

**September 15, 2010**

**ALERT: Possibility of tax cuts expiring for 2011  
makes conversion to Roth IRAs more attractive**

*This is the second in a series of tax alerts providing strategies to deal with the potential of significantly increased individual tax rates in 2011 if Congress does not extend the tax cuts enacted in 2001 and 2003. If you did not receive the first alert (sent out approximately Sept. 2), or would like another copy of it, please contact your AGH tax advisor.*

Earlier this year, we sent out notification that Roth individual retirement accounts (IRAs) no longer have income limitations when converting a regular IRA to a Roth IRA. As the possibility of higher tax rates next year draws closer, it may be time to take a hard look at making that conversion to Roth IRAs due to certain tax benefits.

If you have traditional IRAs or SEP-IRAs, you may want to consult with your tax professional to determine whether converting some or any of them to Roth IRAs will help you meet your retirement and estate planning goals. Here's a look at the differences between the two:

**Traditional IRA or SEP-IRA**

Deductible **contributions and investment earnings both taxable** upon withdrawal

**Required minimum distribution (RMD)**  
RMD for at age 70-1/2

**Included in income** used to determine whether Social Security benefits are taxable

**Roth IRA**

Contributions made after tax, IRA **tax-free upon withdrawal** for qualified distributions

**No RMD for Roth owner;**  
heirs

**Not included in income** used to determine whether Social Security benefits are taxable

When evaluating whether to convert to a Roth IRA, consider factors including:

- **How soon do you plan to retire?**
- **Will you use the funds for your retirement, or pass them on to heirs?**
- **What is the tax liability of converting from a traditional to a Roth IRA? And where will the cash come from to pay for the tax?**
- **Do you believe your tax rate will be higher now or when you retire?**

While Roth IRAs are not suitable for everyone, they do offer an alternative for managing tax liability in retirement that previously has not been available to those with modified adjusted gross income higher than \$100,000.

Consult your personal financial plan and talk with your AGH professional if you're interested in a Roth IRA; AGH's tax team can use financial projection software programs to help you evaluate the potential tax benefits of a conversion. For more information, please contact your AGH tax professional at (316) 267-7231.

*NOTE: Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to inform you that any discussion of tax matters contained herein is not intended or written to be tax advice, and cannot be relied upon as such, nor can it be used for the purpose of: (i) avoiding tax penalties that may be imposed by the IRS or states, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. If you seek definitive tax advice on a matter, please request a written tax memorandum from your AGH tax advisor.*