

Roth Conversion

Analyzing Your Cash Flow, Taxes, and Legacy Before and After a Roth Conversion

Five Distinct Reasons for a Roth Conversion

1

You want to draw income tax-free in retirement

2

You want to eliminate all or part of your required minimum distributions (RMDs)

3

You want to lower your future tax bracket on other income

4

You want to take advantage of an income lull when your tax rate is low

5

You want to leave your surplus retirement savings to your heirs



Motley Fool
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To Convert or Not Convert: Analyzing Two Scenarios

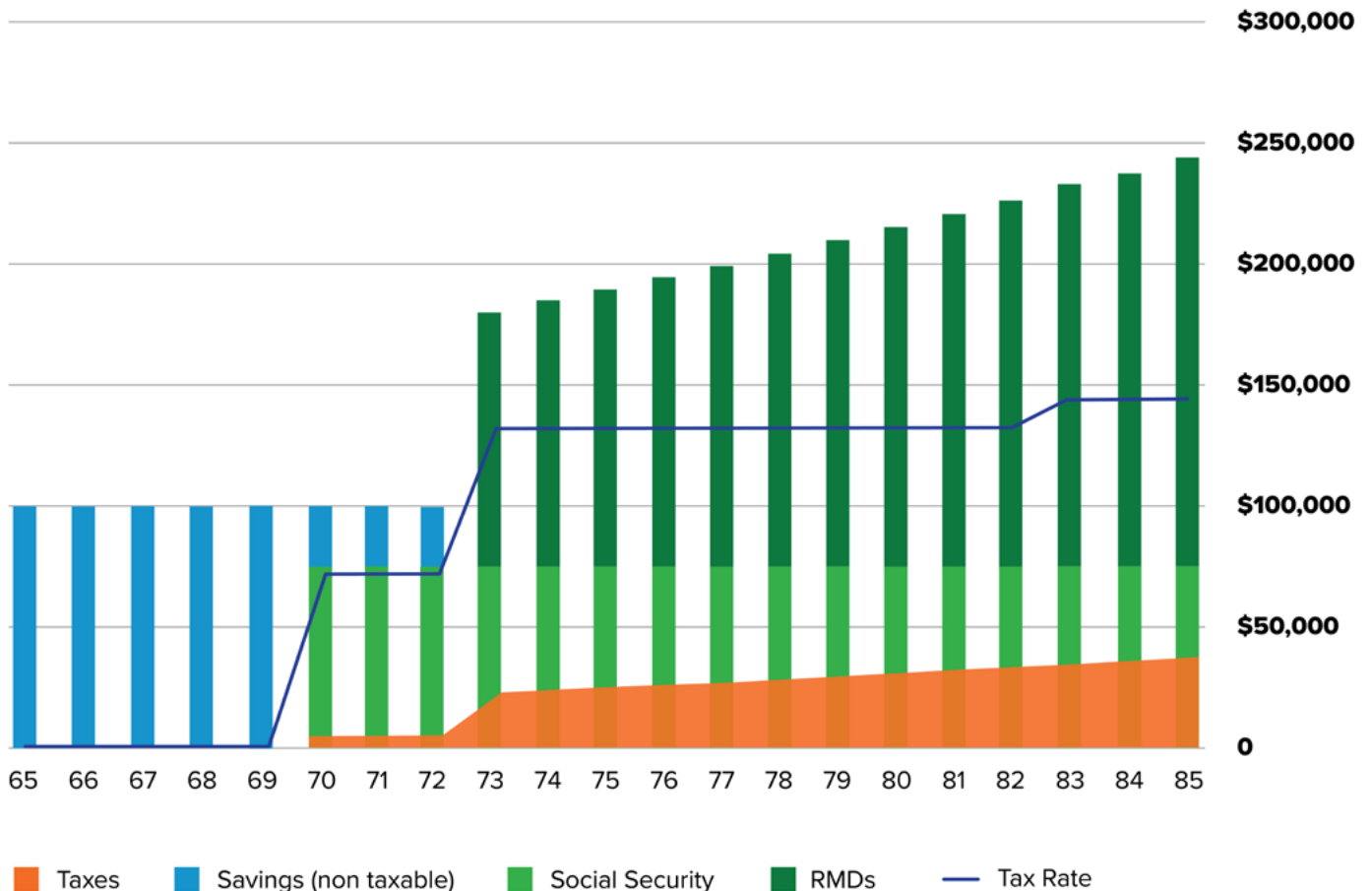
DJ and Christina just sold their business and are ready to retire. They want to determine their annual spending budget and understand how they can reduce their future taxes. They also want to leave money to their children.

Their Wealth Advisor first determines that DJ and Christina need \$100K to comfortably cover their annual expenses through their 70s. But in their 80s, they need an additional \$25K—to \$125K—for health care and end of life care costs.

Their Advisor presents two different scenarios—one which keeps their assets as is and another which converts half of their traditional IRA to a Roth IRA. The results are below:

Strategy 1: Withdraw income as required (No conversion scenario)

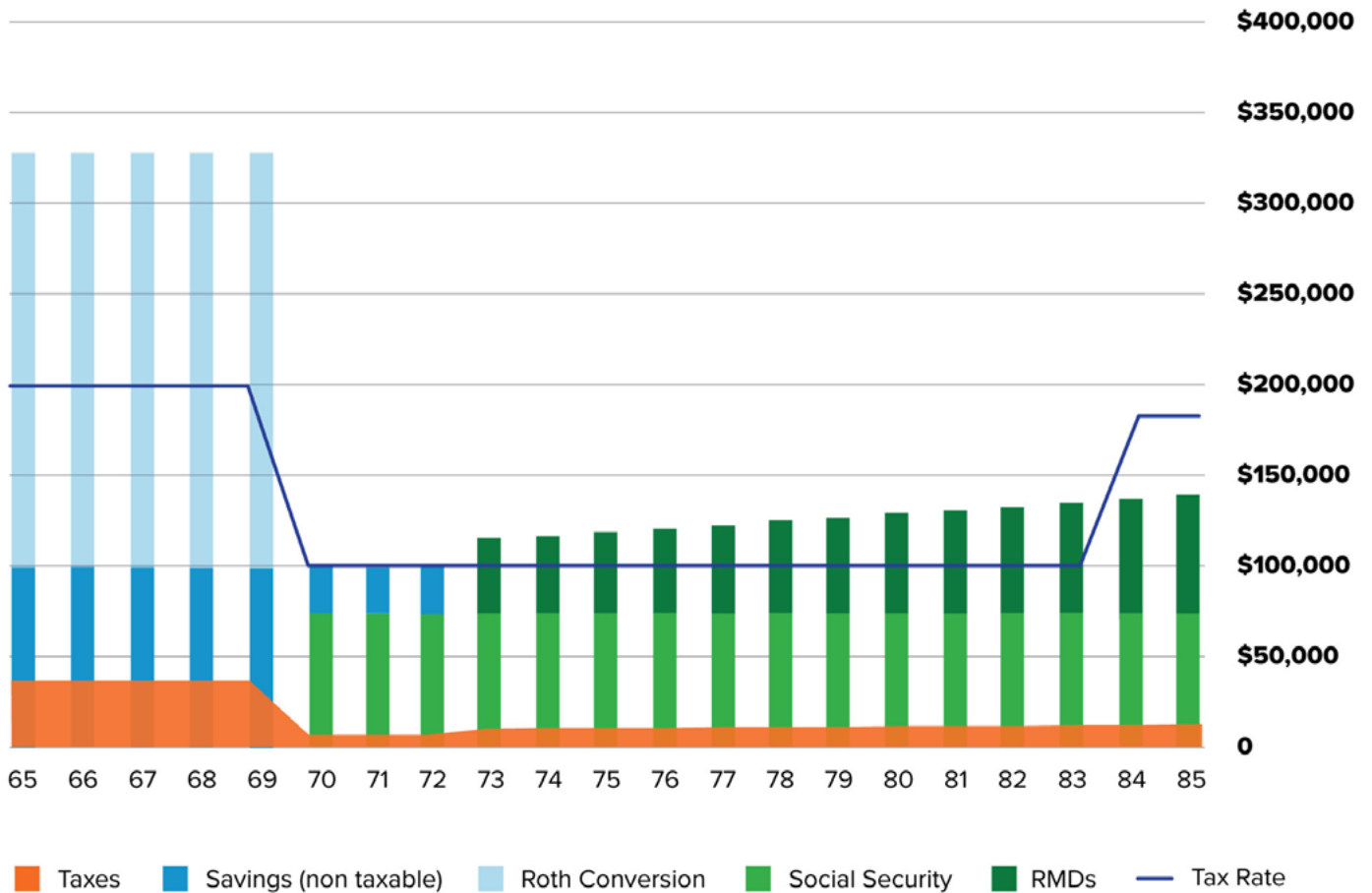
Retirement cash flow with no Roth conversion



For illustrative purposes only. *See notes in disclosures.

Strategy 2: Convert 50% of their traditional IRA to a Roth IRA (Roth conversion scenario)

Retirement cash flow with Roth conversion



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Summary of findings

	No Conversion	Roth Conversion
Annual Income/Cash Flow	Ages 65-72: \$100K Ages 73-85: \$179K - \$243K	Ages 65-72: \$100K Ages 73-85: \$115K - \$140K
Annual Taxes Paid	Ages 65-69: None Ages 70-72: >\$4K Ages 73-85: \$21K - \$36K	Ages 65-69: \$35K Ages 70-72: >\$4K Ages 73-85: \$7 - \$10K
Annual Tax Rate	Ages 65-69: 0% Ages 70-72: 12% Ages 73-82: 22% Ages 83-85: 24%	Ages 65-69: 24% Ages 70-83: 12% Ages 84-85: 22%
Legacy Amount (Net of Tax Wealth Transfer)	\$1,850,444	\$3,187,313

Calculations by Motley Fool Wealth Management. Notable differences are bolded. Taxes are calculated after the standard deduction. Social Security tax is calculated on 85% of the benefit. Does not include a hypothetical/assumed 30% tax on inherited amount. Assumes traditional IRA is invested in a balanced portfolio that delivers a market return of 5.38% from ages 63-70, then 4.72% return through age. Past performance is not indication of future results. For illustrative purposes only.

**Need help deciding if a
Roth conversion
makes sense for you?
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Disclosures

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