

Roth IRA Basics in 2010

Prepared for:

Presented by: **M. CHRISTOPHER ZINSER, LUTCF, CRC**
ZINSER BENEFIT SERVICE, INC.

Eligibility: (2010)

Single taxpayers with adjusted gross income of up to \$105,000 or married couples filing jointly with adjusted gross income of up to \$167,000 are eligible to contribute the full \$5,000 annually to a Roth IRA. Workers who are age 50 or older may contribute an additional \$1,000 to a Roth IRA in 2010, for a total of \$6,000.

The contribution amount is gradually reduced to zero for adjusted gross income levels between \$105,000 and \$120,000 for single taxpayers, and between \$167,000 and \$177,000 for couples.

Unlike regular IRAs, contributions to a Roth IRA can be made even after age 70-1/2.

Deductibility:

Contributions to a Roth IRA are non-deductible. Instead, the tax advantages of a Roth IRA are "backloaded." Earnings on Roth IRA contributions accumulate without tax and distributions may be received tax free.

Qualified Distributions:

Qualified distributions from a Roth IRA are not included in gross income and are not subject to the additional 10% penalty tax for premature distributions. To be a tax-free qualified distribution:

- The distribution must occur more than five years after the individual first contributed to the Roth IRA; and
- The individual must be at least 59-1/2 years old, disabled, deceased or the funds must be used to purchase a first home (\$10,000 lifetime limit).

Converting from a Traditional IRA to a Roth IRA:

Prior to 2010, only taxpayers with adjusted gross incomes not exceeding \$100,000 could convert a traditional IRA into a Roth IRA, where IRA assets will continue to accumulate tax-deferred, and be eligible to receive tax-free Roth IRA taxation when distributed. Beginning in 2010, however, the \$100,000 adjusted gross income ceiling for converting a traditional IRA to a Roth IRA is eliminated.

Income taxes must be paid on the amount that is converted from a traditional IRA to a Roth IRA, but there is no premature distribution penalty tax.

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