



ED SLOTT'S IRA ADVISOR

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March 2011

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Reporting Roth Conversions IRS Form 8606 Q and A

More Clients Will be Filing Form 8606

Get ready for the avalanche of Form 8606 questions!

Why? Form 8606, "Nondeductible IRAs," is where your clients will report their Roth conversions. While this form has been around for years, this year it will be more popular than ever because of two tax law changes in 2010.

1. All Roth conversion income limitations and filing status restrictions were repealed for 2010 and for all later years. Everyone with IRA or plan funds is now eligible to do a Roth conversion.

2. Anyone who converted in 2010 (and only in 2010) is able to split the 2010 Roth conversion income evenly over 2011 and 2012. No 2010 conversion income needs to be reported in 2010 unless the client elects to do so.

Form 8606, "Nondeductible IRAs," is where clients will report Roth conversions.

The result? A flood of Roth conversions for 2010 that now have to be reported on tax returns. To make things even more confusing, 2010 is the first year that employer plan-to-Roth IRA conversions are being reported on the 8606. Plus, it was also the first year that in-plan Roth conversions were allowed, which are reported on the 8606 as well.

With so many conversions taking place in 2010 and the new tax reporting issues, Form 8606 is being thrust into the limelight to receive its 15 minutes of fame.

With more clients learning about the importance of this form, more questions will be raised, and as usual, the educated and prepared advisor will reap the greatest benefits. With that in mind, below are answers to some of the most common 8606 questions you're likely to get from clients as they visit their tax professionals to prepare their 2010 returns.

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Guest IRA Expert Jere Doyle, IV, Esq. BNY Mellon, Boston

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INSTANT IRA SUCCESS IS FAST APPROACHING

Ed Slott's 2-Day IRA Workshop

National Harbor, Maryland **March 25-26, 2011**

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