


New Roth IRA rules. [Traditional IRAs](#)

 are funded with pre-tax dollars and defer taxes until the funds are withdrawn. Roth IRAs, by contrast, are funded with post-tax dollars but investment gains are not taxed. Once you're 59 1/2, funds can be withdrawn whenever you wish, and the accounts may pass on in your estate so that your heirs enjoy the tax exemption as well. Moderate household income ceilings have prevented lots of people from creating Roths or converting traditional IRAs into Roths. Next year, however, the income ceiling for Roth conversions will be dropped, allowing anyone to convert as much of their qualifying retirement accounts into Roth IRAs as they wish. Of course, they will have to pay income taxes on their fund balances when they convert. But steep investment reversals in many retirement accounts may make that tax hit easier to take. And, should a market rebound in investment values occur, the gains will never be taxed if funds are switched into a Roth account. Also, the government is allowing conversion taxes to be spread over two years: 2010 and 2011. Taxes stemming from conversions made after 2010 will be fully due in the year of conversion.

Mandatory retirement plan withdrawals suspended. Last year's stock market collapse collided with rules requiring mandatory retirement plan withdrawals at the age of 70 1/2. Forcing retirees to cash in money-losing securities seemed especially unfair. Investment experts were widely advising people not to sell their securities at steep losses or risk losing out on any future market recovery. Congress agreed, but it was too late to waive the withdrawal rule for 2008. However, it will be in effect this year, so investors will have the choice of whether or not to take withdrawals from their plans. Investors should contact their retirement plan administrator for the steps to take if they decide to reduce withdrawals this year. The withdrawal decision can affect tax returns due in 2010.

Estate tax changes. Under current law, there is no estate tax next year. But in 2011, it reverts to the 2001 level, with [tax rates](#) of up to 55 percent on all but the first \$1 million of an estate. No one thinks this approach will prevail. Democrats want this year's estate taxes to be made permanent. This would exempt the first \$3.5 million and levy tax rates of up to 45 percent on the rest. Estate taxes have long been an ideological battleground and nothing less than rhetorical war should be expected as President Obama's tax-reform tax force develops recommendations that are due at the White House by early December