

This is an extra resource to go along with the original article:
When Should You Convert an IRA?

For most of us, taxes will go down in 2018. That makes a Roth Conversion more appealing than ever! If you fall into one of these categories, now might be a great time to explore if a Roth Conversion is right for you.



Backdoor Roth Conversion

If you make too much money to contribute to a Roth directly, the Backdoor Roth Conversion is a popular strategy. You make an after-tax contribution into your Traditional IRA and immediately convert the funds to a Roth. No additional taxes are owed and any future withdrawals are tax-free.



Low Income / Low Tax Bracket

The goal for any traditional IRA funds should be to keep tax liabilities at a minimum when withdrawing or converting funds.

- A low income year presents a big opportunity to convert funds.
- Maybe you switched jobs or lost income due to illness. Anytime you have a low income year, a Roth Conversion should be a consideration.
- Initial retirement years present a big opportunity for a Conversion.
- Social Security income and Required Minimum Distributions (70 ½) will potentially mean more income down the road for retirees
- Higher income in retirement could come from selling a business or pension payments. Roth Conversions make more sense before these begin



Legacy Assets

If you don't plan on needing your traditional IRA assets in your lifetime, a Roth Conversion might mean more money for your heirs. With no Required Minimum Distributions, your Roth assets experience uninterrupted growth until you pass away.



Retirement Prior to Age 59 ½

Under normal circumstances, you can't access Traditional IRA assets until 59 ½. However, any after-tax funds are available 5 years after a Roth Conversion. You have to plan 5 years ahead, but you can avoid early withdrawal penalties by utilizing a Roth Conversion strategy.

Any Roth Conversion can significantly impact your tax situation. It is very important to speak to a tax professional prior to making any conversions.