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Dear Clients and Friends:

I have trouble understanding why some people own Roth IRA's in a bank account. The government created this special vehicle for us and said, "When you invest your money here, no matter how many times it multiplies, you can take out all the proceeds tax free."

Isn't that exactly the place where you want to hold your most aggressive investments? I'm not saying you should pick up assets exceeding your risk tolerance, just because you have a Roth IRA. But if you already own a mix of investments, some for income and some for growth, don't the growth assets offer more profit potential? That's why they belong in the Roth.

You can move or convert funds from a traditional IRA to a Roth IRA, subject to various rules and assuming you're willing to pay current income tax on the amount of the conversion. This can help you hedge against future tax increases, plus Roth IRA's do not require distributions beginning at age 70½.

Under a new law, virtually all restrictions for Roth IRA conversions are eliminated as of January 1, 2010. In addition, IRA owners who convert in 2010 will have the option of spreading the taxable income equally over two years, 2011 and 2012, or reporting all of the income in 2010. No misprint there.

For more information about Roth IRA's, feel free to give me a call.

Sincerely,

Chuck

Charles M. Shackelford