TO CONVERT OR NOT TO CONVERT IN *5 EASY STEPS*

RMH ADVISORS LLC
PROFESSIONAL ADVICE... PERSONALLY DELIVERED.

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ED SLOTT'S MASTER ELITE IRA ADVISOR GROUP™

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

#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 and tax credits; you will not have to take required minimum distributions starting at age 70½; you will have the ability to make contributions even after age 70 ½ 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.

IRAs may not suitable for all investors. Investing involves risks including the potential loss of principal. Distributions made prior to age 59 ½ may be subject to a federal income tax penalty.

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