

Roth Conversion Guide



[Roth Conversion Calculator](#)



[Roth FAQ Resource](#)



[Roth Conversion Client Brochure](#)



Have questions?
Financial.Planning@lpl.com

What is it?	<ul style="list-style-type: none"> • Converting tax-deferred IRA / qualified plan balances to Roth. • Intentionally paying the ordinary income tax before RMDs start. • Attempting to find an optimal conversion amount that is projected to help clients pay less income taxes over time.
Why consider converting to Roth?	<ul style="list-style-type: none"> • Roth balances don't have RMDs. • Smooth out income tax brackets each year by filling up the lower brackets (10, 12, 22 and 24%) to avoid large tax bracket spikes when RMDs begin. • Helps reduce future RMDs on tax-deferred balances. • Fulfill a desire to pass tax-free Roth assets to heirs. • Qualified Roth distributions don't trigger Net Investment Income Tax (NIIT), nor do they increase Mod. Adj. Gross Income (MAGI).
Tactical Considerations	<ul style="list-style-type: none"> • Converting in a tax year when the client will also have a charitable income tax deduction or a Net Operating Loss (NOL) carryover. • Consider larger conversions over a shorter time to avoid additional taxes (page 2). • Married couples would ideally evaluate conversions before the first death to take advantage of wider MFJ tax brackets. • Tax on the conversion can be paid via withholding from the account or with outside non-retirement funds (optimal). • Could be ideal to convert during down market years.
 Watch Out!	<ul style="list-style-type: none"> • Roth conversions are permanent and can't be recharacterized. • Conversions will increase Adj. Gross Income (AGI) and may impact income-based benefit programs or subsidies. • May be subject to state income tax (depending on where client lives). • Depending on taxable income, conversions may push clients out of the 0% long-term capital gain bracket and into the 15% bracket. • May push the client into the 3.8% Net Investment Income Tax (NIIT). • May push the client into Medicare Surcharges (IRMAA). • If RMD age, the RMD must come out first before converting to Roth. • Inherited tax-deferred IRAs cannot be converted to Roth. • 10% early withdrawal penalty applies to the taxes withheld if the client is under age 59.5 and withholding tax from the account.

[Tax Torpedo Webinar Link](#)



Not an Ideal Candidate	Maybe a Candidate	Good Candidate
<ul style="list-style-type: none"> • Tax bracket will be lower in the future • Client has strong charitable bequests • Needs withdrawals from Roth within first 10 years 	<ul style="list-style-type: none"> • Client has desire to leave tax free assets to heirs regardless of tax bracket • Has outside funds to pay the taxes • Can hold Roth for at least 10 years 	<ul style="list-style-type: none"> • Client has tax deductions to offset the conversion • Tax brackets may be higher in the future • Long time horizon to hold Roth assets (10+ years)

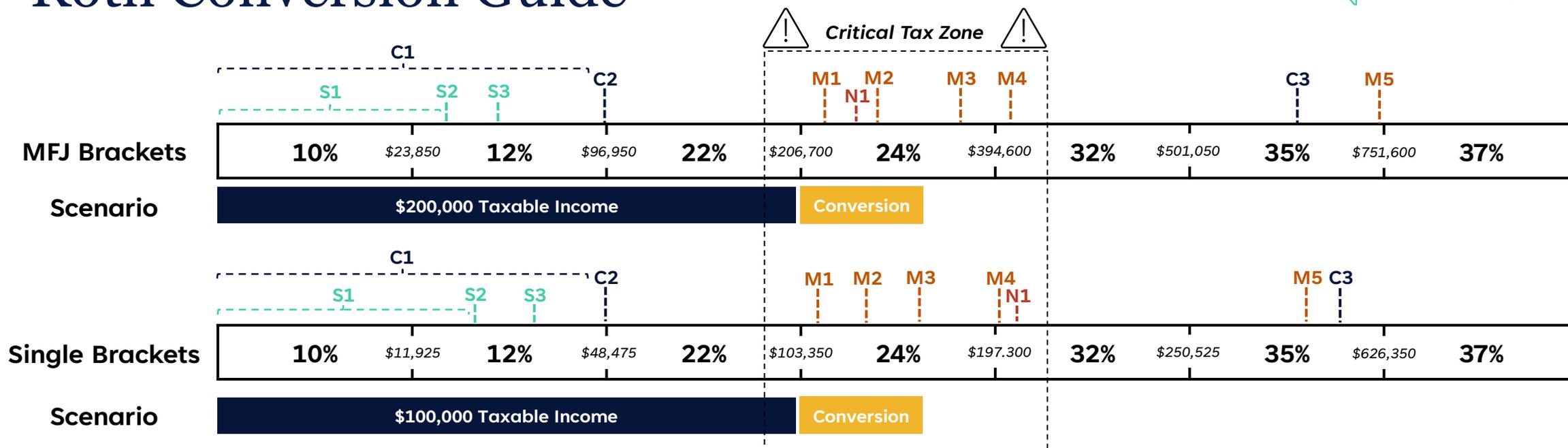
		Tax Rate at Conversion						
		10%	12%	22%	24%	32%	35%	37%
Tax Rate at Distribution	10%	Neutral						
	12%		Neutral					
	22%			Neutral				
	24%				Neutral			
	32%					Neutral		
	35%						Neutral	
	37%							Neutral

Federal income tax only

	Good candidate and is usually an effective conversion if the Roth is held for at least 10+ years.
	Neutral impact if tax rates are the same at time of conversion and distribution.
	Maybe a candidate if paying the tax with outside funds and holding the Roth for at least 10 years
	Not a good candidate and is usually an in-effective conversion for income tax purposes.

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Tax Thresholds	Married Filing Joint (MFJ)	Single
S – Social Security Subject to Tax Based on Provisional Income (PI)	<ol style="list-style-type: none"> 0% subject to tax: Less than \$32,000 of Provisional Income 50% subject to tax: \$32,000 - \$44,000 of Provisional Income 85% subject to tax: More than \$44,000 of Provisional Income 	<ol style="list-style-type: none"> 0% subject to tax: Less than \$25,000 of Provisional Income 50% subject to tax: \$25,000 - \$34,000 of Provisional Income 85% subject to tax: More than \$34,000 of Provisional Income
C – Capital Gains Tax Bracket Based on Taxable Income	<ol style="list-style-type: none"> 0%: Taxable income less than \$96,700 15%: Taxable income between \$96,701 - \$600,050 20%: Taxable income greater than \$600,050 	<ol style="list-style-type: none"> 0%: Taxable income less than \$48,350 15%: Taxable income between \$48,351 - \$533,400 20%: Taxable income greater than \$533,400
M – Medicare IRMAA Surcharges Based on 2023 Mod. Adj. Gross Income (MAGI)	<ol style="list-style-type: none"> IRMAA Tier 1: \$212,001 - \$266,000 IRMAA Tier 2: \$266,001 - \$334,000 IRMAA Tier 3: \$334,001 - \$400,000 IRMAA Tier 4: \$400,001 - \$749,999 IRMAA Tier 5: \$750,000 + <p>WATCH OUT!</p> <ul style="list-style-type: none"> \$1 over the limit subjects the client to IRMAA Rolling 2-year MAGI look-back 	<ol style="list-style-type: none"> IRMAA Tier 1: \$106,001 - \$133,000 IRMAA Tier 2: \$133,001 - \$167,000 IRMAA Tier 3: \$167,001 - \$200,000 IRMAA Tier 4: \$201,001 - \$499,999 IRMAA Tier 5: \$500,000 + <p>WATCH OUT!</p> <ul style="list-style-type: none"> \$1 over the limit subjects the client to IRMAA Rolling 2-year MAGI look-back
N – 3.8% Net Inv. Inc. Tax (NIIT)	<ol style="list-style-type: none"> Paid on the lesser of Net Investment Income or excess of MAGI over \$250,000 	<ol style="list-style-type: none"> Paid on the lesser of Net Investment Income or excess of MAGI over \$200,000