



Your Taxes and Financial Matters

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Roth IRA Conversions

Is converting a good idea?

Should you consider converting to a Roth? If it made sense before this rule change went into effect and you were unable to convert to a Roth only because of the \$100,000 income limitation, the answer is probably yes. Switching gives you access to the benefits of Roth accounts including tax- and penalty-free distributions once you're 59 1/2 and have met the five-year holding requirement. In addition, Roths offer estate planning advantages. You're not required to withdraw specified amounts from a Roth each year once you reach age 70 1/2. The same is true for spouses who inherit an account. Other heirs must take distributions, but the account balance can typically be withdrawn over a number of years.

Other factors

The tax bill

If you expect your tax bracket to be significantly lower at retirement, or you do not have funds outside the IRA to pay the tax bill, you might want to remain with the traditional IRA.

Your age

The greater the number of years until retirement, the better the conversion looks. Younger taxpayers who have a significant amount of time before reaching retirement age may find that generating tax-free income over a long period of time will more than recoup the dollars that were lost to taxes on the conversion. Older taxpayers, especially those in a higher tax bracket, will be able to avoid the taxes associated with annual required distributions from their traditional IRAs and could find that the overall tax impact is significantly less going forward - not to mention the ability to pass tax-free income to their heirs.

Partial conversions

You do not have to convert all of your traditional IRA funds if you choose to do a Roth conversion. You can convert as much as you like and you can convert some each year if that seems advisable.

Changing your mind

If you convert a regular IRA to a Roth IRA and decide it was not a good idea, you can switch back to a regular IRA. You have until October 15 of the year following the conversion to switch back without a penalty. The IRS calls reversing the transaction a "recharacterization." A recharacterized conversion is treated as though it had not occurred. If done properly, there will be no tax due on the original conversion to a Roth.

Do an analysis

Despite the many advantages, a Roth IRA conversion requires careful consideration. Your age and health status, projected rates of return, the tax rates that could apply, and state tax implications could affect the outcome. There are numerous tax, estate, and financial considerations that might come into play. For an analysis of a Roth conversion in your situation, please call our office.

The basics

Traditional IRA

With a traditional IRA, contributions may be wholly or partially tax-deductible. (If you or your spouse has a retirement plan at work and your income exceeds certain limits, your contributions may not be deductible.) Withdrawals taken in retirement are taxed as ordinary income; early withdrawals are subject to both tax and a 10% penalty. Once you reach age 70 1/2, you must begin taking withdrawals each year or face a 50% penalty on the amount you should have taken but did not.

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Protecting Your Retirement Investments During a Job Transition

The current economic and market environment has prompted many Americans to rethink their retirement strategies. If you are experiencing a job transition—particularly if the transition is unplanned and unexpected—such a reassessment may be particularly important for you. While it may be tempting to focus more on your immediate needs, you should not lose sight of long-term goals, especially your retirement strategy.

Some Basic Decisions

Your employer-sponsored retirement plan is likely to be a key component of your retirement strategy. Because it represents a key source of future retirement income, it is important to carefully consider your alternatives for administering these assets. During a job transition, you will usually have three options: take a lump-sum distribution, leave your assets in the employer-sponsored plan or move your assets into a Rollover IRA.

Taking a direct, lump-sum distribution—With this option, the assets in your plan are distributed directly to you in a lump sum, which provides you with immediate access to your funds. Depending on your short-term needs, that may appear to be an attractive alternative. However, a distribution will likely result in substantial federal and state income taxes and a 10% IRS penalty tax, which can significantly reduce the amount of the distribution. Because you will be receiving the distribution directly, the plan administrator must withhold up to 20% of the value of the distribution for federal income tax purposes. Moreover, you will lose the benefit of the tax-deferred status of these assets, which could reduce the amount ultimately available to you at retirement.

The status quo option—You can decide to do nothing, leaving your assets in your former employer's plan. That will protect the tax-deferred status of your assets and allow you to transfer the account assets at a later time to a new employer's retirement plan that accepts rollovers. But you may be limiting your investment choices and control because employer plans typically have a restricted investment menu and require the consent of your spouse before you can name someone else as a beneficiary.

Establishing a Rollover IRA—A Rollover IRA simultaneously addresses the issues of taxation, flexibility and control, and may hold significant benefits for you as a result:

If your distribution is transferred directly to a custodian, rather than to you, the Rollover IRA eliminates the withholding requirement and penalties that may result from a lump-sum distribution.

The entire rollover amount can be invested immediately, according to the strategy you specify.

Your assets and any earnings continue to have the potential to grow tax-deferred until you retire and begin taking withdrawals.

You may gain access to a wider range of investment options and more retirement planning and distribution flexibility.

You can name any beneficiary, including a trust, without needing the consent of your spouse (although special rules may apply in community property states).

For example, investment products in an employer plan are usually limited to mutual

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Music News

By: **Marek Żebrowski and Krysta Close**

USC Celebrates Paderewski at 150

Several events commemorating Paderewski's 150th birthday anniversary were held on November 4-5, 2010 at the University of Southern California. Together with the USC Libraries, the Polish Music Center in the Thornton School of Music prepared an exhibit of Paderewski's memorabilia. Entitled "Paderewski: The Modern Immortal," it was officially opened by Catherine Quinlan, Dean of the USC Libraries, on November 4 at 5:30 p.m. Organized around the topics including Paderewski's life in music, political career, links to California, and private life, the exhibit also features a short display on Poland's history and Paderewski's impact on popular culture. Many extraordinarily rare and never-before seen items—including personal possessions, correspondence, photographs, and Paderewski's concert programs—are on display in the Treasure Room of Doheny Library until May 31, 2011.

The festive exhibit opening and reception was followed by the annual Paderewski Lecture-Recital, held just next door in Newman Recital Hall. Dr. Małgorzata Perkowska-Waszek, a preeminent Paderewski scholar and author of numerous books on his life and works, delivered a lecture entitled "Paderewski and His Muses." Based on the newly-discovered correspondence of young Paderewski, Dr. Perkowska-Waszek drew a fascinating portrait of Paderewski's relationships with several women to whom he dedicated his compositions. Her lecture was illustrated with slides from the collection of the Jagiellonian University in Kraków, where she has worked as musicologist for the past 35 years.

The second half of the Newman Hall event was filled by British-born pianist, Jonathan Plowright. His program included the rarely-heard *Miscellanea*, Op. 16 by Paderewski and Chopin's towering *Fantaisie*, Op. 49. Mr. Plowright's repertoire thus paid homage not only to Paderewski's anniversary, but also to Chopin's bicentennial as well. Mr. Plowright's sparkling virtuosity and solid musicianship elicited a standing ovation from the audience.

On Friday, November 5, a panel discussion entitled "What Makes a Man Immortal?" examined Paderewski's legacy as pianist, composer, politician and humanitarian. Held in the Friends of the USC Libraries Memorial Hall, it featured Professor Kevin Starr—an eminent California historian and scholar, Nick Cull—Professor of Public Diplomacy at USC's Annenberg School, Dr. Perkowska-Waszek and pianist Jonathan Plowright. Presentations by the four panelists were followed by lively discussion and a repartee of questions and answers with the assembled audience. □

If you have a Memorable Christmas Story (happy, funny, or serious)

that you would like to share with our readers, please let us print it in our December edition

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Plowright in Paso

By: **Marek Żebrowski**



The 2010 Paderewski Festival Gala was held on November 13 in the historic ballroom of the Paso Robles Inn. A capacity crowd was on hand to hear a program of piano works by Paderewski, Busoni and Chopin. The Gala Concert was, in many ways, the highlight of this year's Festival that celebrated Paderewski's sesquicentennial with several days of music in a variety of venues in Paso Robles and the surrounding area.

Jonathan Plowright's artistry was already known to some of the local fans: his 2006 Cass Winery recital restarted the Paderewski Festival after a hiatus of several years. Mr. Plowright did not disappoint the audience then and he didn't disappoint his listeners this time either: his program was well-chosen, quite varied, and delivered with great deal of authority and finesse.

Plowright's pianism is remarkably assured, straightforward, and honest. His gestures at the keyboard are spare, but they create many splendid and truly memorable moments. Before launching into Paderewski's *Miscellanea*, Op. 16, the pianist briefly spoke about Paderewski and this set of seven pieces that are, in fact, very rarely performed *en suite*. The opening *Légende* in A-flat major provided a perfect opportunity for Plowright to demonstrate his cantabile touch that allowed the melodic line to unfold with simplicity and dignity. Building up to a mighty climax among the thundering bass octaves and chorale-like chords in the right hand, Plowright managed to maintain solemnity and just the right amount of passion that never exceeded the boundaries of good taste. Among the other highlights of the set were the two lyrical *morceaux*—the *Mélodie* in G-flat major and the B-flat major *Nocturne*. Both received the same caring and sensuous treatment with gently flowing lines, unhurried pacing, and heartfelt turns of phrase. The highlight of the set was the most substantial item in the *Miscellanea*—Theme and Variations in A major. Here Plowright's careful voicing, deftly dispatched passagework, and his solid sense of architecture in the toccata-like final variation added to a very satisfying presentation.

After Paderewski's Op. 16 and still before the interval, Plowright provided the audience with a rare treat of Busoni's *Ten Variations on the Theme by Chopin*. This complex and virtuoso work with multiple layers of sound and densely chromatic harmonies provided yet another opportunity for the pianist to demonstrate his confident handling of Busoni's extremely demanding composition. Chopin's C minor Prelude—a generally familiar and solemn chorale—clearly ignited the young Busoni's fertile imagination and led him to a breathtaking exploration of intricate pianistic textures and vivid sound colors. The interplay of Chopin's familiar motives with unexpected twists of harmony and register shifts that encompassed the entire keyboard were handled by Plowright with admirable precision that reached its target

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