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**BY APPOINTMENT ONLY**

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**TO: CLIENTS AND THEIR ADVISORS**

**RE: THE ROTH IRA - A VALUABLE ESTATE PLANNING TECHNIQUE**

There has been a continued “privatization” of retirement savings in the United States that is expected to continue for the foreseeable future. The Roth IRA (and corresponding Roth 401(k) plan option) can be an effective tool for certain retirement savers. Unlike most defined benefit and defined contribution plans, the taxation of the Roth IRA funds occurs before the contribution as opposed to when the funds are withdrawn. Traditional IRAs can be “converted” into a Roth IRA if the account owner pays income tax on those funds at the time of conversion. Future withdrawals become income tax-free. The key consideration is weighing the amount of income taxes paid currently on the “converted” funds against the future tax free growth and the other advantages of the Roth IRA.

The advantages and highlights of Roth IRAs are:

- Distributions to the account owner and/or heirs of a deceased account owner are no longer subject to Federal income tax including the income and capital gains earned in the Roth IRA account;
- The account owner is never required to take minimum distributions from the Roth IRA;
- The account owner will no longer have to be concerned that future distributions will be subject to tax in higher income tax brackets;
- “Lifetime conversion” of traditional IRA or 401(k) funds to a Roth IRA allows for the income tax paid on the funds to be removed from the account owner’s taxable estate;

The Roth IRA is especially desirable if you:

- Expect to be in a higher income tax bracket in future retirement years;
- Have regular tax losses (as opposed to capital losses) or substantial deductions so that a “conversion” to a Roth IRA in the same year would not generate a significant income tax liability;
- Expect a long time horizon between making your contributions and withdrawing the funds in retirement;
- Will not need or be required to take distributions from your retirement funds;
- Expect your estate to be subject to Federal or state estate tax

Our office is available to assist you or your clients in exploring estate and retirement planning issues as well as our other areas of specialization, including tax dispute resolution; sophisticated gift and estate tax planning and administration opportunities including family limited partnerships, qualified personal residence trusts, defective grantor trusts and charitable scenarios which will assist in the preservation of wealth for future generations; business and employment law representation and real estate transactions.