

PENSCO Wednesday Webinar Series

2010 Roth IRA Strategies

Wednesday, November 4, 2009

11 am PDT / 12 pm MDT / 1 pm CST / 2 pm EDT

Hosted By:

Tom Anderson, CEO & Founder, PENSCO Trust Company
Robyn Levin, Founder/President of R. Levin Marketing Group

Guest Speakers:

Joe O. Luby III- Financial Solutions, Inc.

Information presented is for educational purposes only and is not intended as, and may not be relied upon as, tax, legal, investment or other advice. You are advised to consult your advisors for specific guidance regarding your investments.



Maximizing Roth IRA Conversions

Presented by:

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Why a Roth IRA?

- Qualified distributions are TAX-FREE
- FIFO treatment on withdrawals
- No minimum required distributions
- Withdrawals do not affect tax brackets
- Better wealth transfer vehicle

Why Convert?

Same reasons as above, plus the following:

Lock in today's lower tax rates

Where will tax rates be over the next few years – higher or lower?

Why Convert?

Opportunity to defer tax for two years (2010 conversions only)

Unless otherwise elected, tax on conversions done in 2010 is due 50% in 2011 and 50% in 2012

Why Convert?

Reduce tax erosion on inherited accounts & reduce taxable estate.

Consider funding Exemption Trusts with Roth IRAs

Why Convert?

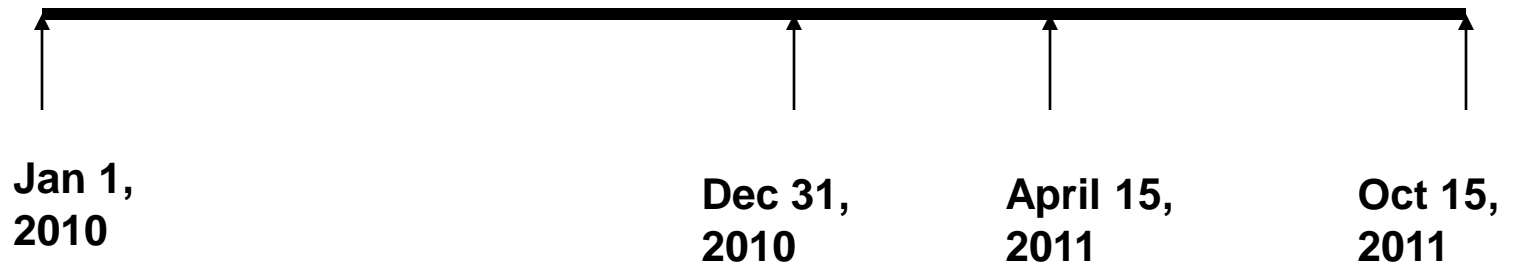
Diversify income buckets to
take advantage of tax
efficiencies in retirement:

<u>Trad. IRA</u>	<u>Roth IRA</u>	<u>NQ Funds</u>
\$500,000	\$500,000	\$500,000

Why Convert?

Ability to recharacterize – clients
get a “do over”

21 ½ Months to Decide!!!





Roth Conversion Math

IRA value	\$100,000
Fed tax at 28%	\$ 28,000
State tax at 5%	\$ 5,000
Total tax	\$ 33,000

Solve the tax problem!

Solve the Tax Problem

- Net Operating Loss carry forwards (NOL)
- Current year losses
- Charitable deduction carry forwards
- Tax credits (current or carry forwards)
- Oil & Gas investment losses

Solve the Tax Problem

Consider how to qualify for a Roth conversion this year – 2009 – if possible.

Tax rates may change (i.e. go up) as early as 2010.



Solve the Tax Problem

Tax Credit Example:

Tax on \$32,000 Conversion (25%) =	\$8,000
First Time Homebuyer Credit =	<u>- 8,000</u>
Net Tax on Conversion	\$ 0

Solve the Tax Problem

Surviving spouse may gain tax efficiency by converting in year of death of spouse.

	<u>Single</u>	<u>MFJ</u>
10%	\$8,350	\$16,700
15%	\$33,950	\$67,900
25%	\$82,250	\$137,050
28%	\$171,550	\$208,850
33%	\$372,950	\$372,950
35%	\$372,950+	\$372,950+

Solve the Tax Problem

Consider creating charitable deductions in year of conversion via Charitable Lead and/or Remainder Trusts.

Example 1: \$200k, 10 year CLAT w/ 5% payout =
\$84,500 charitable deduction

Example 2: \$200k, 10 year CRAT w/ 6% payout =
\$99,700 charitable deduction

Solve the Tax Problem

IRA Segregation Strategy

Separate large IRA into multiple smaller IRAs by asset class:

IRA 1: ABC Fund = \$100,000

IRA 2: XYZ Fund = \$100,000

IRA 3: MNO Fund = \$100,000

Solve the Tax Problem

IRA Segregation Strategy

Convert each IRA into separate Roth
IRA:

Roth IRA 1: ABC Fund = \$100,000

Roth IRA 2: XYZ Fund = \$100,000

Roth IRA 3: MNO Fund = \$100,000

Solve the Tax Problem

IRA Segregation Strategy
Review results prior to
recharacterization deadline:

Roth IRA 1: ABC Fund = \$150,000

Roth IRA 2: XYZ Fund = \$125,000

Roth IRA 3: MNO Fund = \$ 50,000

Recharacterize Roth IRA 3 only



Solve the Tax Problem

Valuation Adjustments

What is the asset in the IRA
really worth?

Solve the Tax Problem

Valuation Adjustments

Does the IRA own:

LP/LLC Interests

Real Estate

TICs

Private Company Stock

Jagen™ Funds

Solve the Tax Problem

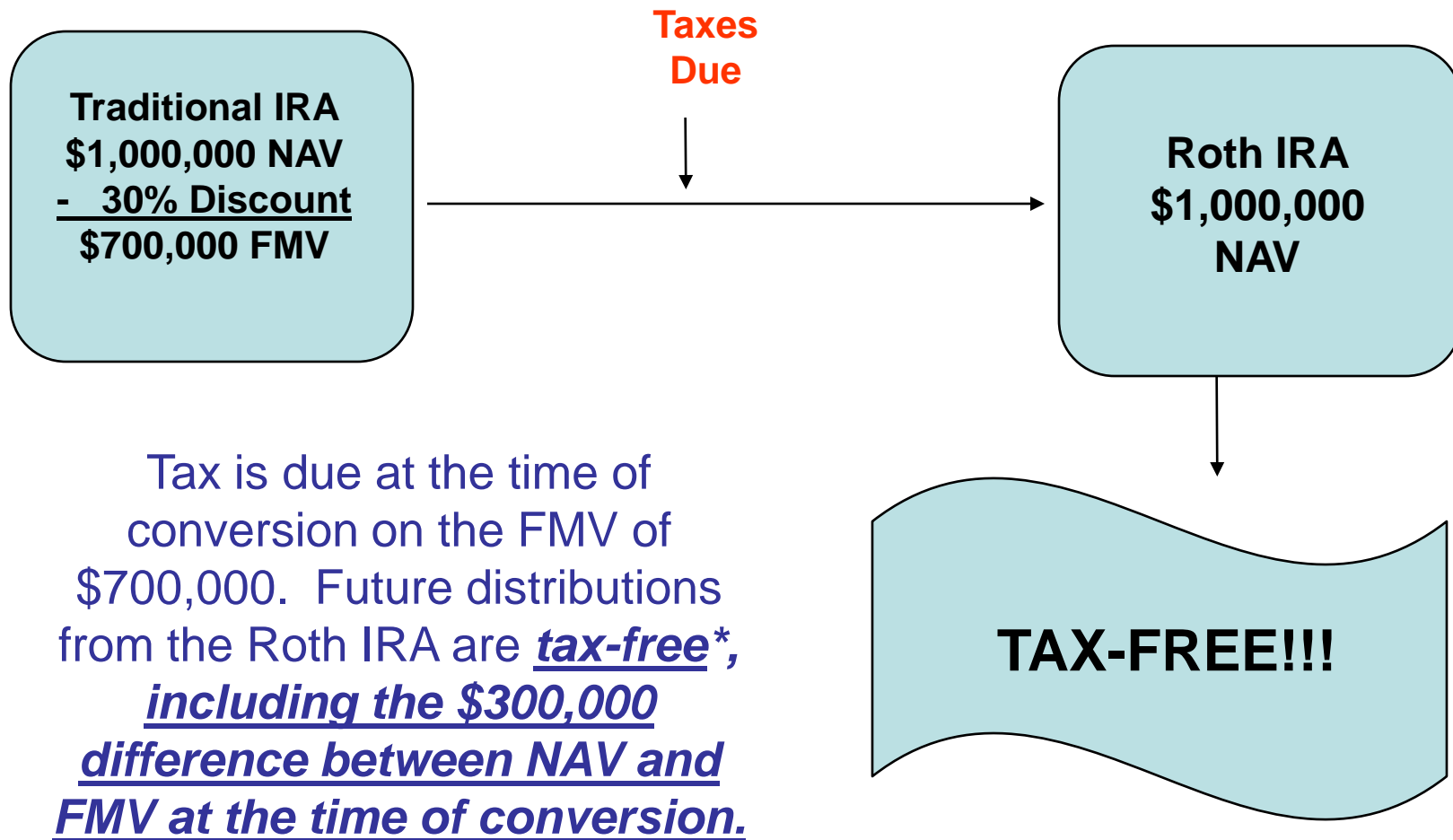
Valuation Adjustments

Example:

Jagen™ Fund @ NAV	\$1,000,000
QA's adjustment	- <u>30%</u>
Jagen™ Fund @ FMV	\$ 700,000

1099R on Roth Conversions must reflect FMV of account at time of conversion.

Solve the Tax Problem



*Assuming applicable conditions are met.



Roth IRA Conversions

- Significant opportunity for clients
- Significant opportunity for knowledgeable and proactive advisors
- Require advanced planning work, number crunching, strategizing
- Be prepared



Please contact us for assistance with specific client cases and analysis and to be added to our email distribution list.

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Next Month's Wednesday Webinar:

Top 10 Year-End Tax Tips *plus*

Note Buying/Selling Tips

Wednesday, December 2, 2009

As a past participant, you will not need to register again. We will send you a reminder email with the call-in information and a link to the handouts.

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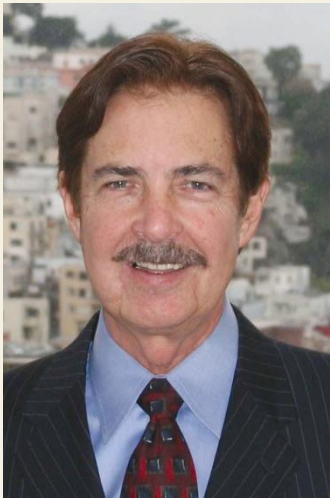
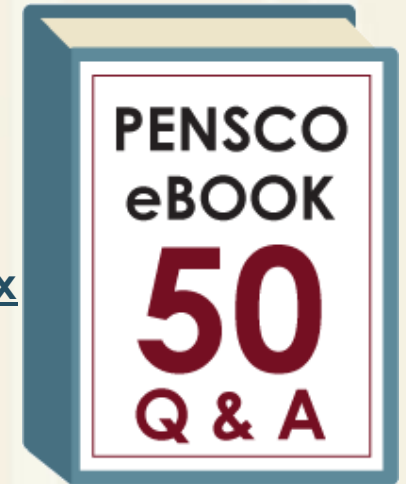
Other Resources:

Get the Answers to Investors Top 50

Questions on Investing with a Self Directed IRA!

Download by going to this link:

<http://www.penscotrust.com/education/selfDirectedIRAebook.aspx>



Get the Latest Information in the
Self-Directed Investing Industry.

Go to: www.selfdirectedira.com

An educational blog by Tom Anderson,
Founder, CEO, & President of PENSICO Trust

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