

FOR IMMEDIATE RELEASE

HOW TO RESPOND TO THE TWO YEAR EXTENSION OF BUSH-ERA TAX CUTS & REDUCTION IN SOCIAL SECURITY TAXES

In December 2010, Congress approved and the President signed a multi-billion dollar tax cut package which provided us with an altered income tax environment and a reduction in social security taxes.

What Can Your Audience Do to Best Take Advantage of the Changes?

Contribute to Your Retirement Plan: With the money you save on the reduction of your social security tax, you should contribute at least that much additional money to your retirement. Contribute to your retirement plan options in the following order to optimize growth:

1. Contribute whatever an employer is willing to match or even partially match;
2. Contribute to your Roth IRA, and if married, to your spouse's Roth IRA, even if your spouse isn't working;
3. Maximize your contribution to your Roth 401(k) or Roth 403(b) if available;
4. If not available, maximize your contribution to your traditional 401(k) or 403(b);
5. If your income is too high to qualify for a Roth IRA, contribute to a nondeductible 401(k).

Roth IRA Conversions: Since we have two more years of low tax rates, make Roth IRA conversions. Considering multiple conversions will help you to stay in your existing tax bracket and help to reduce sticker shock for the tax paid on the conversion. If you do multiple conversions from different accounts, you can keep the ones that do well and undo or "recharacterize" the ones that don't. It's sort of like going to a horse race, betting on all of the horses and returning the tickets of the losing horses full a full refund. You keep only the winning ticket—the same principle remains for Roth IRA conversions.



James Lange, CPA is a nationally-known Roth IRA and retirement plan distribution expert. He's also the best-selling author of the first and second edition of *Retire Secure!* and *The Roth Revolution: Pay Taxes Once and Never Again*. With over 30 years of experience, Jim offers unbeatable recommendations.

Jim's recommendations have appeared 30 times in *The Wall Street Journal*, 23 times in the *Pittsburgh Post Gazette*, *The New York Times*, *Newsweek*, *Money Magazine*, *Smart Money* and *Reader's Digest*. His articles have appeared in *The Journal of Retirement Planning*, *Financial Planning*, *The Tax Adviser (AICPA)*, and other top publications.

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