THE ROTH CONVERSION CONVERSATION

When you convert funds to a Roth IRA, your pre-tax funds will be included in your income in the year of the conversion. This will increase your income for the year of the conversion, which may impact deductions, credits, exemptions, phase-outs AMT (alternative minimum tax), the taxation of your Social Security benefits and more.

The trade-off is the big tax benefit down the road. But, a Roth conversion isn't for everyone. Make an appointment to answer these questions together before going through with a conversion.

1. **When will I need the money?** Are you thinking long term with no plan to touch your retirement savings or is it possible you may need this money as a back-up emergency fund? Could you need the money immediately for living expenses?
2. **What is your tax rate?** If you are retired and your income is lower, that may favor conversion.
3. **Do you have the money to pay the tax on the conversion?** It is always best to pay the conversion tax from non-IRA funds.

If your answers to the above questions indicate a Roth conversion is right for you, take note of these advantages.

1. After conversion, your converted funds can always be distributed from your Roth IRA both tax and penalty free if you are over age 59 ½ However, no matter your age, you must wait five tax years from the year of your first Roth IRA conversion or tax-year Roth IRA contribution to any Roth IRA to make a tax-free Roth IRA distribution of earnings.
2. There are no required minimum distributions (RMDs)! If you convert your traditional IRA to a Roth IRA, you must take your RMD before converting. However, that will be the first and last one.
3. The converted Roth IRA can be stretched – meaning it can sit there growing tax free for your beneficiaries who will inherit more because of this extra growth.

Are you a good Roth conversion candidate? The best way to find out is to make an appointment today to discuss your options.

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