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Ask an expert

Consider benefits of Roth IRA

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Q: I invest fully in my 401(k) and I am not eligible for a Roth (I am 53). What is the logic in investing in a traditional IRA since taxes will still be owed when I withdraw the money? Does it make more sense to just invest \$6,000 in a non-IRA mutual fund?

—*Anonymous*

A: It makes a ton of sense because you can, since January 2011, convert an IRA to a Roth IRA no matter your income level. Assuming you have no other traditional IRAs that are pre-tax, you'd be able to convert the \$6,000 from your traditional IRA to a Roth without tax and have the same parameters in terms of tax-free withdrawals as a Roth contribution.

That means all conversion dollars can be immediately withdrawn tax-free, and the earnings from the conversion need to remain in the Roth for five years or you reach age 59½, whichever comes first, to be withdrawn tax-free.

—*Dennis Nolte*

Q: How much life insurance should I have, and what type of insurance is appropriate? I am a 45-year-old male, married with two children. —*Michael, Kissimmee*

A: Generally speaking, somewhere between \$1 million to \$2 million would probably be appropriate for an individual with your circumstances. If your only goal is to protect your family with replacement income, or you are on a limited budget, term life insurance would be the best fit. If you want permanent protection, universal or whole life insurance would be a better product for you. —*Cary Carbonaro*

Have a question? E-mail askanexpert@fpafla.com. Include your name (only your initials will be printed), hometown and phone. Questions are answered by certified financial planners from the Central Florida chapter of the Financial Planning Association. Answers are for educational purposes only; you should also consult a financial professional. Questions and answers may be edited for space considerations.

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