

Meritage Portfolio Management

Roth IRA Conversion Discussion Table

Issue	Do Not Convert if:	Consider converting if:
Future tax rate assumption	Expect lower tax rate when client starts withdrawals	Expect higher tax rate when client starts withdrawals (or are unsure but want to protect assets from potentially higher tax rates)
Ability to pay taxes from non-IRA account	Would have to withdraw money from IRA to pay conversion taxes	Can pay conversion taxes from a non-IRA account (and ideally without generating a lot of capital gains when making sales to raise cash for taxes)
Need to withdraw funds from Roth IRA over next 5 years (time period Roth funds must be held without a 10% withdrawal penalty)	Would need to withdraw funds from the Roth IRA during the next 5 years	Would not need to withdraw funds from the Roth IRA during the next 5 years
Tax bracket impact from Required Minimum Distribution from Traditional IRA at age 70 1/2	N/A	Expect RMDs to significantly increase client tax bracket OR expect RMDs to be a large % of total income then
Effect of conversion on current income tax rate	N/A	The conversion will have little or no effect on client's current income tax bracket
Estate planning	No plans to pass wealth on to beneficiaries, or plan to pass wealth on to charitable organizations	Expects to pass wealth on to beneficiaries, converting to a Roth will reduce taxable estate (through payment of taxes) and provide an income-free gift to beneficiaries
Make non-deductible contributions to traditional IRA to fund Roth conversion'	Not advantageous if already have sizable traditional IRA assets	Advantageous if no or only small traditional IRA assets
Better Conversion Candidates		If client is a younger worker, not yet at peak earnings, and expects tax rate to be higher in withdrawal years
		If significant traditional IRA assets that client does not plan to tap during their lifetime
		If client has a large taxable estate, converting to a Roth lowers the size of the estate by the \$ amount of taxes paid in the conversion
		If client has mostly nondeductible traditional IRAs, as nondeductible contributions can be withdrawn tax-free (only investment earnings are taxes); but must follow rules of calculating nondeductible percentage of ALL traditional IRAs values
		If Required Minimum Distributions of a client's traditional IRA assets would push the client into a higher tax bracket