



Roth Conversions: Pay Taxes Now or Later?



by Jeff Blatter, CFP®

The end of the year is nearing and we are considering Roth conversions with many of our clients. A Roth conversion is simply moving money from a Traditional IRA to a Roth IRA. You would pay ordinary income taxes on the amount of the transfer; once the funds are in the Roth you never pay taxes again if you meet the age and 5 year holding requirements.

Why would you want to do this? There are a number of reasons to consider doing

this. If you know you will be in a low tax bracket this year, but not in future years, that would be a good reason to do a conversion. You pay taxes at the current lower rate and let your Roth balance grow tax free. Our current tax rates are scheduled to increase in 2025 when the Trump tax rates expire. Having funds in an account that will not be taxed is good peace of mind. In addition, if you will be leaving money to your heirs, inheriting a Roth IRA is far superior to inheriting a traditional IRA.

There are a lot of reasons to make Roth conversions but you need to analyze your specific situation. We would be happy to assist any of our clients with this, let us know if you would like more information or have us help you calculate the right amount to convert.



Thanks to all of those who were able to join us for our open house last month. Uncle Henry's Favorites on the patio was a big hit!

