name of locality		15 Local distribution

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		OMB No. 1545-0747		IRA Contribution Information	
TRUSTEE'S or ISSUER'S federal identification no.		2011		Form 5498	
PARTICIPANT'S social security number		1 IRA contributions (other than rollovers)	2 Rollover contributions		3 Roth IRA conversion amount
PARTICIPANT'S name		4 Recharacterized contributions	5 Life insurance not included in box 1		Copy B For Participant
Street address (including apt. no.)		7 IRA	8 SEP	9 SIMPLE	10 Roth IRA
City, state, and ZIP code		11 If checked, required minimum distribution for 2011	12a RMD date		12b RMD amount
Account number (see instructions)		13a Postponed contribution	13b Year		13c Code
		14a Repayments	14b Code		



Direct Conversion

Distributing IRA/Plan

- Check payable to the receiving Roth IRA
- Report to IRS on Form 1099-R Code 2 or 7 (from IRA) or Code G or G4 (from plan)

Receiving Roth IRA

- Form 5498 Box 3 (conversion) from IRA
- Form 5498 Box 2 (rollover) from Plan

Indirect Conversion

Distributing IRA/Plan

- Check payable to the receiving Roth IRA owner
- Report to IRS on Form 1099-R Code 1 or 7

Receiving Roth IRA

- Form 5498 Box 3 (conversion) from IRA
- Form 5498 Box 2 (rollover) from Plan

Direct and Indirect – What’s the Same and What’s Different?

Issue	Direct Conversion	Indirect Conversion
Reporting	<ul style="list-style-type: none"> • Distributing IRA trustee or custodian/plan reports distribution • Receiving financial organization reports the contribution 	
Withholding notice requirement	IRA: The withholding rules apply, but the IRA owner may waive out of withholding Employer Plan: No mandatory withholding	IRA: The withholding rules apply, but the IRA owner may waive out of withholding Employer Plan: Mandatory 20% withholding
Titling of check or investment	Paid directly to a Roth IRA for the benefit of the distributee	Paid directly to the distributee
Timing	Paid to the receiving Roth IRA as soon as administratively feasible	Deposit to the receiving Roth IRA within 60 days

