

The IRA Analyzer

> IRA Conversion

> IRA Education

> IRA Comparison



IRA Conversion

Should I convert my traditional IRA to a Roth IRA?

This tool will help you analyze these questions and can help you determine which alternative is right for you and/or your spouse.

Starting in 2010, if otherwise eligible, you can also roll over distributions from employer-sponsored plans, such as 401(k), 403(b) annuity, and 457 governmental plans, into a Roth IRA, regardless of your income. Before 2010, the same income (and filing status) restrictions that apply to IRA conversions apply to these rollovers. When you roll over from an employer plan to a Roth IRA, you must report the resulting income for tax purposes.

This program will help you to:

- Understand the process and the tax consequences of converting a traditional IRA to a Roth IRA.
- Decide whether you want to take advantage of the one-time opportunity to spread conversion income over two years, available for 2010 conversions only.
- Consider the various factors that may be important in making a conversion decision.
- Understand that the income limit on transfers from qualified employer plans to Roth IRAs will no longer apply, beginning in 2010.

Next

The IRA Analyzer

> IRA Conversion

> IRA Education

> IRA Comparison



IRA Conversion

Now that we've captured some demographic information about you (and your spouse), we need to know a little more about when you plan to take money out of your IRA, and your tax situation.

Distribution Age	<input type="text" value="65"/>	
	Current	At Distribution
Estimated Federal Tax	<input type="text" value="10%"/> ▼	<input type="text" value="15%"/> ▼
Estimated State Tax	<input type="text" value="5%"/> ▼	<input type="text" value="5%"/> ▼

If you have an estimate of your federal and state marginal tax rates at distribution, enter them here.

Once you've entered the data, click the "Next" button.

[Back](#)

[Next](#)

The IRA Analyzer

> IRA Conversion

> IRA Education

> IRA Comparison



IRA Conversion

We'll help you determine whether converting your traditional IRA into a Roth IRA may make sense for you. First, we need a bit more information about your current IRA savings and projected rates of return.

Current IRA Balance	<input type="text" value="100000"/>
After-Tax Contributions	<input type="text" value="0"/>
Percentage of contribution that is deductible	<input type="text" value="100"/>
IRA Rate of Return	<input type="text" value="6%"/> ▼
Savings Available	<input type="text" value="10000"/>
Savings Rate of Return (taxable)	<input type="text" value="6%"/> ▼

In order to project the value of your accounts at retirement, we need to know the rate of return you expect to receive on your taxable savings. If you don't know, use the recommended default of 6%.

Note: Remember that converting now to a Roth IRA will generate income that needs to be included in your taxes. You may either include all of the income in your taxes in 2010, or defer the income until 2011/2012. If you elect to defer the income until later, you must report 50% of the conversion income in your 2011 taxes and 50% of the conversion income in your 2012 taxes.

[Back](#)

[Next](#)

The IRA Analyzer

> IRA Conversion

> IRA Education

> IRA Comparison

IRA Conversion

IRA Conversion

Using the information you provided, the two scenarios below shows the value of your IRA at retirement under three situations. The first table assumes that you will pay all conversion tax in 2010. The second table assumes that you will defer your conversion tax payment with 50% paid in 2011 and 50% paid in 2012.

The analysis for each conversion tax situation considers no conversion to a Roth IRA, complete conversion of your traditional IRA to a Roth IRA, and a partial conversion of your traditional IRA to a Roth IRA using the amount of savings you specified that you will use to pay the conversion taxes. Each situation is listed as a separate column below.

This conversion analysis considers only your current IRA balances and is meant to assist you in determining whether you should convert your traditional IRA to a Roth IRA in the 2010. No future contributions to either a traditional or Roth IRA are considered by the program for the conversion analysis.

Scenario 1 — Pay all of my Conversion Tax in 2010.

	Leave entire amount in my Traditional IRA	Convert the entire amount to a Roth IRA	Partial ¹ conversion to a Roth IRA
Participant:			
Traditional IRA Balance:	\$151,864	\$0	\$50,621
Savings Balance:	\$16,796	\$0	\$0
Roth IRA Balance:	\$0	\$179,284	\$126,553
Total Balance:	\$168,660	\$179,284	\$177,175

¹ Convert \$66,667 of participant's available IRA balance so savings covers the \$10,000 conversion tax.

Assuming that you pay all of the conversion tax in 2010, your distributions total for the Traditional IRA is \$168,660 compared to the entire amount in Roth at \$179,284 and converting \$66,667 that is the amount covered by savings at \$177,175. Converting the entire amount into a Roth IRA may be the best choice.

Scenario 2 — Pay Half of my Conversion Tax in 2011 and Half in 2012.

	Leave entire amount in my Traditional IRA	Convert the entire amount to a Roth IRA	Partial ¹ conversion to a Roth IRA
Participant:			
Traditional IRA Balance:	\$151,864	\$0	\$70,189
Savings Balance:	\$16,796	\$0	\$0
Roth IRA Balance:	\$0	\$172,400	\$102,094
Total Balance:	\$168,660	\$172,400	\$172,283

¹ Convert \$53,782 of participant's available IRA balance so savings covers the \$10,756 conversion tax.

Assuming that you pay half of the conversion tax in 2011 and half in 2012, your distributions total for the Traditional IRA is \$168,660 compared to the entire amount in Roth at \$172,400 and converting \$53,782 that is the amount covered by savings at \$172,283. Converting the entire amount into a Roth IRA may be the best choice.