2025 · SHOULD I CONSIDER DOING A ROTH CONVERSION?

WISDOM WEALTH STRATEGIES

START HERE

Will you need distributions from your retirement accounts to fund your retirement income plan?

- No → Are the beneficiaries of your retirement account(s) qualified charitable organizations?
  - Yes → Sorry, a Roth conversion offers little advantage to you, and none to your beneficiaries. Consider making QCDs during your lifetime and transferring your traditional retirement account(s) at your death.
    - → Reference "Can I Do A Qualified Charitable Distribution From My IRA?" flowchart.
  - No → Do you expect your beneficiaries to be subject to high income tax rates in the future?
    - No → Sorry, if your beneficiaries are in low tax brackets, the cost of conversion may not be justified.
      - → Increasing your income with Roth conversions could impact the amount you pay/receive through income-based programs.
        - → Low asset valuations (due to a market correction, etc.) or expiring carryforwards and credits could provide additional incentives to do a Roth conversion.
          - → Are you currently, or will you in the near future become, a participant in programs where your eligibility/treatment is income-based (such as Medicare/IRMAA, financial aid, or ACA subsidies)?
            - No → Consider doing Roth conversions. The Roth IRA will not be subject to RMDs, and it can allow the assets to grow tax-free.
              - → After your death, income tax-free distributions will be advantageous to your beneficiaries.
                - → Inheriting Roth assets will be particularly valuable to "Non-Eligible Designated Beneficiaries," who are subject to the 10-Year Rule, which accelerates distributions (and taxation if the assets remained in a traditional IRA).
                  - → Will you need distributions from the Roth IRA within five years of converting?
                    - Yes → Be mindful of the 5-year rule. Reference "Will My Roth IRA Conversion Be Penalty-Free?" flowchart.
                      - → Are you currently, or will you in the near future become, a participant in programs where your eligibility/treatment is income-based (such as Medicare/IRMAA, financial aid, or ACA subsidies)?
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            - Yes → Low asset valuations (due to a market correction, etc.) or expiring carryforwards and credits could provide additional incentives to do a Roth conversion.
              - → Increasing your income with Roth conversions could impact the amount you pay/receive through income-based programs.
    - Yes → Sorry, converting and paying tax today at a higher rate may not be advantageous. Consider deferring your tax liability until distributions are needed and/or required.
      - → Do you have cash outside of your retirement accounts to pay the income taxes due upon conversion?
        - No → Consider doing Roth conversions. Be mindful that taxes withheld from the conversion itself are subject to a 10% penalty (unless an exception applies), and will decrease the net amount of your conversion.
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                - No → Are you currently, or will you in the near future become, a participant in programs where your eligibility/treatment is income-based (such as Medicare/IRMAA, financial aid, or ACA subsidies)?
  - Yes → Do you expect to be subject to the same or lower income tax rates during most of your retirement either due to income levels or future tax reform?
    - Yes → Sorry, converting and paying tax today at a higher rate may not be advantageous. Consider deferring your tax liability until distributions are needed and/or required.
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