

# To Convert or NOT To Convert

## ...in 5 Easy Steps

**What is a Roth IRA Conversion?** A Roth IRA conversion is the process of moving IRA or employer plan assets to a Roth IRA.



**Sean Phillips, CFP®, CKA | 214.572.2120**

Vice President of Wealth Management, Wealth Advisor

*Sean is a member of Ed Slott's Elite IRA Advisor Group<sup>SM</sup>, an exclusive organization of financial advisors who are dedicated to being leaders in the IRA industry. As an Ed Slott Elite IRA Advisor, Sean proves to be an advisor with the specialized knowledge to navigate an increasingly more complicated tax environment.*

- 1. When will you need the money?** If you have an immediate need for the funds or need them to continue your current standard of living, then a Roth IRA conversion is probably not for you. However, if you have no immediate need for the funds, a Roth IRA conversion is potentially a great way for the funds to grow tax-free over your lifetime.
- 2. Where will the money come from to pay the tax?** In nearly all cases, the money to pay the tax on a Roth IRA conversion should come from outside (non-retirement account) funds in order for the conversion to make sense. When a Roth IRA conversion is made, it triggers a taxable event, so your ability to pay that tax with outside money will go a long way in determining whether a Roth IRA conversion is right for you.
- 3. What do you think future tax rates will be?** If you believe your income tax rate will be the same or higher in retirement, then converting funds to a Roth IRA NOW makes more sense, since you will be paying the tax at a lower rate. On the other hand, if you think your income tax rate will be much lower in retirement, you may want to forgo a Roth IRA conversion and take advantage of lower tax rates in a later year.
- 4. Other reasons to consider a Roth IRA conversion.** You may have favorable tax attributes in the year of the conversion such as large charitable deductions, net operating losses and tax credits; you will not have to take required minimum distributions starting at age 72; you will have the ability to make contributions even after age 72 if there is eligible earned income; you can provide an income-tax-free inheritance to your heirs.
- 5. Other reasons to NOT consider a Roth IRA conversion.** You have an aversion to paying the income tax up front; you do NOT trust that the government will keep their tax-free deal; you plan to name a charity as your Roth IRA beneficiary, and it will NOT have to pay income taxes on the money it receives.

Ed Slott's Elite IRA Advisor Group is a group of financial professionals who pay a fee to attend a seminar that explores regulations, tax updates, and other issues regarding individual retirement accounts. It does not qualify a financial professional to provide investment recommendations, or advice. Ed Slott and Ed Slott's Master Elite IRA Advisory Group<sup>SM</sup> are not affiliated with CWM, LLC.

This is not intended to provide specific legal, tax, or other professional advice. For a comprehensive review of your personal situation, always consult with a tax or legal advisor.

Converting from a traditional IRA to a Roth IRA is a taxable event.

Copyright © 2021, Ed Slott and Company, LLC. Reprinted with permission Ed Slott and Company, LLC takes no responsibility for the current accuracy of this information. Investment advisory services offered through CWM, LLC, an SEC Registered Investment Advisor. 7557 Rambler Road, Suite 1010 | Dallas, TX

75231 214.572.2120 | [www.chessmanwealth.com](http://www.chessmanwealth.com)