

BUSINESS OF NEW JERSEY

THREE QUESTIONS

Rhea N. Bernard

Tax expert enjoys helping his clients

Stuart Gladstone is helping clients take the guesswork out of the new changes in IRA conversions.

Gladstone is a member of Brach Eichler, based in Roseland. He is chairman of the law firm's tax department, which is concentrated in wills, trusts, estate administration, estate planning, gift planning, income tax planning and general business planning, including mergers and acquisitions.

The Livingston resident said he was first introduced to estate and gift taxation and future interest courses at Rutgers Law School. After spending some time as an associate doing litigation, he decided he would rather pursue specialization in the tax, trust and estate and gift tax area.

Gladstone spoke to The Star-Ledger about changes in the taxation field.

Q. Can you explain the changes that went into effect concerning conversions of IRAs to Roth IRAs?

A. The major change that went into place on Jan. 1, 2010, is that now higher-income taxpayers may convert IRAs to Roth IRAs. Prior to Jan. 1, 2010, there was an income limit, so that an individual who earned more than \$100,000 per year was not allowed to take advantage of this conversion.

Q. What is the main thing people should consider when deciding to convert their IRA?

A. The Roth IRA money is accessible without penalty if you are over age 59½ and wait five years from date of conversion. Thereafter, there are no required distributions, but you can take out as much as you like on a tax-free basis. By way of contrast, with a regular IRA the owner must withdraw funds starting at age 70½, based on so-called minimum distributions set out in the Internal Revenue Code. All of the minimum distributions are subject to income tax as



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and when received.

The Roth IRA is a very good option for those who will not need the IRA money during retirement and can pay the income tax on conversion with outside funds. It is not a good option for those who will need their retirement funds to live on and do not have outside funds to pay the tax on conversion.

It is also not a good option for those who anticipate substantially lower income taxes on retirement due to moving to a state with no income tax or being in a much lower tax bracket in retirement.

Q. What do you like most about your job?

A. The most interesting part of my job is being able to work with a varied and sophisticated client base. Each client, whether individual or corporate, presents unique sets of challenges for a tax attorney to deal with. There is great satisfaction in first determining what the client's objectives are, and then accomplishing those objectives in a tax-efficient manner. As you could imagine, I am basically dealing with successful business people who bring their own unique set of skills to each transaction. In many cases, their input, once they understand the tax options available, leads to a very creative and desirable outcome.

Please submit suggestions for "Three Questions" to rbernard@njlns.com.