

Regular IRA versus the Roth IRA.... To convert or not to convert, that is the question.

The Regular IRA and Roth IRA are both great retirement tools, but they differ in two important ways... how taxes are applied to money going in (contributions), and how taxes are applied on monies coming out (distributions).

Basically, contributions to Regular IRA's are made with "before-tax" dollars. The contribution is deducted from your taxable income, and the IRA then grows tax-deferred until money is withdrawn.

Contributions to Roth IRA's, however, are done with "after-tax" dollars, meaning you do pay income tax on the contributions made, but not when withdrawals are made. And, with the Roth IRA there is no required age when distributions must begin.

For some, the benefits of a Roth IRA outweigh the benefits of the regular IRA, so Congress has provided a way to convert an existing Regular IRA into a Roth IRA. When doing so, the amount converted does have to be reported as ordinary income to the IRS, but for conversions done in 2010 the tax impact can be spread over two years.

So the real question now is not "can I" ... but "should I", and if so "how much"? Generally, your age and current and future tax circumstances are the key factors. But for many, the Roth IRA benefit of deferring withdrawals indefinitely can be significant, even after paying the current income tax associated with a conversion.

Please let us know if we can help you explore the options. It is definitely a question worth asking.



For the Wealth Management Team,

Michael C. Nowlin
Senior Vice President
Senior Trust Administrator

Seacoast National Bank
772.221.2615
michael.nowlin@seacoastnational.com