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A Good Time to Consider a Roth IRA Conversion



For those of you with traditional IRAs, this may be a good time to consider rolling over all or part of your IRA assets into a Roth IRA. Of course, this is a decision we would like to help you with, and it is something many of our clients should consider due to some important rule changes. The most important is that starting in 2010, the \$100,000 modified adjusted gross income (MAGI) limit has disappeared. This means that everyone can now enjoy the benefits of a rollover previously limited to those with a MAGI under \$100,000.

Benefits of a Roth IRA:

1. Earnings within the account are tax-sheltered
2. Unlike a traditional IRA, withdrawals from a Roth IRA aren't taxed if some relatively liberal conditions are satisfied
3. A Roth IRA owner does not have to commence lifetime required minimum distributions (RMDs) after he or she reaches age 70 1/2 as is generally the case with traditional IRAs
4. Beneficiaries of Roth IRAs also enjoy tax-sheltered earnings and tax-free withdrawals

A Roth conversion is treated as a taxable distribution which will result in a current tax obligation. However, the current tax may be offset by factors that make rolling over to a Roth IRA potentially desirable:

1. Your traditional IRA has dropped in value due to poor performance of investments
2. You expect higher income or tax rates in the future as your income grows and/or tax laws change
3. The long term benefits of tax free growth in the account

Keep in mind that if you do decide to convert to a Roth IRA the rollover will be fully taxed, assuming the rollover is being made with pre-tax dollars (money that was deductible when contributed to an IRA, or money that wasn't taxed to an employee when contributed to the qualified employer sponsored retirement plan). You have the option of reporting the rollover income all in 2010 or split over 2011 and 2012. This election is also separately available for federal and California tax purposes.

After the conversion, your Roth IRA can build up income tax-free. You will eventually be able to take tax-free withdrawals after age 59 1/2 when your marginal tax rate may be higher than it is now. And there is a safety net built in if the move to a Roth IRA doesn't work out because of changing circumstances. You have until October 15 of the year following the conversion to reverse it back to a traditional IRA.

You may benefit from a switch to a Roth IRA. However, there are a number of variables to consider and we encourage you to discuss with us how such a conversion impacts your specific situation.

Water Buffalo Club's 20th Birthday Bash



"Standing in front of the room and leading a group in a giving situation that leads directly to such an amazing result was a wonderful opportunity for me." That's how Rick Schenkel describes what it was like to emcee the Water Buffalo Club's (WBC) 20th Birthday celebration to raise funds for needy children in the Los Angeles area.

There they were on a magical night; members, guests, sponsors, and even some of the kids themselves who receive help, in the beautiful environs of the Skirball Cultural Center for dinner, entertainment, an auction and a raffle with all proceeds going to support the many charities that receive much needed funds from the WBC. The Fab Four, an amazing Beatles tribute band, got everyone up and dancing, with Rick, a past president of the WBC, emceeing the auction and rousing the audience to give generously.

The WBC focuses on "Big Kids Helping Little Kids" and raises funds to support the work of children's charities throughout Los Angeles. This event raised money for many charities doing great work, and as an added focus, specifically raised funds to feed 2500 people from lower income families at

Thanksgiving, through partnerships the WBC has developed with Los Angeles area schools. Rick also shared that, "We raised more money this year than in past years, and of course this was done in a very difficult economy when charities are generally working harder to raise less money." If you want to learn more about the work of the Water Buffalo Club or would like to participate in next year's event (or any of the numerous events hosted by the WBC), please visit the WBC website: www.waterbuffaloclub.com or call Rick Schenkel.

Harnessing the Horsepower

The SPS Business Management story plays to a horse crowd in Kentucky



As some of you may know, Valerie Chamberlain of our Business Management department is an avid equestrian...she just loves horses. Valerie joined a new organization, Women's Horse Industry Association, and had the opportunity recently to attend a conference in Louisville, KY. Not only was she able to keep in close contact with office matters thanks to the firm's highly secure remote access capabilities, she was also able to share SPS's Business Management capabilities with fellow attendees.

The conference theme was "Marketing your Horse Business" and Valerie was there to meet others with similar interests. Attendees ranged from a woman who raises racehorses in her backyard and has written a book about it to someone who runs a non-profit that sends out alerts for stolen horses.

Valerie had the opportunity to stand up before the more than 100 attendees, mostly business owners, introduce herself and share the firm's Business Management services which can be offered to clients regardless of geographic location. She had a compelling story to tell due to our technology that provides a highly controlled environment with a stringent set of procedures, allowing clients to go online to review and approve all transactions and view financial reports.

To complete the experience, Valerie also visited the local CPAAI affiliate, the global organization that allows SPS to offer clients support on the ground just about anywhere in the world. They took Valerie on a grand tour of Churchill Downs, fulfilling a lifelong dream of hers.

To learn more about the organization or SPS Business Management services, please contact Valerie: vchamberlain@spscpa.com or give her a call. You can also view new information about our business management offering at our website: spscpa.com.

Global corporate accounting fraud up sharply



PricewaterhouseCoopers (PwC) recently published a global survey with some interesting results regarding global corporate accounting fraud. Those of you investing or conducting business either globally or domestically might be interested in their findings.

Jeff Cameron, our expert in this field puts it this way, "Accounting fraud consists of both fraudulent financial reporting (where the company's lenders and investors are the victims) and internal fraud or misappropriation (where the company is the victim).... As a firm, we believe there is a need for more effective internal controls and the related monitoring of those controls - especially in this rough economic climate."

The survey itself included 3,000 senior executives in 54 countries and found that fraud had grown from 27% to 38% of all economic crimes between 2007 and 2009. The assumption is that this increased fraud can be attributed primarily to the pressure employees face to meet performance targets, retain their jobs, and keep access to funding or financing from outside institutions.

The survey also noted that although organizations have come to expect this kind of corporate fraud, they generally have done little to identify it or change the conditions under which it has thrived. Once the problem gains more awareness, the hope is that corporations will conduct more frequent reviews to uncover the fraud and seek new procedures to combat it.

If you have any concerns about your own company please call us. We will be happy to review your control environment, look for weaknesses and wherever possible help you to implement new controls to deal with issues that we find.