Is a **Roth Conversion** Right for You?

How, Why, and When to Use This Tax-Smart Strategy for Retirement Success

www.futurefocusedwealth.com

FUTURE-FOCUSED wealth

Future-Focused Wealth | Wealth on Purpose™

Why Roth Conversions Deserve a Closer Look

A smart strategy when done right, costly if rushed or misused.

A Roth conversion isn't just a tax move, it's a long-term income and legacy strategy. Used at the right time, it can:

Save you **thousands in taxes.**

Reduce or eliminate future **Required Minimum Distributions (RMDs).**

Lower your **Medicare premiums.**

And **create tax-free income** you can use for decades or leave to your heirs.

But here's the truth:
"Timing and tax precision are everything"

As a **Dallas-based CERTIFIED FINANCIAL PLANNER™**, I help individuals and families determine if, when, and how much to convert based on their actual tax returns not generic advice or internet calculators.

This guide gives you the essentials:

- The mechanics of how **Roth conversions work**
- **Strategic reasons** to consider them
- **Mistakes** to avoid
- And a **readiness checklist** to help you take action with confidence

Thinking about converting this year?
Let's help you make that decision based on data, not guesswork.

What Is a **Roth Conversion?**

A powerful tax strategy that can turn today's taxable dollars into tomorrow's tax-free income.

A Roth conversion is when you take money from a **pre-tax retirement account** like a Traditional IRA or 401(k) and move it into a Roth IRA. When you do this, you pay ordinary income tax **now** on the amount converted, but from that point forward, the money:

- Grows tax-free
- Withdraws tax-free **(when qualified)**
- Passes to heirs **income-tax-free**

Think of it as paying taxes at today's known rates to avoid potentially higher taxes in the future while unlocking lifelong benefits for both you and your family.

What You Get With a **Roth IRA?**

Tax-Free Growth

All earnings inside a Roth IRA dividends, and capital gains are never taxed again if qualified rules are followed.

No Required Minimum Distributions (RMDs)

Unlike Traditional IRAs, Roth IRAs don't require withdrawals at age 73 or beyond. That means you can leave the money untouched and growing for as long as you like.

Tax-Free Withdrawals

Once you've met the 5-year rule and are over age 59½, you can withdraw any amount from your Roth IRA completely tax-free. Even if you take out $100,000 it's 100% yours, no strings.

Tax-Efficient Legacy Planning

Heirs who inherit Roth IRAs do not pay income tax on the money making it one of the best tools for tax-smart estate transfer. While they must withdraw the funds within 10 years, they get to keep every dollar.

Bonus Insight:

You don't need to convert everything at once. Partial conversions done strategically over time often yield the best tax results.

Why Consider a **Roth Conversion?**

Roth conversions aren't just about taxes they're about control, legacy, and long-term strategy.

Too many retirement savers focus on how much they've saved—not how much they'll keep after taxes. A Roth conversion lets you take control of your tax destiny by pre-paying taxes at known rates today and eliminating future surprises.

Here's why thousands of smart, future-focused investors are running the numbers:

Lock In Historically Low Tax Rates

We are currently in one of the lowest tax environments in U.S. history. But under current law, the Tax Cuts and Jobs Act sunsets after 2025, meaning tax brackets will automatically rise in 2026 unless Congress acts to extend them.

Strategic Window: Roth conversions in 2024 and 2025 may be your last chance to convert at today's lower rates.

Reduce Future RMDs (Required Minimum Distributions)

Once you hit age 73, the IRS forces you to withdraw taxable income from Traditional IRAs and 401(k)s whether you need the money or not. These RMDs can inflate your taxable income, affect Social Security taxation, and even cause Medicare surcharges.

With a Roth IRA: There are no RMDs during your lifetime, giving you more control over your taxable income in retirement.

Avoid IRMAA Penalties on Medicare

IRMAA (Income-Related Monthly Adjustment Amount) is the stealth tax most retirees don't see coming. If your income crosses certain thresholds, your Medicare Part B and Part D premiums go up by as much as $6,000 per year per couple.

Roth IRAs = IRMAA Shield: Distributions from Roth IRAs do not count toward AGI, which helps you manage your income and keep premiums down.

Plan for Higher Taxes in the Future

If you're younger, early-retired, or in a business with fluctuating income, there's a strong chance you'll be in a higher bracket later—especially as RMDs, pensions, and Social Security start flowing in.

Pay tax now at a discount or pay later at a premium. The choice is yours.

Build Tax-Free Retirement Income Flexibility

Roth IRAs offer something no other retirement account does: fully tax-free withdrawals (after 59½ and 5-year rule). This gives you ultimate control over your retirement income strategy.

- Need to make a big purchase? No tax hit.
- Want to keep AGI low for a health subsidy or tax credit? Pull from Roth.
- Want to delay Social Security? Use Roth income as a bridge.

Optimize Legacy and Estate Planning

Roth IRAs aren't just for your retirement—they're a gift to your heirs. Unlike traditional IRAs, Roth IRAs passed to beneficiaries:

- Are income tax-free (if rules are followed)
- Don't create a tax time bomb for your kids
- Can be structured to stretch tax-free growth over 10 years

If you expect to pass down assets, converting now could save your heirs thousands or more.

Quote Worth Repeating:

> **A Roth conversion gives you control over when you pay taxes not the IRS.**

How to Do a **Roth Conversion** (Step-by-Step)

Converting pre-tax retirement dollars into tax-free income takes more than a form it takes precision.

Many investors assume a Roth conversion is just a quick transfer, but doing it right requires planning. Here's the proper, professional way to execute a Roth conversion that aligns with your long-term tax and income goals.

Step 1: Choose the Account to Convert From

You can convert funds from a variety of tax-deferred retirement accounts, including:

- *Traditional IRAs*
- *Old 401(k) plans (if eligible for rollover)*
- *SEP IRAs or SIMPLE IRAs (after certain holding periods)*

Tip: Some 401(k)s don’t allow in-plan conversions. Rolling over to an IRA first can open up flexibility.

Step 2: Run Tax Projections to Find the Ideal Amount

This is the core of Roth conversion planning. The goal is to convert just enough to maximize benefit—without pushing yourself into a painful tax bracket.
Ask yourself:

- *How much room do I have left in my current marginal tax bracket?*
- *Will this year be a “low-income window” (e.g., between jobs, retired but not yet on Social Security)?*
- *Can I spread conversions over several years for better tax efficiency?*

Use tax software, a spreadsheet, or ideally work with a CFP® or CPA to model various scenarios.

Step 3: Coordinate with Your Custodian or Advisor

Each financial institution has its own Roth conversion process. Some allow online requests; others require paperwork.

Your advisor or custodian will:\n- Verify account eligibility

- *Initiate the transfer*
- *Code the conversion properly for IRS reporting (Form 1099-R and 5498)*
- *Provide guidance on timing to avoid year-end processing issues*

Tip: Always confirm your custodian doesn’t withhold taxes automatically during the conversion this could undermine your strategy.

Step 4: Pay the Tax Bill Smartly

The amount you convert is added to your ordinary income and taxed accordingly in the year of conversion.

Best practice:

- Pay the tax from non-retirement cash savings or a taxable brokerage account
- Avoid paying the tax with converted IRA funds, especially if under age 59½ this may trigger penalties and shrink your retirement principal
- Planning Tip: If your total tax due is significant, consider making estimated payments or adjusting your W-4 to avoid underpayment penalties.

Step 5: Track Your Basis and the 5-Year Rule

Each Roth conversion starts a separate 5-year clock for that converted amount. This is not the same as the 5-year rule for Roth contributions.

Why it matters:

- *If you withdraw converted funds before age 59½ and before five years, the amount could be subject to a 10% penalty*
- *Even if you're 60+, tracking these timelines avoids confusion and audit risk*

Use a spreadsheet or have your advisor maintain a conversion ledger to ensure each year's Roth is aged properly.

Pro Tip: Time Your Conversion Wisely

Avoid converting in the same year you:

- Sell a business
- Realize large capital gains
- Exercise stock options
- Receive deferred comp
- Settle a legal claim

Why?

All these events spike your adjusted gross income (AGI) and can unintentionally push your Roth conversion into a higher tax bracket making it far more expensive than necessary.

- ***Strategic Insight:*** Conversions often work best in "income valleys" low-income years before Social Security, RMDs, or other big income events.

Common Roth Conversion Mistakes to Avoid

Roth conversions are powerful but only when used with strategy, timing, and precision.

No **Converting Too Much and Jumping Tax Brackets**

It's tempting to convert large sums in a single year but that often means pushing yourself into a higher federal and state tax bracket, increasing your total tax liability.

✓ **Reality Check:** A $100,000 conversion could add $22,000–$24,000+ in taxes if not bracket-managed properly.

Yes **Fix**

Use **"bracket filling"** to convert just enough to stay within your current marginal bracket. Often, multi-year conversions offer the best balance.

No **Paying Conversion Taxes From Your Retirement Account**

Using IRA funds to pay taxes means reducing your retirement principal and creating more taxable income in the current year plus, if you're under age 59½, it could trigger early withdrawal penalties.

Yes **Fix**

Ideally, fund the tax bill from cash or brokerage accounts. This keeps the full converted amount working inside your Roth IRA growing tax-free.

No — Ignoring IRMAA and Medicare Premium Thresholds

Roth conversions increase your Adjusted Gross Income (AGI), which may trigger Medicare IRMAA surcharges raising Part B and D premiums by hundreds or thousands of dollars annually.

✓ **Pro Tip:** If you're within two years of enrolling in Medicare, even a moderate Roth conversion could create a premium shock.

Yes — Fix

Model your AGI alongside IRMAA brackets to avoid unnecessary surcharges. Sometimes smaller, staggered conversions are more efficient.

No — Forgetting the Roth IRA 5-Year Rule

Each Roth conversion has its own 5-year waiting period before the converted amount can be withdrawn without penalty even if you're over 59½.

Yes — Fix

Track each year's conversion and its associated 5-year window. If you need to tap funds early, make sure you're withdrawing from qualified Roth contributions not conversions.

No — Not Running Multi-Year Projections

A one-year conversion snapshot is shortsighted. Without a long-term tax plan, you may miss opportunities or create unintended tax traps.

Yes — Fix

Work with a financial planner to model conversions across multiple tax years. This ensures you're maximizing savings, avoiding tax spikes, and coordinating with other retirement events (e.g., Social Security, RMDs).

No — Not Considering College Financial Aid **(For Parents with Teens)**

If you have children entering college, a Roth conversion could increase your FAFSA-reported income, which may reduce financial aid eligibility.

Yes — Fix

Coordinate Roth strategies with college planning windows or consider delaying conversions until after key financial aid years.

Roth Conversion Planning Checklist

Bracket Review & Tax Outlook

- [ ] Am I currently in a lower tax bracket than I expect in retirement?
- [ ] Do I have unused room in my current tax bracket?
- [ ] Have I reviewed how much I can convert without crossing into a higher bracket?
- [ ] Would it make sense to spread conversions over multiple years?
- [ ] Have I accounted for state income tax (if applicable)?

Conversion Funding Strategy

- [ ] Can I pay the tax bill from non-retirement savings (not from the IRA itself)?
- [ ] Do I understand the total tax liability this year from the conversion?
- [ ] Have I planned for tax withholding or quarterly payments to avoid penalties?
- [ ] Do I have an emergency fund in place so I'm not cash-strapped?

Social Security & Medicare Planning

- [ ] Will this conversion make more of my Social Security taxable?
- [ ] Am I near or over the IRMAA income threshold for Medicare surcharges?
- [ ] Do I understand how AGI affects my healthcare premiums?
- [ ] Should I convert before Social Security and Medicare begin?

Timing Questions

- [ ] Am I in a tax "sweet spot" (e.g., early retirement, gap years, business loss year)?
- [ ] Should I convert now to lock in low tax rates before 2026?
- [ ] Am I close to Required Minimum Distributions (RMDs) age?
- [ ] Can I run this strategy over several years for maximum efficiency?

Legacy & Estate Planning

- [ ] Do I want to leave tax-free assets to my heirs?
- [ ] Will Roth IRAs help reduce my taxable estate?
- [ ] Are my beneficiaries in higher tax brackets than me?
- [ ] Will a Roth conversion help simplify my estate distribution?

Technical Factors

- [ ] Do I understand the 5-year rule for tax-free withdrawals?
- [ ] Do I have other pre-tax IRA balances that could trigger the pro-rata rule?
- [ ] Have I already maxed out Roth contributions this year?
- [ ] Am I coordinating this with my financial advisor and CPA?

Roth conversions can be a powerful wealth-building tool but only when done thoughtfully. Missteps can lead to surprise tax bills, Medicare surcharges, or reduced financial aid.
The key is careful planning, smart timing, and coordination with your overall retirement strategy. Before making any moves, review the checklist below and consider working with a qualified financial advisor to tailor a multi-year conversion plan that aligns with your goals.

Roth Tax **Bracket Planning**

Example

Imagine a 62-year-old retired couple in Dallas. Their taxable income this year is $50,000 from Social Security and investments. They're in a lower bracket before RMDs and Medicare surcharges hit.

2025 Projected Federal Tax Brackets

(Married Filing Jointly):

TAX BRACKET	INCOME RANGE
10%	$0 – $22,000
12%	$22,001 – $89,450
22%	$89,451 – $190,750
24%	$190,751 – $364,200

Their Situation:

- Current taxable income: **$50,000**
- Top of 12% bracket: **$89,450**
- Room left in 12% bracket: **$39,450**

Strategy: Fill the 12% Bracket

They could convert up to **$39,450 this year and still stay in the 12%** tax bracket locking in today's low rates for that converted amount.

Scenario	Convert $0	Convert $30,000	Convert $100,000
Immediate Tax Cost	$0	~$3,600	~$18,000+
Effective Tax Rate	0%	12%	Up to 22%
Tax-Free Growth Value	$0	$48,000+*	$160,000+*
RMD Impact in Retirement	High	Moderate	Lower
Medicare IRMAA Risk	Low	Low	High (if AGI > $206k)

*Assuming **6% annual return over 20 years**

Why **This Matters:**

"Too many people convert blindly or not at all. Roth conversion planning is about using just enough room in your tax bracket, without overshooting."

Why it matters:
Bracket optimization helps you convert the right amount not too little, not too much.

Upcoming Law **Changes That Matter**

Tax laws don't stay still your retirement plan shouldn't either.

One of the most overlooked benefits of a Roth conversion is control over when you pay taxes. But here's the catch: the rules of the tax game can change and often do.

We've seen it before:

- New administrations
- Economic shifts
- Legislative deadlines
- Policy reform proposals

Each of these can alter tax brackets, retirement contribution rules, estate limits, or income thresholds tied to Medicare premiums and capital gains.

Why It Matters for **Roth Conversions:**

A change in your **tax bracket** (or how brackets are structured) could make a future conversion far more expensive.

If **RMD rules tighten** or tax rates climb, staying in a Traditional IRA may mean larger taxable distributions later.

IRMAA thresholds and Social Security taxation rules could also shift, creating stealth tax hikes on retirees.

Even if your financial situation stays the same, **the tax landscape around it may not.**

Planning Insight:
A well-timed Roth conversion lets you pay taxes on your terms not on terms the IRS changes later.

Roth Conversion by **Life Stage**

The right strategy depends on where you are and where you're headed.

There's no one-size-fits-all approach to Roth conversions. What makes sense for a 35-year-old professional may be the wrong move for a retiree in their early 60s. That's why strategic planning anchored in your life stage and income outlook is essential.

Here's how Roth conversions play a role across different phases of life:

Young Professionals (20s–40s)

Why Convert:

- You're likely in a **lower tax bracket** now than in future decades
- You have **decades of compound growth ahead**
- You may not qualify for direct Roth contributions due to income limits in the future

Strategy:
Small annual conversions now can supercharge long-term tax-free growth. Even converting $5,000–$10,000/year in your 20s can mean six figures of tax-free money at retirement.

Pre-Retirees (55–64)

Why Convert:

- You're entering a critical "tax window" between full-time work and RMDs
- You can "fill up" the 12% or 22% tax bracket before income from Social Security or pensions kicks in
- RMDs from large Traditional IRAs can spike your taxes later

Strategy:
Run annual tax projections to determine how much to convert without hitting IRMAA or triggering bracket creep. Multi-year Roth conversions now can help minimize future tax shocks.

Business Owners

Why Convert:

- You may experience inconsistent income, creating low-tax years
- Business deductions (bonus depreciation, NOLs) can offset conversion income
- You have control over income timing, salary, and distributions

Strategy:
Take advantage of low-income years (e.g., years with big write-offs or business losses) to convert large amounts at minimal tax cost. You may even convert tax-free if planned properly.

Retirees in Gap Years (Typically 60–70)

Why Convert:

- You're no longer earning a full salary
- You haven't yet started Social Security or RMDs
- Your taxable income may be at its lowest in decades

Strategy:
These "gap years" offer an incredible opportunity to fill the 12% or 22% brackets and strategically reduce the size of tax-deferred accounts before RMDs begin. This can reduce future taxes and IRMAA exposure.

Estate-Focused Investors & Legacy Planners

Why Convert:

- You want to leave tax-free money to your children or grandchildren
- You're concerned about your heirs inheriting large taxable IRAs
- You want to reduce the size of your taxable estate

Strategy:
Roth conversions can shift tax-deferred assets into heir-friendly Roth IRAs. Beneficiaries inherit the Roth income-tax-free, and under the 10-year rule, they can let it grow before distributing.

Widows & Widowers

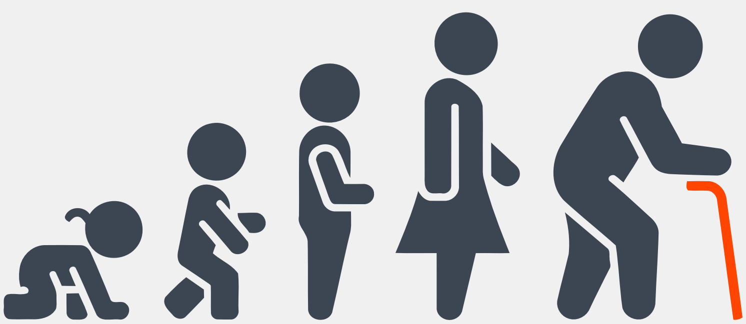
Why Convert:

- After the death of a spouse, you'll file as a single taxpayer, likely at higher tax rates
- You may still have access to survivor Social Security benefits
- Your financial needs haven't changed, but your bracket likely has

Strategy:

In the years immediately following a spouse's passing, you may have a brief window to convert at married filing jointly rates before being bumped into a higher single-filer bracket. This is a critical conversion opportunity that most overlook.

Bottom Line:



Different stages of life demand different Roth strategies.

That's why cookie-cutter advice fails and personalized planning can save you tens or even hundreds of thousands over a lifetime.

Roth Conversion **Readiness Quiz**

*Answer **Yes** or **No** to each question:*

- **8–10 Yes:** You're likely an excellent Roth conversion candidate now is the time to act.
- **5–7 Yes:** Strong potential let's run the numbers to find your best timing.
- **0–4 Yes:** A conversion might not be urgent but let's review your full tax picture to be sure.

		Yes	No
01	Do you expect to be in a higher tax bracket in retirement than you are today?	☐	☐
02	Can you pay the taxes on a conversion using non-retirement savings (cash or brokerage)?	☐	☐
03	Do you want to reduce or eliminate Required Minimum Distributions (RMDs) in the future?	☐	☐
04	Would you benefit from creating a tax-free income source in retirement?	☐	☐
05	Are you within a "tax window" (e.g., early retirement years, low-income period, before taking Social Security)?	☐	☐
06	Do you have a long time horizon (10+ years) before you'll need to withdraw from your Roth?	☐	☐
07	Are you concerned about future tax increases (e.g., 2026 tax law changes)?	☐	☐
08	Is leaving a tax-free inheritance to your heirs important to you?	☐	☐
09	Are you willing to model multiple scenarios to understand the impact of a Roth conversion?	☐	☐
10	Do you want more control over your taxable income in retirement?	☐	☐

How I Help Clients **Plan Roth Conversions**

Roth conversions aren't guesswork they're a custom strategy we build together.

When you work with me as your CERTIFIED FINANCIAL PLANNER™ in Dallas, our process goes far beyond basic tax math. We take a multi-dimensional, personalized approach to ensure your Roth strategy supports your income, tax, and legacy goals.

Here's how we do it:

Review Your Most Recent Tax Return

We start with your actual numbers not assumptions. Your tax return helps uncover unused bracket space, deductions, and hidden planning opportunities.

Forecast Tax Brackets & Future Retirement Income

Using your current and expected income streams, we model how your tax situation may evolve over time especially with Social Security, Required Minimum Distributions (RMDs), and pensions in play.

Test Conversion Scenarios Across Multiple Years

Rather than a one-time decision, we explore staggered conversions to optimize long-term tax efficiency. This helps reduce future taxes while maintaining flexibility today.

Evaluate Impacts on Social Security, Medicare, and Your Estate

We assess how Roth conversions may affect your:

- Social Security taxation
- Medicare premiums (IRMAA thresholds)
- Heirs' future tax liability

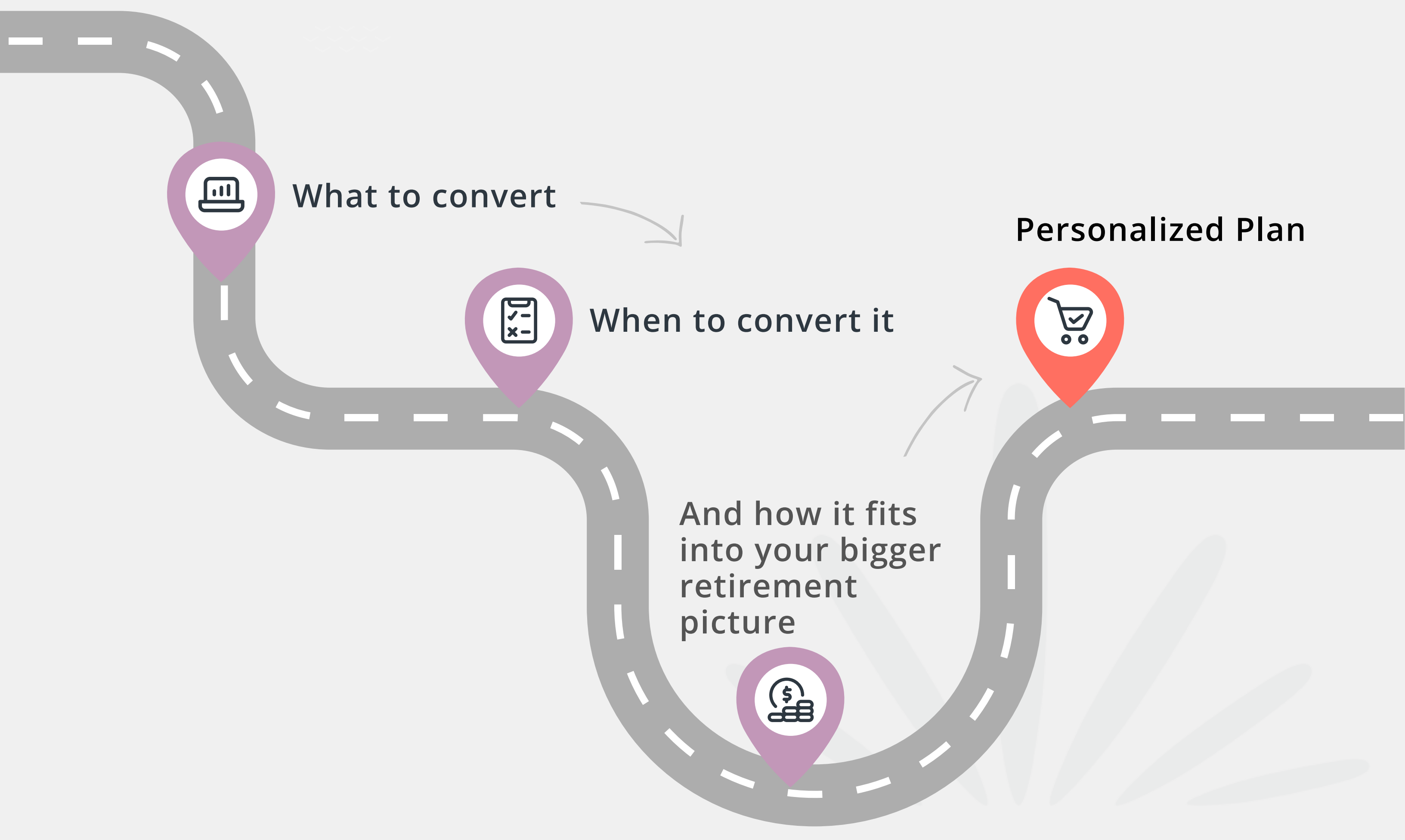
You'll see the full ripple effect before making a move.

Build a Custom Roth Income Roadmap

You walk away with a clear, personalized plan showing:

- What to convert
- When to convert it
- And how it fits into your bigger retirement picture

✓ Whether you're just starting to plan or you're in your 60s with large IRA balances, I'll help you take action with confidence and clarity.



Is This Your Roth **Conversion Year?**

Book a Free Strategy Call

to run your numbers with precision.

Don’t wait for your CPA to ask you.
Take control of your tax future today.

Melissa Cox, CFP®

Founder & Certified Financial Planner™

972-707-1731

melissa@ffwealth.co

www.FutureFocusedWealth.com

Disclaimer:

This content is for educational purposes only and is not intended as tax or investment advice. Always consult a tax advisor or CERTIFIED FINANCIAL PLANNER™ before making Roth conversion decisions.

FUTURE-FOCUSED wealth