

Roth IRA Conversion Benefits

Tax Free income in retirement and for beneficiaries

Roth-IRA conversions for younger people have the advantage of more years of tax free growth and the amounts, generally, to be converted are smaller.

No age 70 ½ required minimum distributions (RMD) for Roth IRA owners

Roth-IRA Qualified Distributions avoid; (IRA distributions are subject to)

- Increasing the tax on Social Security Benefits or increasing Medicare premiums for low to moderate income tax payers
- Loss of itemized deductions or additional AMT taxes for high income tax payers

Roth owners age 70 ½ or older and still working can continue to make Roth IRA contributions including non-working spouse

Roth IRA conversion can be reversed up to October 15th of the year following the year of the conversion

Roth IRA funds pass income tax free to beneficiaries subject to 5 year rule

Roth IRA beneficiaries can stretch out tax free income over their lifetimes with annual RMDs.

Roth IRAs remove that uncertainty and worry of what future tax rates might be for these accounts

It is likely that income tax rates will increase in future years making tax-free Roth IRA income more valuable

Roth IRAs are better than IRAs for trust assets because distributions are tax free and not subject to high trust tax rates.

Converting to a new Roth-IRA, even if you have an existing Roth-IRA is recommended to provide maximum flexibility if you decide to recharacterize. After the Oct 15th deadline for re-characterization, you can combine the two Roth-IRAs.

General information only – review with your tax adviser before tax action