Client Alert

ARMSTRONG TEASDALE LLP

DECEMBER 10, 2008

TAX STRATEGIES FOR IRA OWNERS IN A DOWN MARKET

Market losses (as well as gains) are not recognized within traditional IRAs or Roth IRAs. There are, however, some planning opportunities to consider that can reduce taxes and provide flexibility to IRA owners receiving required minimum distributions.

CONVERTING TRADITIONAL IRA TO ROTH IRA

The market decline gives traditional IRA owners a chance to convert to a Roth IRA at a lower tax cost.

RE-CHARACTERIZING A PRIOR CONVERSION

A traditional IRA owner who previously converted to a Roth IRA in 2008 will likely incur a higher tax bill on the depressed account balance. The conversion can be reversed before 2008's return is filed. Once re-characterized, the traditional IRA owner can reconvert to a Roth IRA at the lower market value.

LOSSES ON INVESTMENTS IN IRAS

Nondeductible IRA contributions (i.e. - nondeductible traditional IRA contributions and Roth IRA contributions) can be liquidated to recognize losses as a miscellaneous itemized deduction.

Caution - A premature withdrawal penalty applies if the taxpayer converted a traditional IRA to a Roth IRA and then withdraws the converted amounts within five years.

REQUIRED MINIMUM DISTRIBUTIONS

Owners of multiple IRAs can select the assets that are used to satisfy their required minimum distributions. This allows the owners to avoid selling depressed assets with high appreciation potential to satisfy the distribution requirements.

For more information, please contact an attorney in the Armstrong Teasdale LLP Tax Department:

Joseph D. Demko, 314-342-4143
jdemko@armstrongteasdale.com

Jonathon W. Igoe, 314-342-8019
jigoe@armstrongteasdale.com

Scott E. Hunt, 314-342-4145
shunt@armstrongteasdale.com

Larry M. Sewell, 314-342-8020
lsewell@armstrongteasdale.com

John E. Dooling, Jr., 314-259-4743
jdooling@armstrongteasdale.com

Jill M. Palmquist, 314-552-6635
jpalmquist@armstrongteasdale.com

Robert Lewis Jackson, 314-342-8076
rjackson@armstrongteasdale.com

Guy A. Schmitz, 314-259-4738
gschmitz@armstrongteasdale.com

Christopher J. Anderson, 816-472-3117
canderson@armstrongteasdale.com

Daniel Cooper, 314-259-4715
dcooper@armstrongteasdale.com

MISSOURI | KANSAS | ILLINOIS | NEVADA | WASHINGTON, DC | SHANGHAI