



Advisors Trusted Advisor

## **Most Wealth Management Clients not hearing about Roth Conversions from Advisors, Survey Shows**

Medfield, MA – June 16, 2010 In the first study done on the impact on investment advisors of the liberalized Roth IRA conversion rules that went into effect in January, research sponsored by Advisors Trusted Advisor ([www.AdvisorsTrustedAdvisor.com](http://www.AdvisorsTrustedAdvisor.com)) and completed by 242 investment advisors in April/May shows that the majority of clients are showing little interest – but advisors are doing little to publicize the new rules or educate clients about potential benefits.

With heavy media attention focused on the impending rule changes over the last months of 2009, the survey gauged the level of interest advisors were experiencing with prospects and clients as the new rules took hold.

The average respondent's firm has assets under management of \$317m and 296 clients. These clients' average non-Roth retirement account is \$382,842 – any proportion of which could be partially or fully converted. The data show, however, that a small percentage of clients have shown interest in Roth conversions proactively, and advisors seemingly are not emphasizing Roth conversion reviews to them.

Prior to 2010 those earning more than \$100,000 in modified adjusted gross income (MAGI) could not convert to Roths, so these people are the major beneficiaries of the new rules. Respondents reported that 58% (172) of their clients earn more than this. As of the end of March, however, the data show that a surprisingly small proportion of these high earners have had Roth conversion discussions with or analysis done by their advisor.

Comments and other data explain why Roth conversions so far are a “non event”:

- Advisors believe the analysis is too complicated or the arguments for conversion aren't compelling enough
- Advisors of higher earners – even if they see compelling reasons – do not want to tell clients they need to pay conversion taxes now or are being told by clients that they won't do it
- Higher-earning prospects aren't interested because of paying conversion taxes
- Advisors and clients do not trust government to *not* dramatically change the rules in the future, making current “converters” the losers.

“The data, including many comments, suggest that there are three distinct groups in relation to Roth,” said Mike Slemmer, principal at Advisors Trusted Advisor. “The *Enthusiasts* see clear benefits to Roth conversions, are educating themselves, and see that clients and prospects need to at least hear about the new rules. The *Deliberators* have investigated Roth but respond that clients refuse to pay taxes now or believe it's too hard to convince them. They also believe there are few if any software tools that offer sound advice. The *Skeptics* don't trust government and believe Wall Street is over-hyping conversions, and so respond ‘I'm going to ignore the whole thing!’ But the EGTRRA sunset and new health care taxes make it even more imperative that clients understand the conversion option.”

For the full report, go to [www.AdvisorsTrustedAdvisor.com/Newrothrules.aspx](http://www.AdvisorsTrustedAdvisor.com/Newrothrules.aspx). For information on Roth conversion resources for advisors: [www.AdvisorsTrustedAdvisor.com/Roth2010](http://www.AdvisorsTrustedAdvisor.com/Roth2010)

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