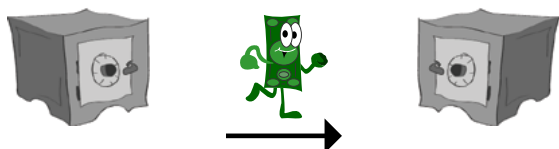







# Roth IRA Conversions

## 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

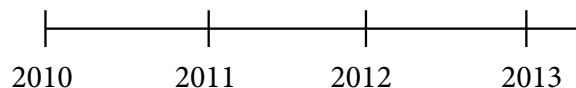
All plan participants, IRA owners and spouse beneficiaries eligible

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

## 2010 Conversion Taxation Options

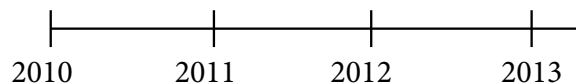
### Option One

100% Taxable Conversion



### Option Two

50% Taxable Conversion    50% Taxable Conversion



## Conversion Reporting

☐ VOID ☐ CORRECTED

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

Form 1099-R Department of the Treasury - Internal Revenue Service

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than rollovers, see boxes 2-4, 6-10, 12b, and 14a) \$	OMB No. 1545-0747	IRA Contribution Information
2 Rollover contributions \$		2011	Form 5498	
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	3 Roth IRA conversion amount \$	4 Rollover contributions \$	Copy B For Participant
PARTICIPANT'S name		5 Fair market value of account \$	6 Life insurance not included in box 1 \$	
Street address (including apt. no.)		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	8 SEP contributions \$	This information is being furnished to the Internal Revenue Service.
City, state, and ZIP code		9 SIMPLE contributions \$	10 Roth IRA contributions \$	
		11 If checked, required minimum distribution for 2011 <input type="checkbox"/>	12a RMD date \$	
		12b RMD amount \$	13a Postponed contribution \$	
Account number (see instructions)		14a Repayments \$	13b Year \$	13c Code \$
		14b Code \$		

Form 5498 Department of the Treasury - Internal Revenue Service



## 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

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## Direct and Indirect – What's the Same and What's Different?

Issue	Direct Conversion	Indirect Conversion
<b>Reporting</b>	<ul style="list-style-type: none"><li>• Distributing IRA trustee or custodian/plan reports distribution</li><li>• Receiving financial organization reports the contribution</li></ul>	
<b>Withholding notice requirement</b>	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
<b>Titling of check or investment</b>	Paid directly to a Roth IRA for the benefit of the distributee	Paid directly to the distributee
<b>Timing</b>	Paid to the receiving Roth IRA as soon as administratively feasible	Deposit to the receiving Roth IRA within 60 days

