



Majestic Oak Financial
A Registered Investment Advisor

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Happy New Year! I hope your holidays were peaceful and that we can all look forward to some warmth sooner rather than later!

News You Can Use – Is a Roth Conversion Right for You?

By now, you've probably read or heard something about the ability to convert all or part of your traditional IRA to a Roth IRA in 2010. But is a Roth conversion right for you? And if so, how much? Unfortunately, the answers are not simple for anyone since there are many details to consider.

First, let's recap the basic difference between a traditional IRA and a Roth IRA. With a traditional IRA, most contributions you make are deductible on your tax return. The funds within the account grow tax-deferred. When you start to take distributions from the account, the withdrawals (consisting of both contributions and growth) will be taxed as ordinary income. Additionally, you must begin taking distributions by age 70 ½. Conversely, because Roth IRA contributions are not tax deductible, any dollars withdrawn from the account (including growth on the contributions) are not taxed. You are also not required to take distributions at any age. (Again, this is the basic difference between the two accounts. There are other differences such as penalties for early withdrawal in a traditional IRA.)

As long as your modified Adjusted Gross Income (AGI) is below \$100,000, you have always been able to convert funds from a traditional IRA to a Roth IRA. When you make this conversion, all dollars from the traditional IRA that have not been taxed, including the growth, are taxed at ordinary income rates in the year the conversion is made. Once the dollars are in the Roth, there are no longer any taxation issues to consider.

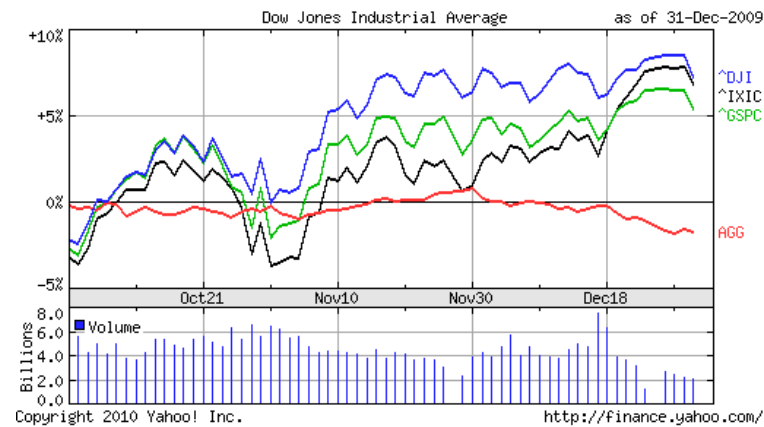
The big hoopla about Roth conversions occurring in 2010 is two-fold. Starting in 2010, the \$100,000 income limitation on Roth conversions is removed. Now, anyone can make the conversion from a traditional to a Roth IRA. Secondly, for conversions made in 2010 only, a taxpayer can split the tax bill caused by the conversion. Therefore, one-half of the taxes due will be payable when you file your 2010 taxes while the other half is due with your 2011 tax filing. This ability to split the tax bill applies only to conversions made in 2010 while the removal of the income limitation appears permanent.

The decision whether to convert a traditional IRA usually comes down to an educated guess on current versus future tax rates. But, there is another concern about conversions. When you convert, the dollars in the traditional IRA are taxed as income in the year of conversion, hence increasing your taxable income. The ability to qualify for many other tax incentives, including the homebuyer credit, is based upon your taxable income. If the additional income puts you over the limits for other tax incentives, it may make sense to convert only a portion of the traditional IRA in 2010 or postpone converting entirely until 2011.

Of course, I will be reviewing each client's individual situation to determine whether it is to your advantage to convert to a Roth IRA and what the estimated tax ramifications may be. If you know of anyone else who might need assistance in making this decision or who might benefit from the services I provide in assisting you in reaching your financial goals, I'm always available to speak with them.

4th Quarter 2009 Market Performance

Index	12/31/09 Ending Value	4Q 2009 Performance*
Dow Jones	10,428.50	7.37%
S&P 500	1,115.10	5.48%
NASDAQ	2,269.15	6.91%
Lehman Aggregate Bond	103.19	<1.64%>



Your Individual Investment Reports

The following investment reports for 4th Quarter 2009 are provided for your review:

- **Portfolio Performance** – Overall Portfolio Performance for calendar year & 4th Quarter 2009
- **Asset Performance** – Performance of each asset within each account for 4th Quarter 2009
- **Account Summary** – Current market value of each asset within each account as of 12/31/09
- **Investment Billing Statement** for the 1st Quarter 2010^{**}: Investment advisory fees for the period of 1/1/10 through 3/31/10 (based on 12/31/09 values). *This is an informational billing only.* Your account is automatically debited unless other arrangements have been made.

Please remember that this investment reporting is for informational purposes only. You should also refer to the monthly account statements you receive from TD Ameritrade.

As always, please do not hesitate to contact me if you have any questions about your reports or wish to discuss any other financial matters.

Sincerely,

Anna M. Popke, CFP[®]

*Index performance is provided as a benchmark only. The performance of your individual investment portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.

****PLEASE NOTE:** Clients who hold “cash reserves” within their brokerage accounts will have slightly different portfolio balances depicted on the Statement of Assets Summary and the Billing Statement. This is because “cash reserves” are excluded from the advisory fee. However, cash held awaiting investment in the upcoming quarter *will* be subject to the normal quarterly fee.

Investment Advisory Fee Calculations:

Fees are paid in advance on the 7th (or prior closest business day) of the month following the end of the quarter. The amount due is calculated by applying the prorated annual fee percentage to the previous quarter-end account value(s). Fees are further prorated for accounts opened after the beginning of a new quarter. Fees may be paid directly from the investment account(s) or consolidated and paid from a specified account. Money market/cash reserves are excluded from totals. Statements have been prepared by Majestic Oak Financial from information provided by TD Ameritrade and while deemed reliable, are not guaranteed.