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## Final Chance to Undo a 2017 Roth IRA Conversion

If you converted a traditional IRA to a Roth IRA in 2017 and your Roth IRA has sustained losses, you may want to consider whether it makes sense to undo (recharacterize) your conversion. You have until October 15, 2018, to undo your 2017 conversion.\* A recharacterization can help you avoid paying income tax on IRA assets that have lost value since the conversion. When you recharacterize, your conversion is treated for tax purposes as if it never happened.

For example, assume you converted a fully taxable traditional IRA worth \$100,000 to a Roth IRA in 2017. Further assume that your Roth IRA is now worth only \$60,000. If you don't undo the conversion, you'll pay federal (and possibly state) income tax on \$100,000, even though the current value of those assets is only \$60,000. If you recharacterize, your IRA administrator will make a direct transfer of the assets from your Roth IRA back to your traditional IRA. For tax purposes, you'll be treated as though the conversion never happened, and you'll wind up with no resulting tax bill (or a tax refund if you've already filed and paid taxes on the conversion).

(Note: Your Roth IRA doesn't need to sustain losses in order for you to recharacterize your conversion. You can do so for any reason. For example, you may simply have changed your mind and no longer wish to pay the additional conversion taxes in/for 2017. Or your tax situation may have improved in 2018 due to a reduction in your tax rate.)

If you recharacterize your 2017 conversion, you're allowed to convert those dollars (and any earnings) to a Roth IRA again ("reconvert"), but you must wait 30 days, starting with the day you transferred the Roth dollars back to a traditional IRA. Keep in mind that even though the amount you recharacterized (and any earnings) is subject to a 30-day waiting period, any additional amounts in your traditional IRAs are not subject to the waiting period, and you can convert all or part of those dollars to a Roth IRA at any time. If you reconvert in 2018, then all taxes due as a result of the conversion will be included on your 2018 federal income tax return.

Whether it makes sense to recharacterize your Roth conversion depends on several factors, including the extent of the losses in your Roth IRA and your expectations of where the markets may be headed.

This is your final chance to undo a Roth IRA conversion. Due to recent legislation, Roth IRA conversions made after 2017 can no longer be recharacterized.

\*If you already paid your taxes for 2017, you'll need to file an amended return to obtain a refund for any taxes paid on the conversion. An amended return can generally be filed as late as three years after the original return was filed. Consult your tax professional.



*If you converted a traditional IRA to a Roth IRA in 2017 and your Roth IRA has sustained losses, you may want to consider whether it makes sense to undo your conversion — you have until October 15, 2018, to do so.*

*You also have until October 15, 2018, to convert a regular Roth IRA contribution to a traditional IRA contribution. You might wish to do so if, for example, you've determined that your 2017 income was too high, precluding you from making an annual Roth contribution in that year.*



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