

SHOULD I CONVERT TO A ROTH IRA?

Date: April 23, 2025



INTRODUCTION

Roth IRA is a great way for clients to create tax-free income from their retirement assets. Yet, keep in mind that when you convert your taxable retirement assets into a Roth IRA you will generally pay ordinary income tax on the taxable amount that is converted. The conversion amount is not subject to the 10% early distribution penalty. Your tax-free potential is maximized if you pay the taxes from your current income or personal savings and not from your IRA. Individuals of all income levels are eligible to convert to a Roth IRA.

SUMMARY OF INPUT

Current age	62	Age when income should start	100
Number of years to receive income	20	Before-tax return on savings (accumulation phase)	5.00%
Before-tax return on savings (distribution phase)	5.00%	Income tax bracket (accumulation phase)	22.00%
Income tax bracket (distribution phase)	22.00%	Current IRA balance	\$20,000
Non-Deductible portion of IRA balance	\$0	How will you pay the conversion tax? 1) Pay taxes from non-IRA assets 2) Pay taxes from proceeds of Roth conversion	Option 1

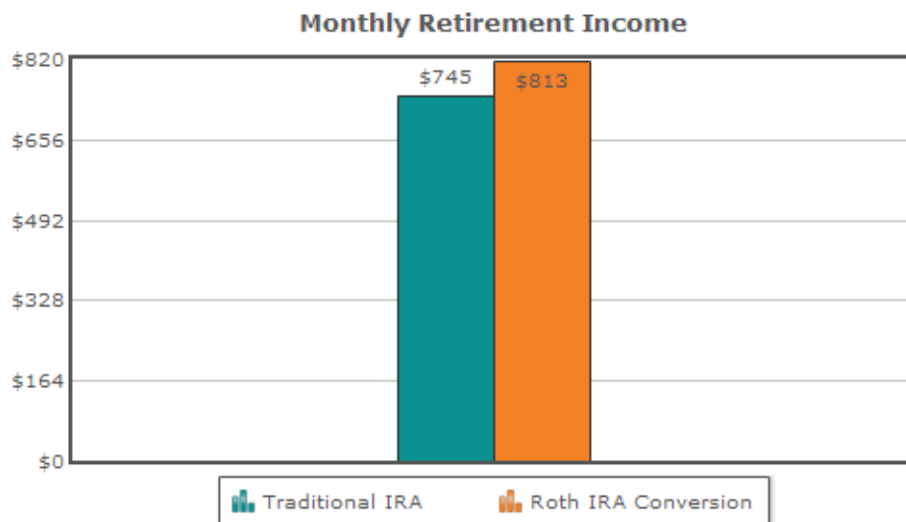
ANALYSIS

Based on the assumptions you provided, your current traditional IRA account might generate a monthly income of \$745, while converting your Traditional IRA to a Roth IRA you might generate a monthly income of \$813. The total gain/(loss) of a Roth IRA conversion over the selected distribution period might be \$16,508.

IRA Conversion Analysis		
Conversion Phase	Traditional IRA	Roth IRA
Current IRA balance: (deductible)	\$20,000	n/a
Current IRA Balance: (non-deductible)	\$0	n/a
*Side account	\$4,400	n/a
Roth conversion amount: (before-taxes)	n/a	\$20,000
Less conversion tax liability	n/a	\$0
Adjusted beginning comparison balance	\$24,400	\$20,000
Accumulation Phase	Traditional IRA	Roth IRA
Estimated IRA balance: (deductible)	\$127,710	n/a
Estimated IRA balance: (non-deductible)	\$0	n/a
*Estimated side account	\$18,830	n/a
Estimated Roth IRA balance	n/a	\$127,710
Estimated value at retirement: (before-taxes)	\$146,540	\$127,710
Distribution Phase	Traditional IRA	Roth IRA
Annual after-tax income: (deductible)	\$7,613	n/a
Annual after-tax income: (non-deductible)	\$0	n/a
*Side account income	\$1,322	n/a
Roth IRA income	n/a	\$9,760
Total annual after-tax income	\$8,934	\$9,760
Total monthly after-tax income	\$745	\$813
Total Roth Gain/Loss for Distribution Period	n/a	\$16,508

* The 'side account' is used to reflect the cost of paying the conversion tax using the 'Pay Taxes From non-IRA Assets' option and is assumed to be a taxable account.

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