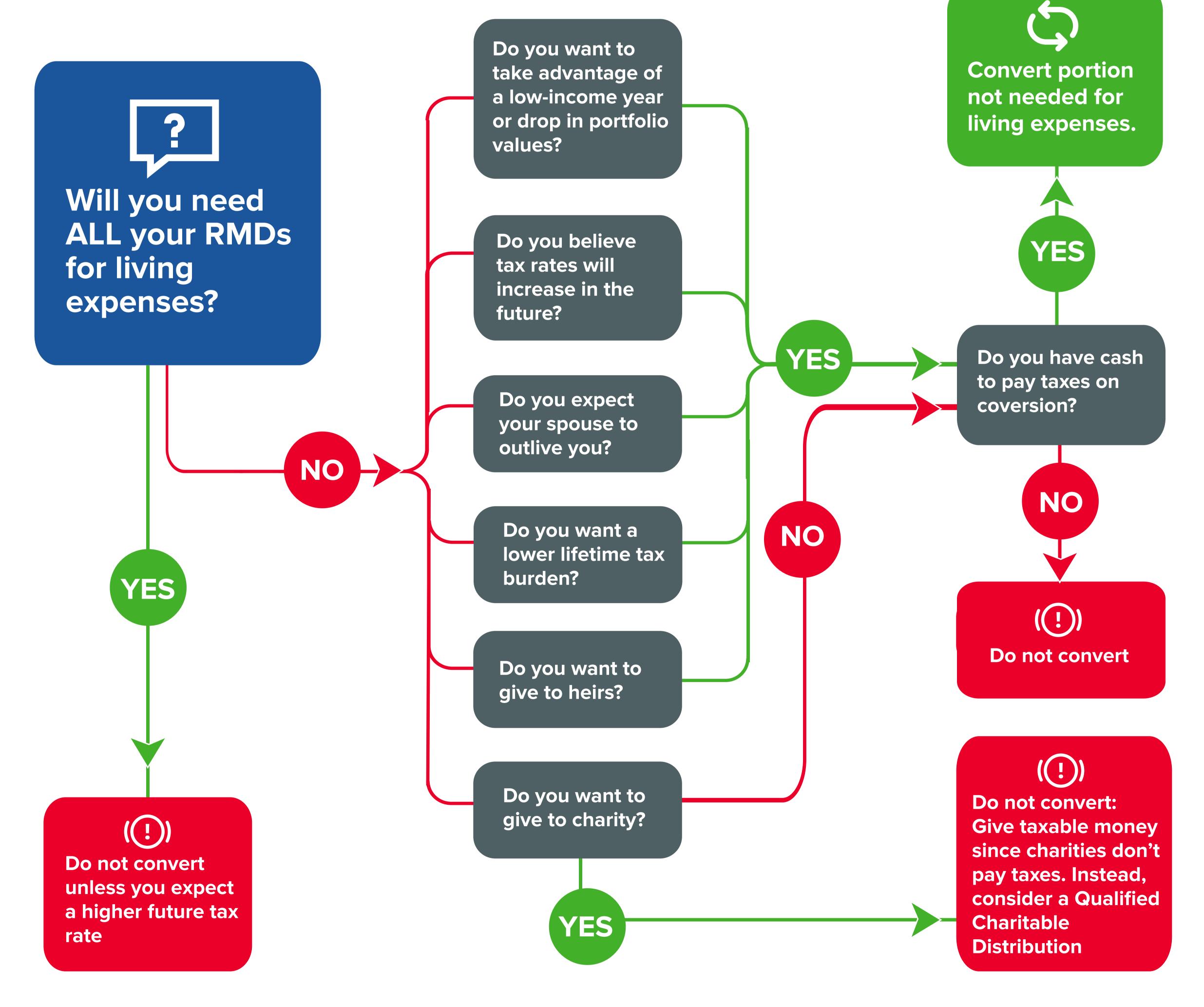
# Roth Conversion: When, How, Why (... and Why Not)?



# ... would a Roth conversion make sense for me?



## **HOW...** ... do I contribute a Roth?



### Start a New Roth

If you are early in your career or at a lower tax rate (but you expect a higher tax rate in retirement) and below the maximum income level, contribute after-tax monies to a Roth IRA .



#### **Rollover an Existing 401(k)**

Move your existing employersponsored retirement account into a Roth IRA or Roth 401(k). Pay taxes on any growth after your original IRA contribution.



#### **Backdoor Contribution**

If you are over the maximum income level, contribute the annual maximum to a traditional IRA, then convert it to a Roth. Pay taxes on any growth after your original IRA contribution in line with the IRS' IRA aggregation rule.



#### **Mega Backdoor Contribution**

If your 401(k) allows after-tax contributions, you typically can withdraw those after-tax amounts without the 10% penalty. So, contribute after-tax income to your 401(k), then distribute the balance into a Roth IRA. Pay tax only on the growth of your original contributions.

## WHY... ... should I convert to a Roth IRA?

### Taxes

- To draw income tax-free in retirement
- **To eliminate required minimum distributions**
- To lower your tax bracket on other income
- To decrease taxable income and reduce Medicare premiums

## Legacy Planning

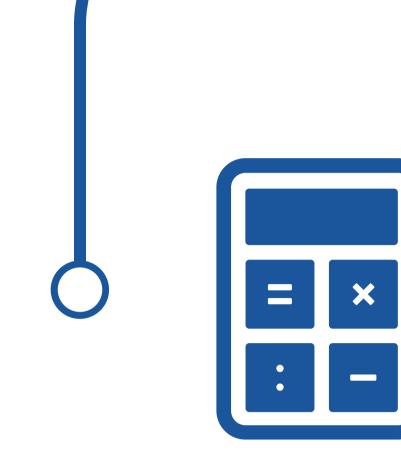
- To potentially grow tax-free income from gifting
- To reduce the value of your taxable estate at death
- To eliminate taxes on distributions for heirs.

## WHY NOT...

Some factors to consider before you convert your IRA

### Charitable giving

Since qualified charities are tax-exempt, donate pre-tax money so you don't pay tax on that income and could possibly take a tax deduction for the gift.



### Higher tax rate today

If your tax rate is higher today than you expect in the future, then paying taxes on a conversion today does not make sesne.



## Lack funds to pay tax on conversion

If you need to dip into your retirement account to pay the tax on a conversion, then you may hurt the success rate of your plan.

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