

ROTH IRA CONVERSION



SHOULD YOU CONSIDER A CONVERSION?

- Do you want to leave a tax free financial legacy to your heirs?
- Can you wait 5 years to withdraw?
- Do you think your taxes will be higher in the future?
- Do you have funds to pay the conversion tax?

CONVERSION BENEFITS



No income limit to convert an IRA to a Roth IRA.



Will avoid your lifetime RMD's in a Roth IRA.



The earnings after the conversion grow tax free indefinitely.



No limit to the amount that can be converted.

CONVERSION DOWNSIDE



You'll owe tax on any amount you convert, which could be substantial.



It could even push you into a higher tax bracket, so discuss with your tax advisor.



You may not benefit if your tax rate is lower in the future.



You must wait five years to take tax-free withdrawals, even if you're already 59½.



HOW TO CONVERT?

1. Contribute to 401(k), 403(b) or IRA while working and in a higher tax bracket.
2. Retire early or change jobs and expect a lower earnings year.
3. Convert your 401(k) or 403(b) to a Traditional IRA.
4. Convert your Traditional IRA to a Roth IRA (expect to pay taxes).
5. Wait 5 years before withdrawing and watch your account grow. Withdraw tax and penalty free. Or have your Roth continue to grow tax free and leave a tax free account to your family.