

# Detroit Area Bogleheads presents:



## Topic #1: Roth IRA Conversions

- ❖ What's all the hype?
- ❖ How do I know if it's right for me?
- ❖ Benefits and Pitfalls
- ❖ Tips and Tricks





# Roth IRA Conversions

Detroit Area  
Bogleheads  
May 10, 2025

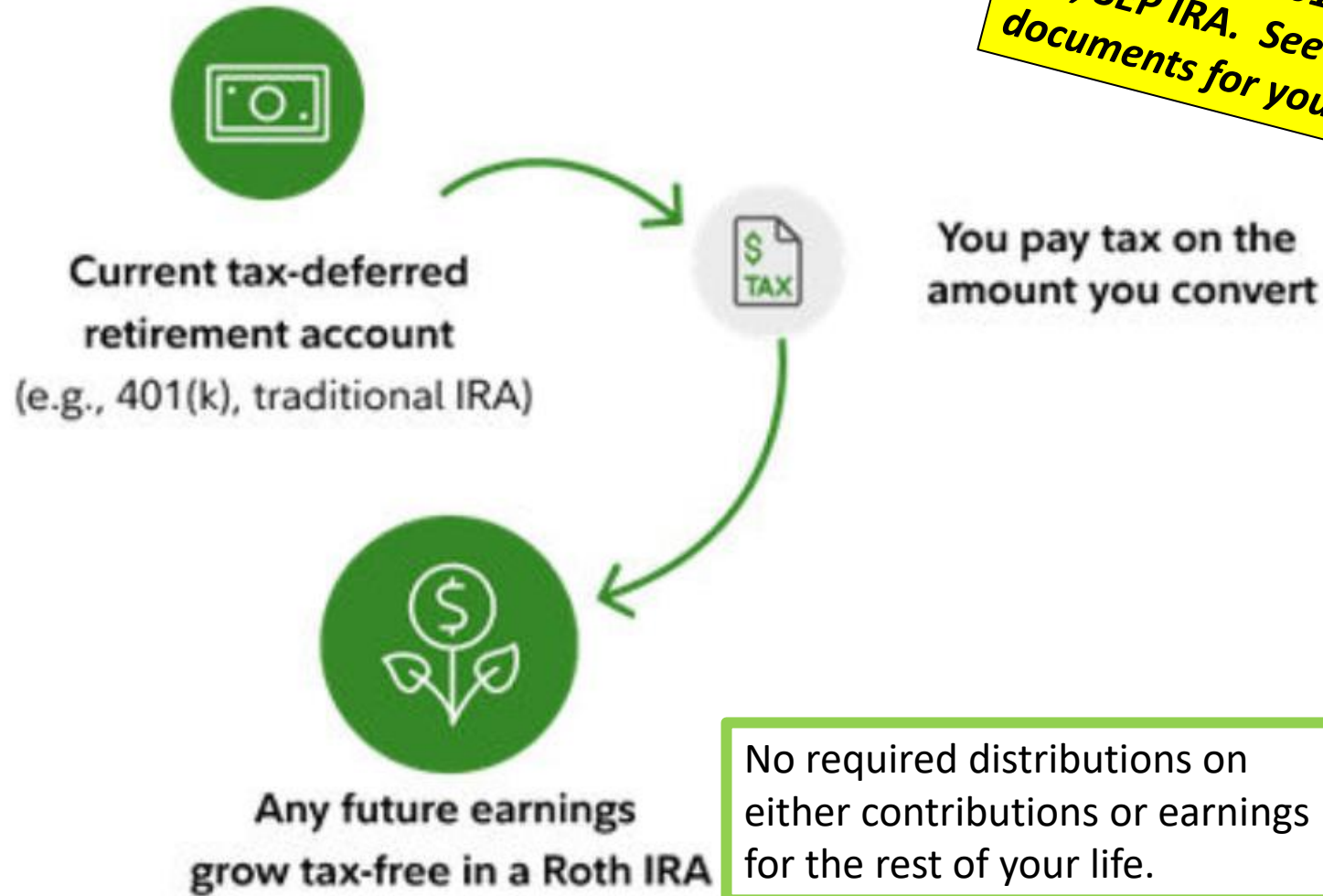
## Spoiler Alert

- It's all about potential long-term tax savings
- You won't know if you did it right until you're dead!
- There are some good hacks to help along the way

This presentation was made

# Roth Conversion

*Also includes 401(a), 403(b), 457(b), TSP, SEP IRA. See plan literature documents for your plan specifics.*

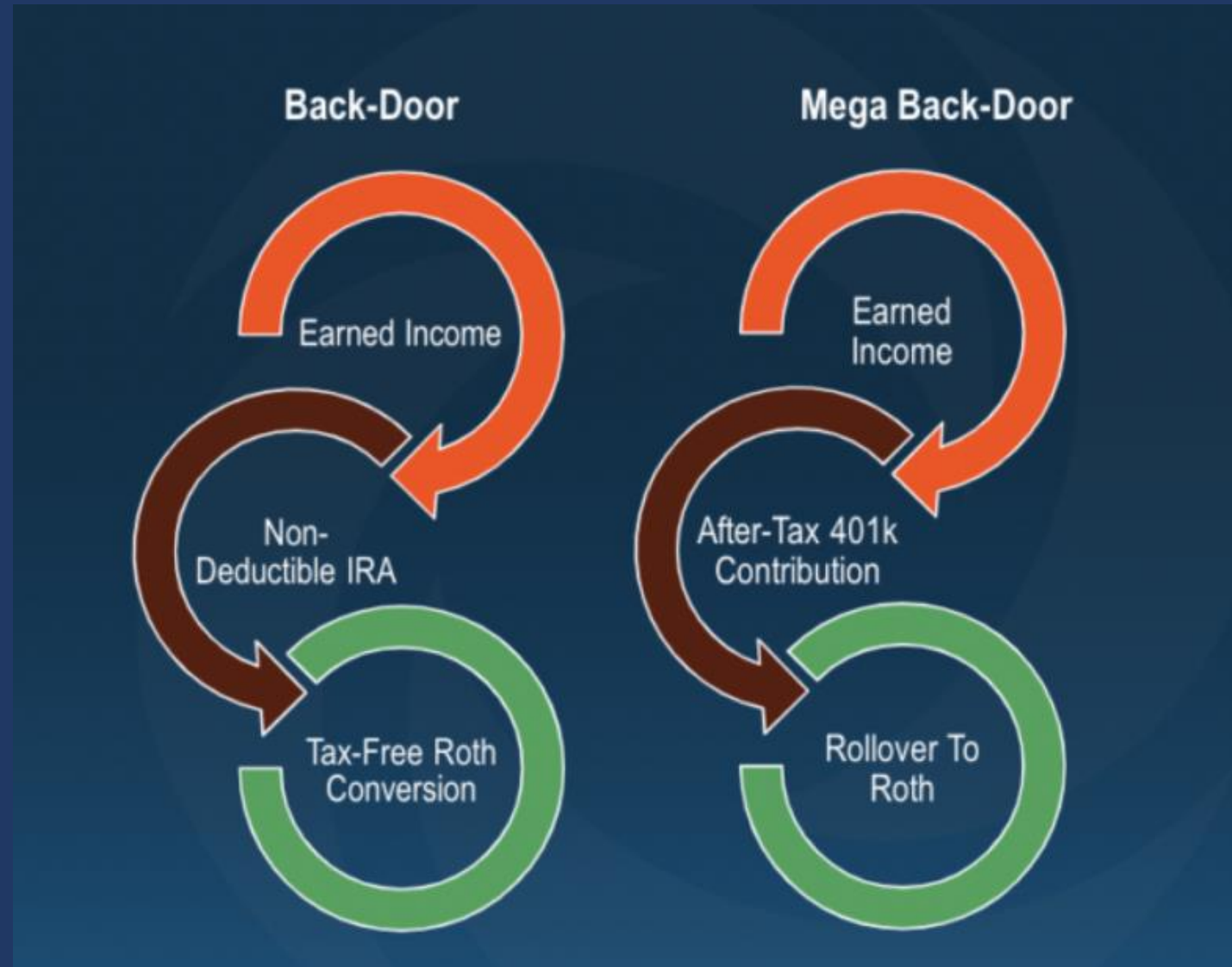


# Back-Door and Mega Back-Door Roth Conversions

Strategy that allows high-income earners to contribute to a Roth IRA even if they exceed the income limits for direct contributions.

## ROTH IRA ELIGIBILITY 2025

|                      |                       |
|----------------------|-----------------------|
| SINGLE MAGI PHASEOUT | \$150,000 - \$165,000 |
| MFJ MAGI PHASEOUT    | \$236,000 - \$246,000 |



# What's All the Hype?

A recent email from a fellow Detroit Boglehead:

**Here is my financial life experience.**

**I started my first real job with IBM in 1979 [this is before ROTH IRA or ROTH 401K]. All IBM managers said to save into our 401K and save as much as possible. It will grow, and you will defer taxes. I never gave it another thought.**

**And thanks to John Bogle, it did grow. Now I am 70 and sitting on a TICKING TAX TIME BOMB with traditional IRA RMDs starting at age 73.**

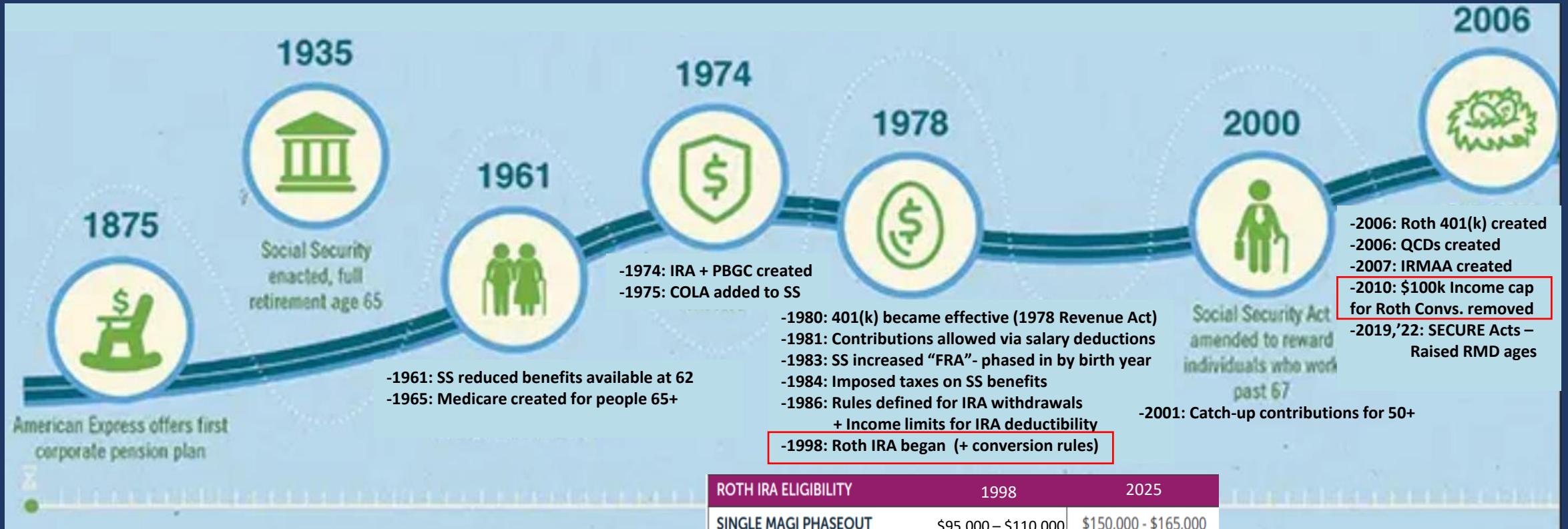
**My advice to people is to do long-term tax planning early. With RMDs and Social Security, my taxable income will be too great, and I will be stuck.**

**Wise people will use HSA, 529B, and ROTH IRA investments/conversions early to balance the tax bill at age 73. Also, the traditional IRA is not so great to leave to the next generation.**

**With some planning regrets, "George"**



# History of Retirement-Related Benefits



| ROTH IRA ELIGIBILITY | 1998                  | 2025                  |
|----------------------|-----------------------|-----------------------|
| SINGLE MAGI PHASEOUT | \$95,000 – \$110,000  | \$150,000 - \$165,000 |
| MFJ MAGI PHASEOUT    | \$150,000 - \$160,000 | \$236,000 - \$246,000 |



# Roth IRA Conversions

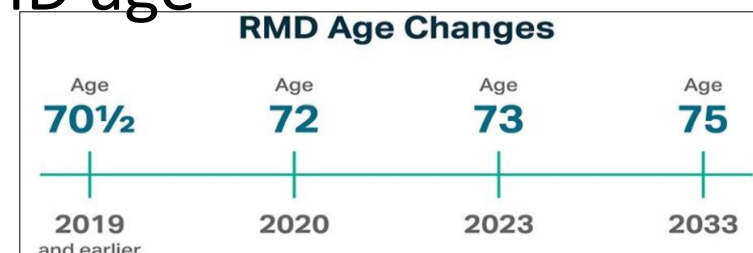
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## What's All the Hype About?

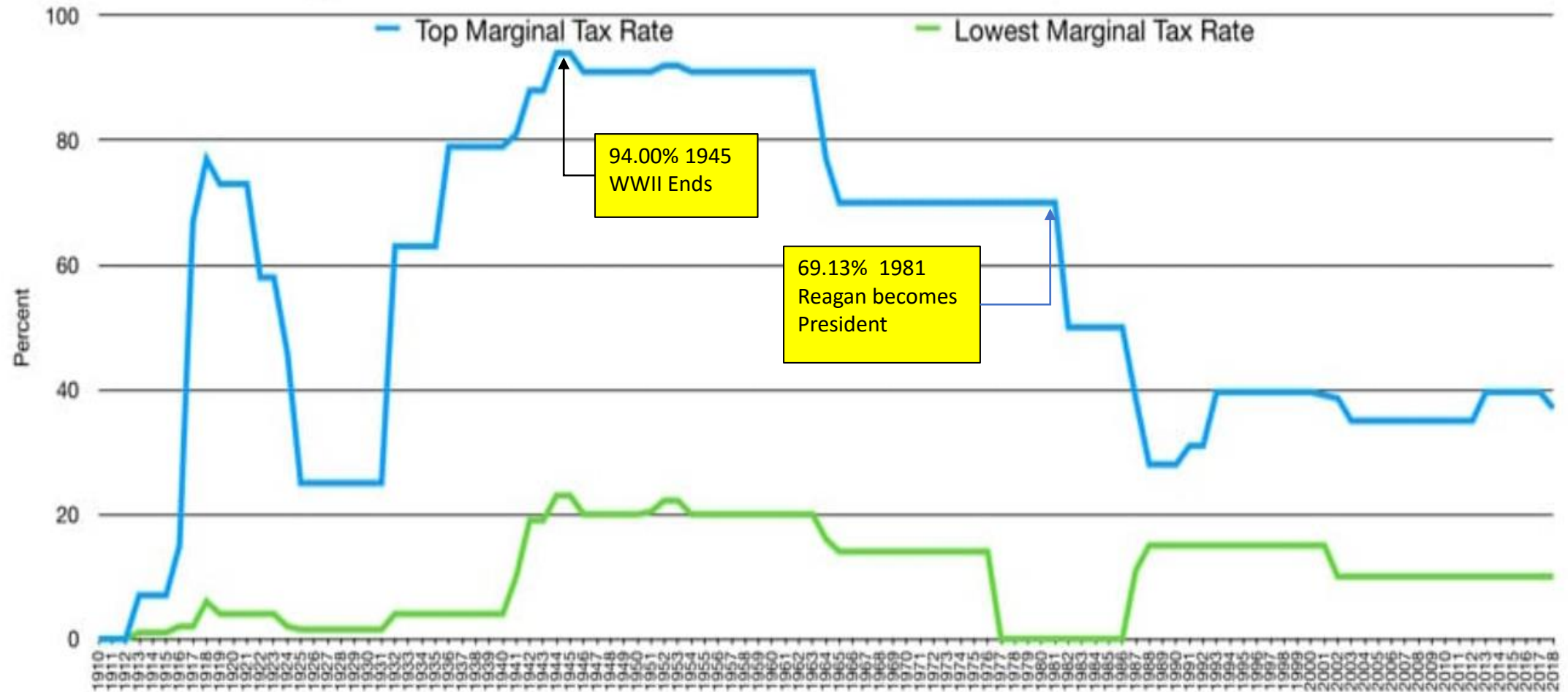
- \$ in your Traditional IRA/401k will be taxed at some point, via withdrawals, RMDs or death (unless you leave your money to charity)
- Federal taxes are at historically low rates (esp. with TCJA), meaning the conversion taxes are “on sale.”

| TAX RATES UNDER CURRENT LAW |        |              |
|-----------------------------|--------|--------------|
| through 2025                | sunset | 2026 & after |
| 10%                         | ==>    | 10%          |
| 12%                         | ==>    | 15%          |
| 22%                         | ==>    | 25%          |
| 24%                         | ==>    | 28%          |
| 32%                         | ==>    | 33%          |
| 35%                         | ==>    | 35%          |
| 37%                         | ==>    | 39.6%        |

- You have the option to strategically take control of the tax brackets before RMD age



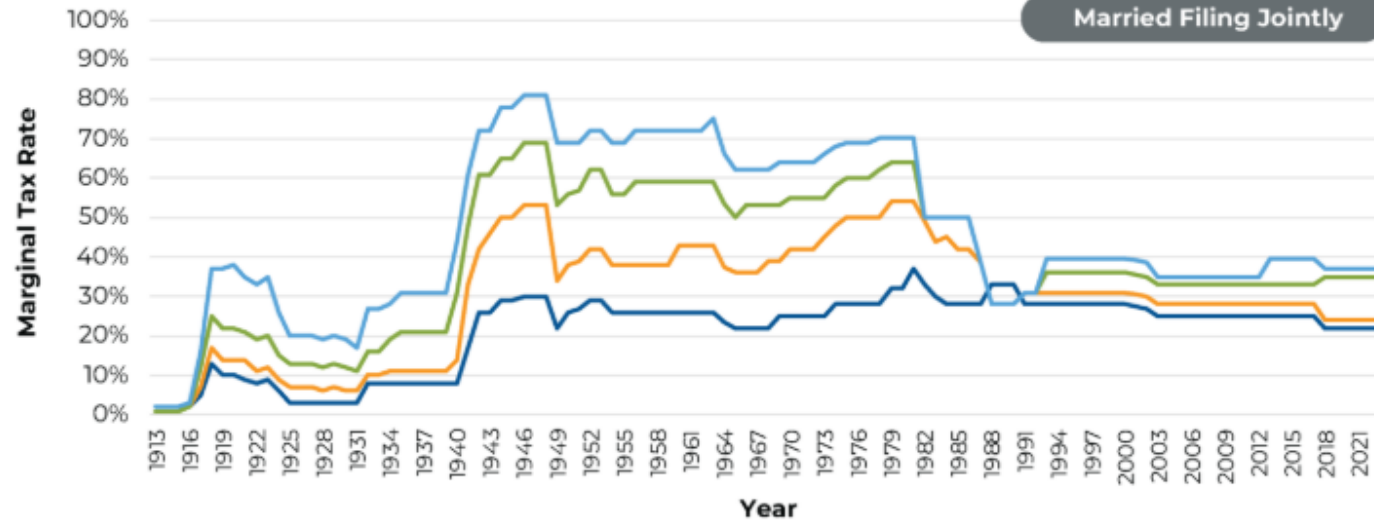
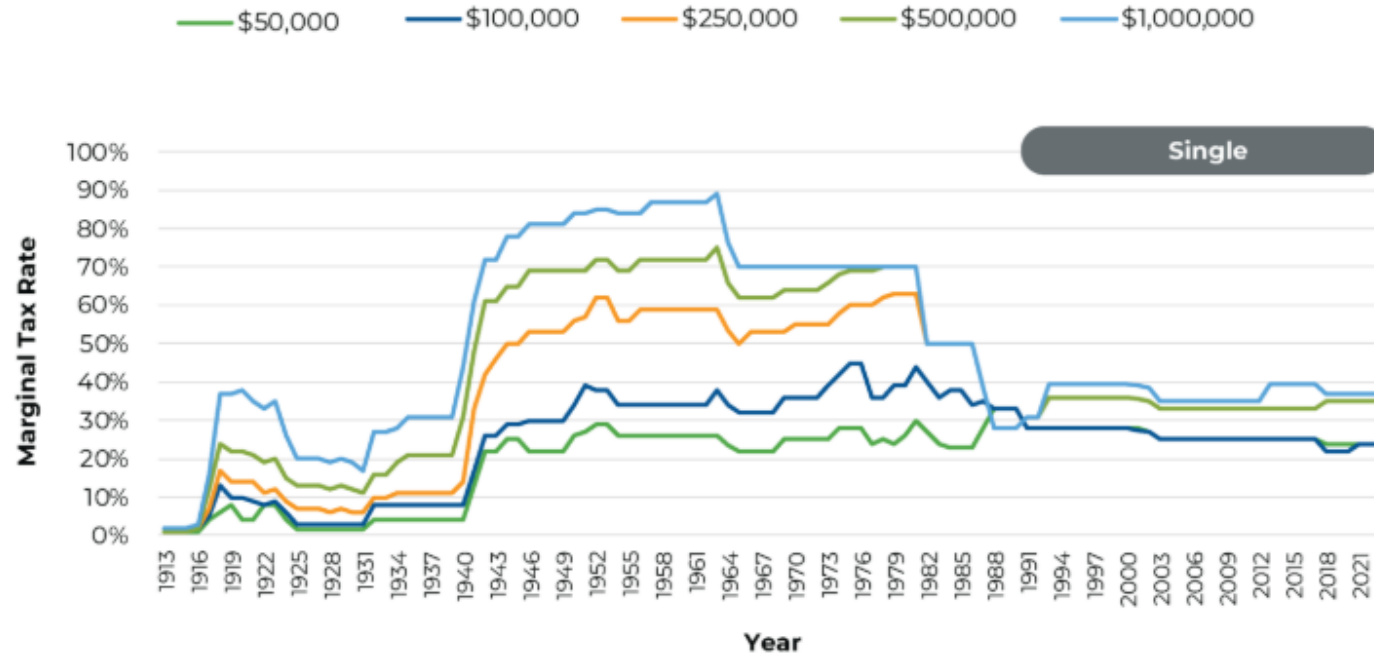
# Marginal Tax Rates in the United States





# Marginal Tax Rate On Income (2024 Dollars) Single Vs Married Filing Jointly

<https://www.kitces.com/blog/pre-tax-retirement-contribution-roth-conversion-rmd-social-security/>



Monitoring your balances in tax-deferred accounts is crucial since RMDs will apply. A large balance can force someone to take higher distributions than they need, increasing their tax rates. If too much income is required, it could impact other rates, such as Medicare premiums and access to income-based programs. Ideally, you will save enough to generate the income you need in retirement without excess to manage your tax bracket and marginal rates.

The table below illustrates the impact of RMDs on different account balances, highlighting how large balances could increase income beyond one's needs.

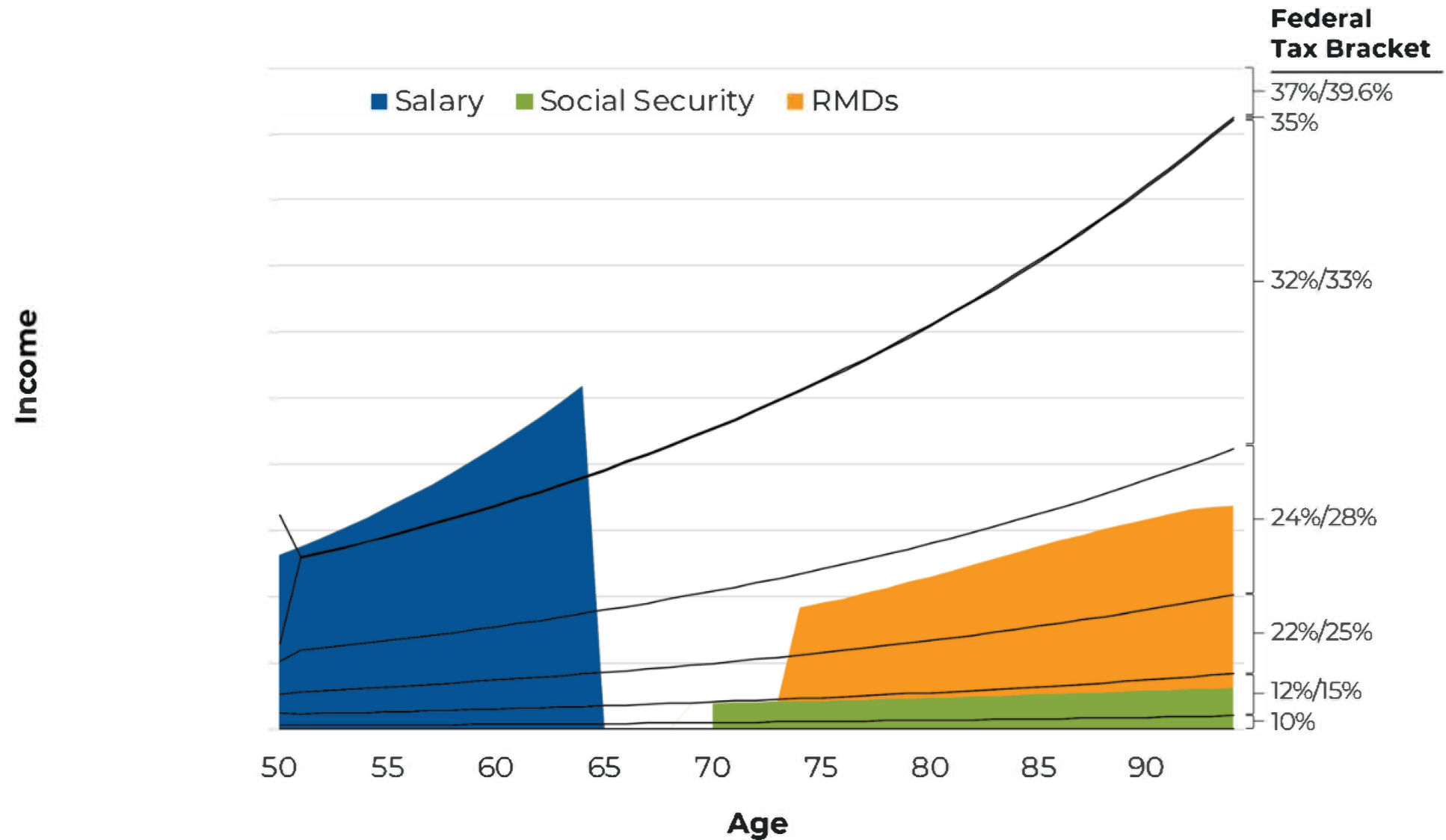
*Taxable Income Generated by Required Minimum Distributions*

| IRA Balance |                     | RMD @ 72  | RMD @ 75  | RMD @ 80  | RMD @ 90  |
|-------------|---------------------|-----------|-----------|-----------|-----------|
|             | IRS Life Expectancy | 27.4      | 24.6      | 20.2      | 12.2      |
|             | \$100,000           | \$3,650   | \$4,065   | \$4,950   | \$8,197   |
|             | \$500,000           | \$18,248  | \$20,325  | \$24,752  | \$40,984  |
|             | \$1,000,000         | \$36,496  | \$40,650  | \$49,505  | \$81,967  |
|             | \$2,000,000         | \$72,993  | \$81,301  | \$99,010  | \$163,934 |
|             | \$3,000,000         | \$109,489 | \$121,951 | \$148,515 | \$245,902 |

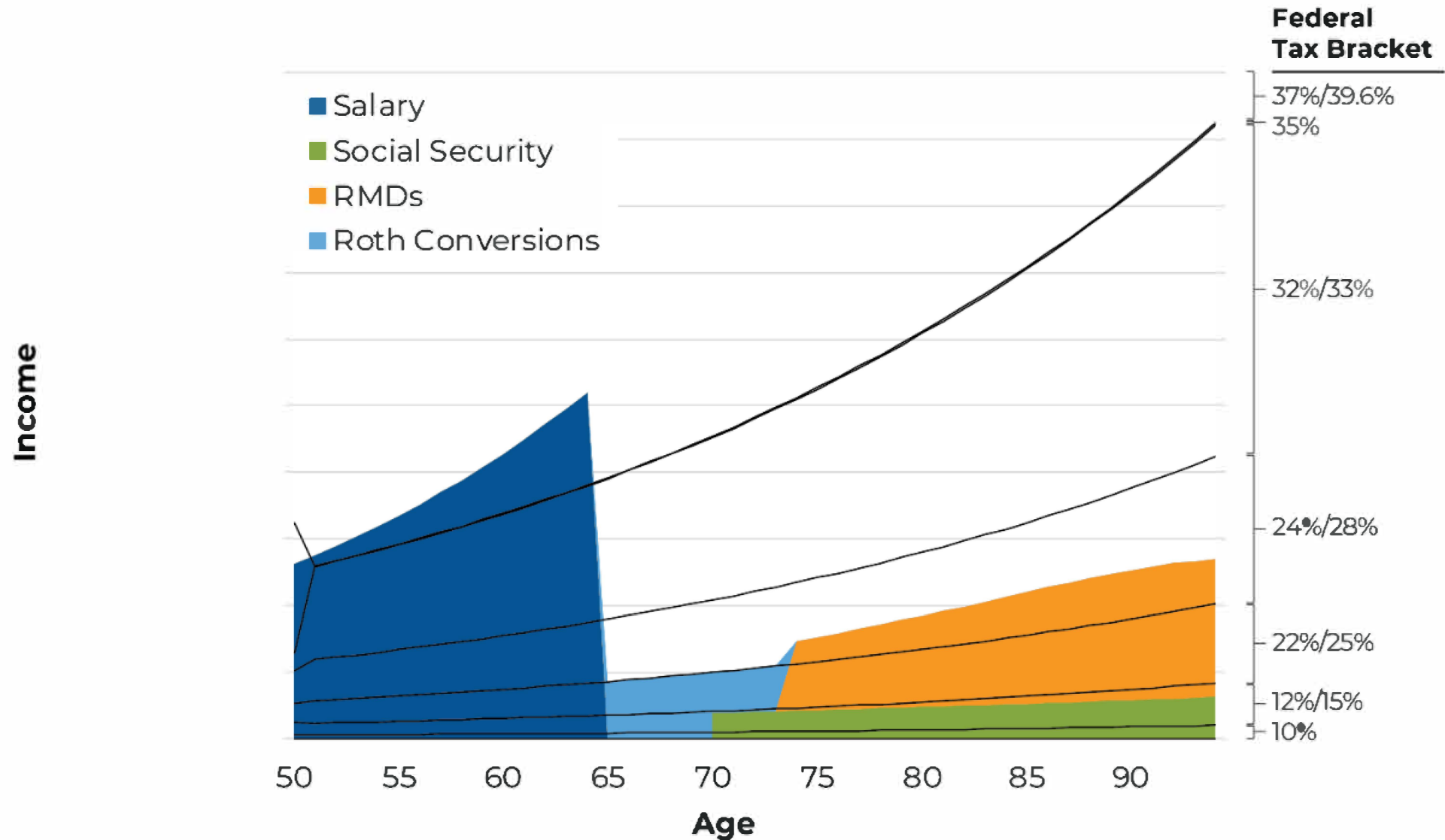
Source: [IRS Table III \(Uniform Lifetime\)](#)

Consideration should also be given to the expected tax rates for your beneficiaries who may receive the account as an inheritance. Inherited IRAs must be distributed within a specific time frame, which could force someone into a higher tax bracket than expected. In this scenario, converting the assets to a Roth account during retirement might make more sense if your income (and resulting tax rate) is lower, allowing your beneficiaries to avoid higher taxes on their inheritance.

## Tax Impact Of RMDs - No Roth Conversion



# Tax Impact Of RMDs - With Roth Conversion





# Roth IRA Conversions

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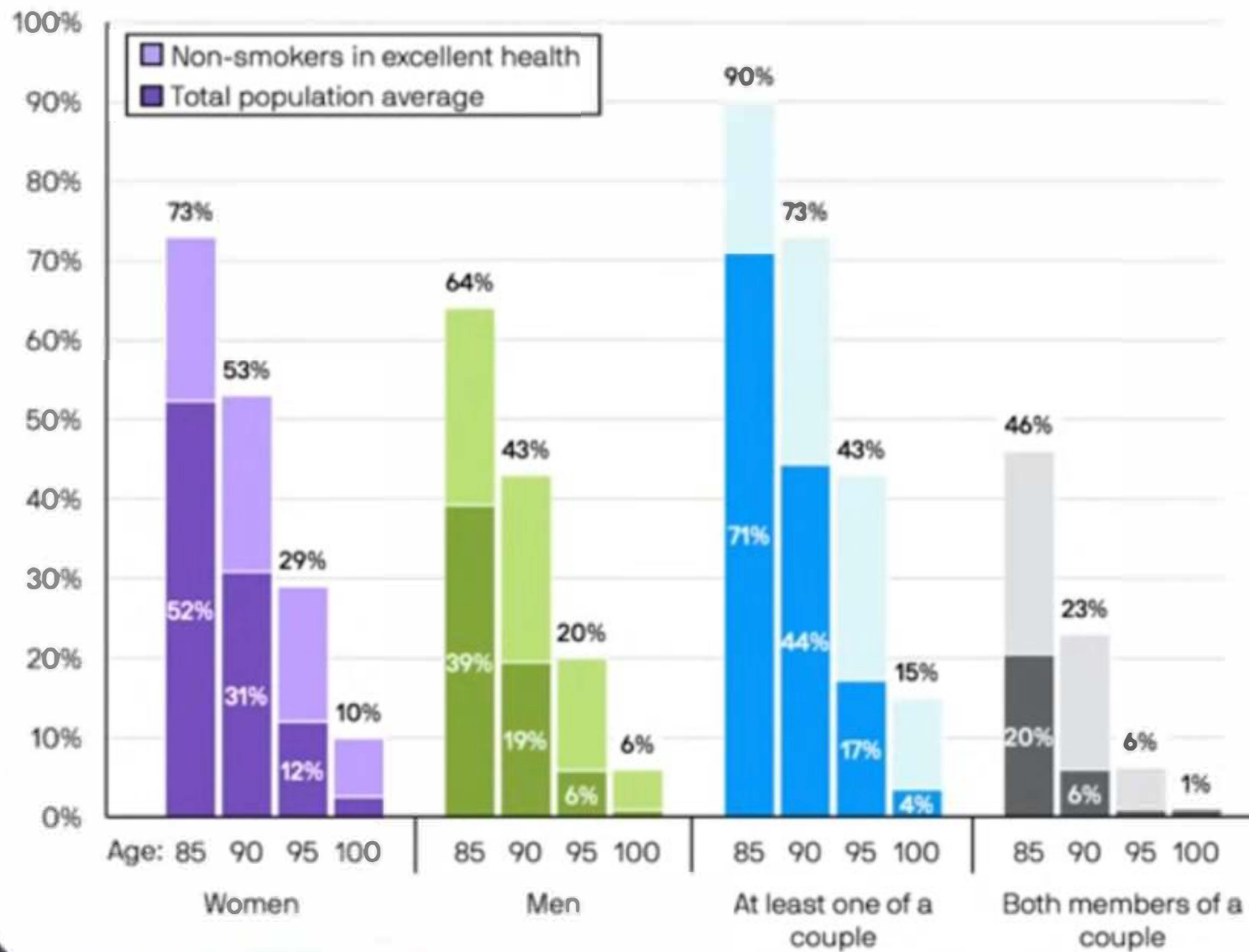
May 10, 2025

## How Do I Know If It's Right For Me?

- Depends on:
  - Amount of money in pre-tax accounts: IRA, 401k, 403b...
  - Amount of money available to use for tax payments
  - Other income sources: Pension, Social Security, Rental Income...
  - Expenses: How much do you need annually?
  - Goals: Spend all vs leave legacy for family/charity
  - Age/Stage of life: working vs retired
  - Lifespan: best left to grow over time
  - When you will need the money: 5-Yr Holding period
  - Future move to state with lower taxes?
- There is no “right” answer – just many unknowns/assumptions to work through
- Mindset: Consider conversions as “tax insurance”



**If you're age 65 today, the probability of living to a specific age or beyond**



# RMD Table

Source: IRS Publication 590-B, Appendix B, Table III (Uniform Lifetime)

For use by:

- \* Unmarried owners,
- \* Married owners whose spouses aren't more than 10 years younger, and
- \* Married owners whose spouses aren't the sole beneficiary

| Age | Distribution period [Years] | RMD [%] | Age of retiree | Distribution period [Years] | RMD [%] |
|-----|-----------------------------|---------|----------------|-----------------------------|---------|
| 72  | 27.4                        | 3.65%   | 97             | 7.8                         | 12.82%  |
| 73  | 26.5                        | 3.77%   | 98             | 7.3                         | 13.70%  |
| 74  | 25.5                        | 3.92%   | 99             | 6.8                         | 14.71%  |
| 75  | 24.6                        | 4.07%   | 100            | 6.4                         | 15.63%  |
| 76  | 23.7                        | 4.22%   | 101            | 6                           | 16.67%  |
| 77  | 22.9                        | 4.37%   | 102            | 5.6                         | 17.86%  |
| 78  | 22                          | 4.55%   | 103            | 5.2                         | 19.23%  |
| 79  | 21.1                        | 4.74%   | 104            | 4.9                         | 20.41%  |
| 80  | 20.2                        | 4.95%   | 105            | 4.6                         | 21.74%  |
| 81  | 19.4                        | 5.15%   | 106            | 4.3                         | 23.26%  |
| 82  | 18.5                        | 5.41%   | 107            | 4.1                         | 24.39%  |
| 83  | 17.7                        | 5.65%   | 108            | 3.9                         | 25.64%  |
| 84  | 16.8                        | 5.95%   | 109            | 3.7                         | 27.03%  |
| 85  | 16                          | 6.25%   | 110            | 3.5                         | 28.57%  |
| 86  | 15.2                        | 6.58%   | 111            | 3.4                         | 29.41%  |
| 87  | 14.4                        | 6.94%   | 112            | 3.3                         | 30.30%  |
| 88  | 13.7                        | 7.30%   | 113            | 3.1                         | 32.26%  |
| 89  | 12.9                        | 7.75%   | 114            | 3                           | 33.33%  |
| 90  | 12.2                        | 8.20%   | 115            | 2.9                         | 34.48%  |
| 91  | 11.5                        | 8.70%   | 116            | 2.8                         | 35.71%  |
| 92  | 10.8                        | 9.26%   | 117            | 2.7                         | 37.04%  |
| 93  | 10.1                        | 9.90%   | 118            | 2.5                         | 40.00%  |
| 94  | 9.5                         | 10.53%  | 119            | 2.3                         | 43.48%  |
| 95  | 8.9                         | 11.24%  | ≥120           | 2                           | 50.00%  |
| 96  | 8.4                         | 11.90%  |                |                             |         |

# Envelope Math

## Are Conversions Right for Me?

### Assumptions – very basic calculation:

- Tax-deferred accts will maintain current size until RMD age
- Tax brackets will remain the same to/through RMD age
- Beginning RMD is 4% (easy math)

In other words, your RMDs start right now.  
What is the tax impact?

## 2025 Federal Tax Brackets

| <b>Tax Rate</b> | <b>For Single Filers</b> | <b>For Married Individuals Filing Joint Returns</b> | <b>For Heads of Households</b> |
|-----------------|--------------------------|---|--------------------------------|
| 10%             | \$0 to \$11,925          | \$0 to \$23,850                                     | \$0 to \$17,000                |
| 12%             | \$11,925 to \$48,475     | \$23,850 to \$96,950                                | \$17,000 to \$64,850           |
| 22%             | \$48,475 to \$103,350    | \$96,950 to \$206,700                               | \$64,850 to \$103,350          |
| 24%             | \$103,350 to \$197,300   | \$206,700 to \$394,600                              | \$103,350 to \$197,300         |
| 32%             | \$197,300 to \$250,525   | \$394,600 to \$501,050                              | \$197,300 to \$250,500         |
| 35%             | \$250,525 to \$626,350   | \$501,050 to \$751,600                              | \$250,500 to \$626,350         |
| 37%             | \$626,350 or more        | \$751,600 or more                                   | \$626,350 or more              |

# Envelope Math

## Are Conversions Right for Me?

|                       |  |
|-----------------------|--|
| Pre-Tax IRA Size      |  |
| <u>Filing Status</u>  |  |
| Pension               |  |
| Taxable SS-Him        |  |
| Taxable SS-Her        |  |
| RMD-Both              |  |
| <u>Std Ded. (65+)</u> |  |
| Total                 |  |
| Tax Brkt              |  |
|                       |  |



# Envelope Math

## Are Conversions Right for Me?

|                       |                |  |
|-----------------------|----------------|--|
| Pre-Tax IRA Size      | \$1.5M         |  |
| <u>Filing Status</u>  | <u>MFJ</u>     |  |
| Pension               | 0              |  |
| Taxable SS-Him        | 30,000         |  |
| Taxable SS-Her        | 24,000         |  |
| RMD-Both              | 60,000         |  |
| <u>Std Ded. (65+)</u> | <u>-33,200</u> |  |
| Total                 | 80,800         |  |
| Tax Brkt              | 12%            |  |
|                       |                |  |

# Envelope Math

## Are Conversions Right for Me?

|                       |                |                |
|-----------------------|----------------|----------------|
| Pre-Tax IRA Size      | \$1.5M         |                |
| <u>Filing Status</u>  | <u>MFJ</u>     | <u>Single</u>  |
| Pension               | 0              | 0              |
| Taxable SS-Him        | 30,000         | 30,000         |
| Taxable SS-Her        | 24,000         | 0              |
| RMD-Both              | 60,000         | 60,000         |
| <u>Std Ded. (65+)</u> | <u>-33,200</u> | <u>-17,000</u> |
| Total                 | 80,800         | 73,000         |
| Tax Brkt              | 12%            | 22%            |
|                       |                |                |

# Envelope Math

## Are Conversions Right for Me?

| Pre-Tax IRA Size      | \$1.5M         |                | \$2M           |  |
|-----------------------|----------------|----------------|----------------|--|
| <u>Filing Status</u>  | <u>MFJ</u>     | <u>Single</u>  | <u>MFJ</u>     |  |
| Pension               | 0              | 0              | 20,000         |  |
| Taxable SS-Him        | 30,000         | 30,000         | 48,000         |  |
| Taxable SS-Her        | 24,000         | 0              | 48,000         |  |
| RMD-Both              | 60,000         | 60,000         | 80,000         |  |
| <u>Std Ded. (65+)</u> | <u>-33,200</u> | <u>-17,000</u> | <u>-33,200</u> |  |
| Total                 | 80,800         | 73,000         | 162,800        |  |
| Tax Brkt              | 12%            | 22%            | 22%            |  |
|                       |                |                |                |  |

# Envelope Math

## Are Conversions Right for Me?

| Pre-Tax IRA Size      | \$1.5M         |                | \$2M           |                |  |
|-----------------------|----------------|----------------|----------------|----------------|--|
| <u>Filing Status</u>  | <u>MFJ</u>     | <u>Single</u>  | <u>MFJ</u>     | <u>Single</u>  |  |
| Pension               | 0              | 0              | 20,000         | 20,000         |  |
| Taxable SS-Him        | 30,000         | 30,000         | 48,000         | 0              |  |
| Taxable SS-Her        | 24,000         | 0              | 48,000         | 48,000         |  |
| RMD-Both              | 60,000         | 60,000         | 80,000         | 80,000         |  |
| <u>Std Ded. (65+)</u> | <u>-33,200</u> | <u>-17,000</u> | <u>-33,200</u> | <u>-17,000</u> |  |
| Total                 | 80,800         | 73,000         | 162,800        | 131,000        |  |
| Tax Brkt              | 12%            | 22%            | 22%            | 24%            |  |
|                       |                |                |                |                |  |

# Envelope Math

## Are Conversions Right for Me?

| Pre-Tax IRA Size      | \$1.5M         |                | \$2M           |                | \$2.5 M        |  |
|-----------------------|----------------|----------------|----------------|----------------|----------------|--|
| <u>Filing Status</u>  | <u>MFJ</u>     | <u>Single</u>  | <u>MFJ</u>     | <u>Single</u>  | <u>MFJ</u>     |  |
| Pension               | 0              | 0              | 20,000         | 20,000         | 50,000         |  |
| Taxable SS-Him        | 30,000         | 30,000         | 48,000         | 0              | 48,000         |  |
| Taxable SS-Her        | 24,000         | 0              | 48,000         | 48,000         | 48,000         |  |
| RMD-Both              | 60,000         | 60,000         | 80,000         | 80,000         | 100,000        |  |
| <u>Std Ded. (65+)</u> | <u>-33,200</u> | <u>-17,000</u> | <u>-33,200</u> | <u>-17,000</u> | <u>-33,200</u> |  |
| Total                 | 80,800         | 73,000         | 162,800        | 131,000        | 212,800        |  |
| Tax Brkt              | 12%            | 22%            | 22%            | 24%            | 24%            |  |
|                       |                |                |                |                |                |  |



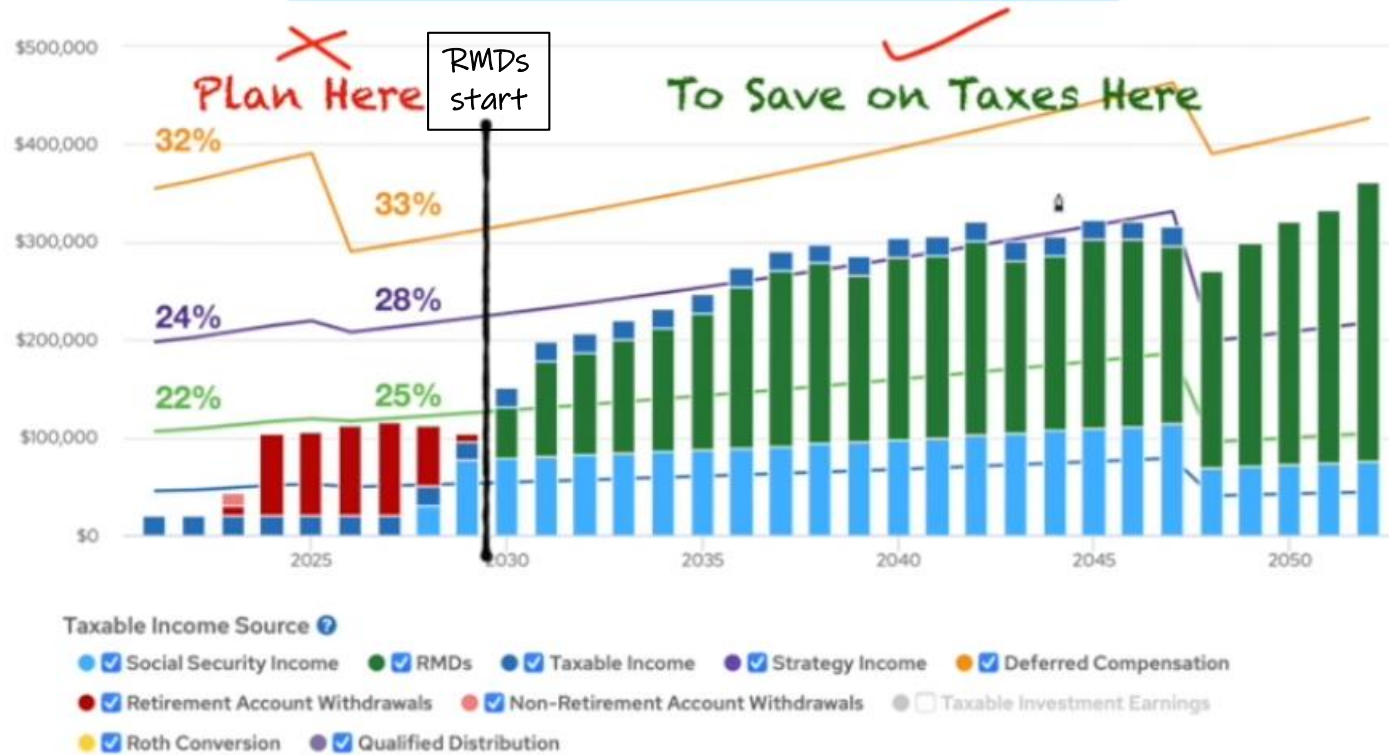
# Envelope Math

## Are Conversions Right for Me?

| Pre-Tax IRA Size      | \$1.5M         |                | \$2M           |                | \$2.5 M        |                     |
|-----------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| <u>Filing Status</u>  | <u>MFJ</u>     | <u>Single</u>  | <u>MFJ</u>     | <u>Single</u>  | <u>MFJ</u>     | <u>Single</u>       |
| Pension               | 0              | 0              | 20,000         | 20,000         | 50,000         | 40,000              |
| Taxable SS-Him        | 30,000         | 30,000         | 48,000         | 0              | 48,000         | 0                   |
| Taxable SS-Her        | 24,000         | 0              | 48,000         | 48,000         | 48,000         | 48,000              |
| RMD-Both              | 60,000         | 60,000         | 80,000         | 80,000         | 100,000        | 100,000             |
| <u>Std Ded. (65+)</u> | <u>-33,200</u> | <u>-17,000</u> | <u>-33,200</u> | <u>-17,000</u> | <u>-33,200</u> | <u>-17,000</u>      |
| Total                 | 80,800         | 73,000         | 162,800        | 131,000        | 212,800        | 171,000             |
| Tax Brkt              | 12%            | 22%            | 22%            | 24%            | 24%            | 24%                 |
|                       |                |                |                |                |                | (No change in brkt) |

Note: Assumes tax rates revert to pre-TCJA rates starting in 2026

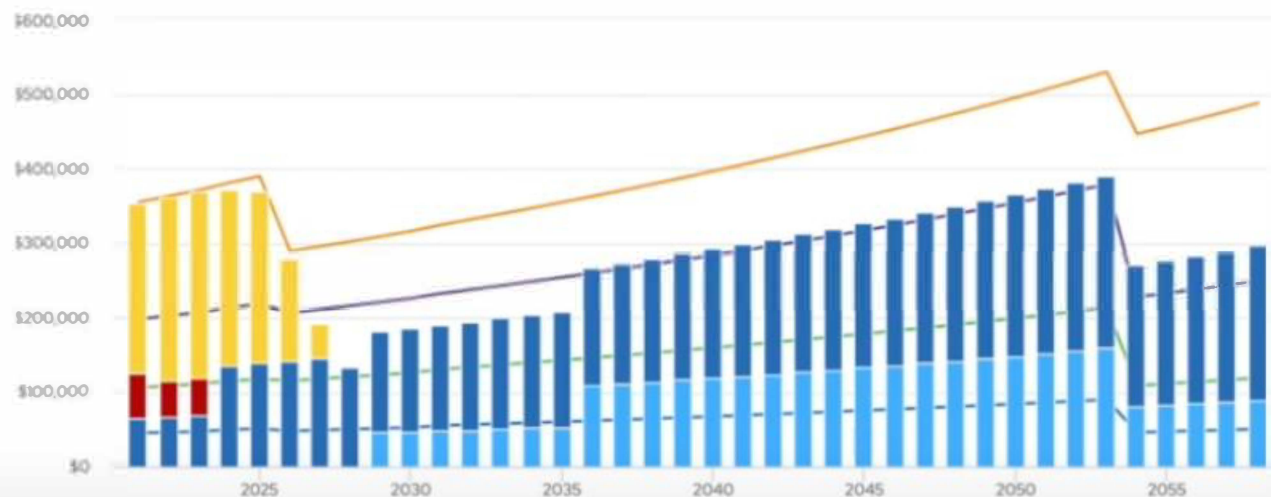
# Planning in Advance of the Problem



"You don't need more money; You need a better plan"



# The *Right* Solution to this Problem

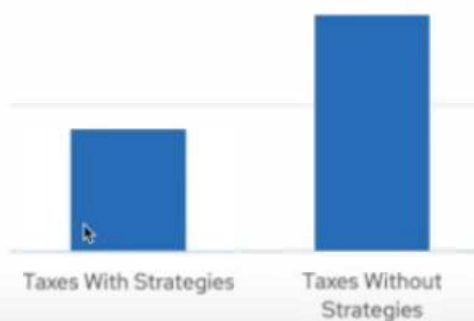


Taxable Income Source ?

- ☒ Social Security Income
- ☒ RMDs
- ☒ Taxable Income
- ☒ Strategy Income
- ☒ Deferred Compensation
- ☒ Retirement Account Withdrawals
- ☒ Non-Retirement Account Withdrawals
- ☒ Taxable Investment Earnings
- ☒ Roth Conversion
- ☒ Qualified Distribution

View: Tax Results

End of Plan Tax Results ?



Estimated Lifetime Tax Saving

\$1,547,772

Values are in Current Dollars



"You don't need more money; You need a better plan"

15:59 / 18:52

CC Settings Full Screen



# Roth IRA Conversions

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Bogleheads

May 10, 2025

## Conversions May Be Right For You If:

- Pre-tax retirement accounts with RMDs bigger than you'll ever need (and you can't/won't spend them down)
- Current income is lower than expected future income (include all RMDs, pension, annuity, SS)
- Desire to fill up the tax bracket
- Married (future "widow/widower" tax)
- You expect tax rates to increase in the future
- Want greater tax diversity
- Consider heirs (10-yr legacy rule, their tax brackets)

\*For VERY LARGE balances, you may want to spike big conversions in early years



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## Consider Your Heirs

- 10-yr legacy rule (SECURE Act)
  - Eliminated stretch IRAs for heirs
  - No annual RMDs, but acct must be emptied by end of yr 10
- Example: \$2M IRA
  - RMD for you starts at ~\$80k
  - You distribute over lifetime vs 10 yrs for your heirs
  - That's \$200k/yr avg if NO growth
  - Stacks on top of their wages if still working
- Perhaps not a big deal if you have a lot of children/grandchildren to split your wealth (or few kids, but also less \$)





# Roth IRA Conversions

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## Benefits and Pitfalls

- Potential to save taxes in long run over lifetime
- Greater flexibility to optimize withdrawal strategies
- Tax savings for non-spousal heirs
- Potential avoidance of
  - Large/Unneeded RMDs
  - Extra SS tax (began in 1984)
  - Medicare IRMAA Surcharge (began in 2007, expanded in 2011)
  - NIIT tax (began in 2013)
  - “Widow/widower tax penalty”



# Roth IRA Conversions

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## Benefits and Pitfalls

- Must guess at many unknowns for optimization:
  - How long you'll live (+ how long your spouse will live)
  - Future investment performance
  - Future tax brackets (yours + heirs)
  - Future tax legislation
  - Future expenses
  - Future inflation rates
  - Future health of self/spouse
  - Future healthcare costs
  - Future desires/costs to fulfill them
- Must pay taxes now! (Sticker shock)
- May trigger temporary taxes/surcharges (IRMAA, NIIT, ACA)
- Must follow IRS rules to withdraw penalty free
- Roth 401(k) nuances – see Tips & Tricks

You won't know if you did it right until after you die!

# Tax Bracket Thresholds for 2024 and 2025

| Status     | Single Filers       |                     | Joint Filers        |                     |
|------------|---------------------|---------------------|---------------------|---------------------|
| Year       | 2024                | 2025                | 2024                | 2025                |
| <b>10%</b> | \$0-\$11,600        | \$0-\$11,925        | \$0-\$23,200        | \$0-\$23,850        |
| <b>12%</b> | \$11,601-\$47,150   | \$11,926-\$48,475   | \$23,201-\$94,300   | \$23,841-\$95,950   |
| <b>22%</b> | \$47,151-\$100,525  | \$48,476-\$103,350  | \$94,301-\$201,050  | \$96,951-\$206,700  |
| <b>24%</b> | \$100,526-\$191,950 | \$103,351-\$197,300 | \$201,051-\$383,900 | \$206,701-\$394,600 |
| <b>32%</b> | \$191,951-\$243,725 | \$197,301-\$250,525 | \$383,901-\$487,450 | \$394,601-\$501,050 |
| <b>35%</b> | \$243,726-\$609,350 | \$250,526-\$626,350 | \$487,451-\$731,200 | \$501,051-\$751,600 |
| <b>37%</b> | \$609,351+          | \$626,351+          | \$731,201+          | \$751,601+          |

Source: <https://www.irs.gov/pub/irs-drop/rp-24-40.pdf>

# The IRMAA Cliff – 2 yr look-back

Marginal tax brackets for **2023** tax year

| Marginal rate | Individual income      | Married couples filing jointly |
|---------------|------------------------|--------------------------------|
| 10%           | \$11,000 or less       | \$22,000 or less               |
| 12%           | \$11,000 to \$44,725   | \$22,001 to \$89,450           |
| 22%           | \$44,726 to \$95,375   | \$89,451 to \$190,750          |
| 24%           | \$95,376 to \$182,100  | \$190,751 to \$364,200         |
| 32%           | \$182,101 to \$231,250 | \$364,201 to \$462,500         |
| 35%           | \$231,251 to \$578,125 | \$462,501 to \$693,750         |
| 37%           | \$578,126 or more      | \$693,751 or more              |

## IRMAA Brackets

MAGI (and before deductions)

| 2025 Medicare Premiums & IRMAA<br>Based on 2023 Modified Adjusted Gross Income       |                   |                    |                 |                                   |
|--|-------------------|--------------------|-----------------|-----------------------------------|
| MELD FINANCIAL<br>INDEPENDENT WEALTH MANAGEMENT                                      | Part B<br>Premium | Part B<br>IRMAA    | Part D<br>IRMAA | 2025 Total<br>Monthly<br>Annually |
| S: ≤\$106,000<br>MFJ: ≤\$212,000<br>MFS: ≤\$106,000                                  | \$185             | \$0.00             | \$0.00          | \$185<br>\$2220                   |
| S: \$106,001 – \$133,000<br>MFJ: \$212,001 – \$266,000                               | \$185             | \$74.00<br>(1.4x)  | \$13.70         | \$272.70<br>\$3272.40             |
| S: \$133,001 – \$167,000<br>MFJ: \$266,001 – \$334,000                               | \$185             | \$185.00<br>(2.0x) | \$35.30         | \$405.30<br>\$4863.60             |
| S: \$167,001 – \$200,000<br>MFJ: \$334,001 – \$400,000                               | \$185             | \$295.90<br>(2.6x) | \$57.00         | \$537.90<br>\$6454.80             |
| S: \$200,001 – \$499,999<br>MFJ: \$400,001 – \$749,999<br>MFS: \$106,001 – \$394,000 | \$185             | \$406.90<br>(3.2x) | \$78.60         | \$670.50<br>\$8046                |
| S: ≥\$500,000<br>MFJ: ≥\$750,000<br>MFS: ≥\$394,001                                  | \$185             | \$443.90<br>(3.6x) | \$85.80         | \$714.70<br>\$8576.40             |

\*S = Single, MFJ = Married Filing Jointly, MFS = Married Filing Separately

Must predict IRMAA  
2 years ahead!

Here's a great reference:

<https://thefinancebuff.com/medicare-irmaa-income-brackets.html>

Consider your birth month when planning  
for enrollment – advantage if born later in  
year (IRMAA charged fewer months)



# 3.8% Net Investment Income Tax (NIIT)

## Who Owes the Net Investment Income Tax

(Interest - Dividends - Capital gains - Rental income - Royalites - see IRS Form 8960)

Individuals will owe the tax if they have Net Investment Income and also have modified adjusted gross income over the following thresholds:

| Filing Status                              | Threshold Amount |
|--|------------------|
| Married filing jointly                     | \$250,000        |
| Married filing separately                  | \$125,000        |
| Single                                     | \$200,000        |
| Head of household (with qualifying person) | \$200,000        |
| Qualifying widow(er) with dependent child  | \$250,000        |



# Loss of ACA Tax Credits

Due diligence required. Do your research!



**PREMIUM  
TAX CREDIT**

**VIEW PLAN BENEFITS**

|                           |                      |
|---------------------------|----------------------|
| Base premium              | <b>\$422.54/mo.</b>  |
| <u>Premium tax credit</u> | <b>\$-422.54/mo.</b> |
| You pay:                  | <b>\$0.00/mo.</b>    |

The image shows a man in a white polo shirt standing next to a digital display. The display features the text 'PREMIUM TAX CREDIT' in large blue letters. Below this is a green button that says 'VIEW PLAN BENEFITS'. Underneath the button is a light blue box containing a table of costs. The table lists 'Base premium' as \$422.54/mo., 'Premium tax credit' as \$-422.54/mo., and 'You pay:' as \$0.00/mo. The \$0.00/mo. value is circled in red. The man is smiling and looking at the camera.

# Taxes and Penalties on Withdrawals: Trad IRA to Roth IRA Conversions

Chart source: [https://www.bogleheads.org/wiki/Roth\\_IRA#cite\\_note-23](https://www.bogleheads.org/wiki/Roth_IRA#cite_note-23)

See the Boglehead wiki for more details

There are **no** taxes or penalties on withdrawals once you've had a Roth IRA for 5 years **and** reach age 59<sup>1/2</sup>

| [hide] Withdrawal               | Treatment | Under age 59 1/2                            |   | Over age 59 1/2                                   |   |
|---------------------------------|-----------|---|---|---|---|
|                                 |           | Five year conversion holding period not met | Five year conversion holding period met | Less than five years since opening first Roth IRA | Five years or more since opening first Roth IRA |
| Contributions                   | Tax       | No  | No                                      | No  | Qualified                                       |
|                                 | Penalty   | No  | No                                      | No  |   |
| Conversions, taxable portion    | Tax       | No  | No                                      | No  |   |
|                                 | Penalty   | Yes   | No                                      | No  |   |
| Conversions, nontaxable portion | Tax       | No  | No                                      | No  |   |
|                                 | Penalty   | No  | No                                      | No  |   |
| Earnings                        | Tax       | Yes   | Yes                                     | Yes   |   |
|                                 | Penalty   | Yes   | Yes                                     | No  |   |

**Note:** Diff rules apply for Roth401k → Roth IRA moves

<https://www.theretirementandirashow.com/podcast/roth-5-year-rules-and-the-tax-planning-window-edu-2513/>

**Q:** How do you know which type of money you're taking from your Roth IRA?  
**A:** The IRS defines it for you in the "Ordering Rules"! You cannot pick & choose.

## Ordering Rules for Distributions

If you receive a distribution from your Roth IRA that isn't a qualified distribution, part of it may be taxable. There is a set order in which contributions (including conversion contributions and rollover contributions from qualified retirement plans) and earnings are considered to be distributed from your Roth IRA. For these purposes, disregard the withdrawal of excess contributions and the earnings on them (discussed under *What if You Contribute Too Much?* in chapter 2 of Pub. 590-A). Order the distributions as follows.

1. Regular contributions.
2. Conversion and rollover contributions, on a first-in, first-out basis (generally, total conversions and rollovers from the earliest year first). See *Aggregation (grouping and adding) rules*, later. Take these conversion and rollover contributions into account as follows.
  - a. Taxable portion (the amount required to be included in gross income because of the conversion or rollover) first.
  - b. Nontaxable portion.
3. Earnings on contributions.

Disregard rollover contributions from other Roth IRAs for this purpose.

Q: But how do I know how much is in each category?!?

A: You must keep track!

- Contributions (Form 5498 from custodian)
- Conversions (Taxpayer files Form 8606)

☐ CORRECTED (if checked)

|  |                   |   |  |   |
|--|-------------------|---|--|---|
| TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code |                   | 1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a)<br>\$   | 2023   | OMB No. 1545-0747                               |
|  |                   | 2 Rollover contributions<br>\$  |  | Form 5498                                       |
|  |                   | 3 Roth IRA conversion amount<br>\$  | 4 Recharacterized contributions<br>\$  | IRA Contribution Information                    |
| TRUSTEE'S or ISSUER'S TIN  | PARTICIPANT'S TIN | 5 FMV of account<br>\$  | 6 Life insurance cost included in box 1<br>\$                                  |   |
| PARTICIPANT'S name   |                   | 7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/> | Copy B<br><br>For Participant  |   |
|  |                   | 8 SEP contributions<br>\$   |  |   |
| Street address (including apt. no.)  |                   | 10 Roth IRA contributions<br>\$   | 11 If checked, required minimum distribution for 2024 <input type="checkbox"/> | This information is being furnished to the IRS. |
| City or town, state or province, country, and ZIP or foreign postal code   |                   | 12a RMD date<br>\$  | 12b RMD amount<br>\$   |   |
|  |                   | 13a Postponed/late contrib.<br>\$   | 13b Year<br>13c Code   |   |
|  |                   | 14a Repayments<br>\$  | 14b Code   |   |
| Account number (see instructions)  |                   | 15a FMV of certain specified assets<br>\$   | 15b Code(s)  |   |

Form 5498 (keep for your records) www.irs.gov/Form5498 Department of the Treasury - Internal Revenue Service

|  |  |                                       |  |
|--|--|---------------------------------------|--|
| 2024 Form 5498 IRA Contribution Information                            |  | OMB No. 1545-0747                     |  |
| Copy B: For Participant  |  | Statement date: 12/05/2024            |  |
| This information is being furnished to the Internal Revenue Service.   |  | Account number: 123456789             |  |
| PARTICIPANT'S TIN: XXX-XX-XXXX   |  | TRUSTEE'S or ISSUER'S TIN: 38-4019216 |  |
|  |  | Phone number: (650) 940-2700          |  |
|  |  | Robinhood Securities LLC              |  |
| 1 IRA contributions (other than amounts on lines 2-4, 8-10, 13a & 14a) |  |                                       |  |
| 2 Rollover contributions   |  |                                       |  |
| 3 Roth IRA conversion amount   |  |                                       |  |
| 4 Recharacterized contributions  |  |                                       |  |
| 5 Fair market value of account   |  |                                       |  |
| 6 Life insurance cost included on line 1                               |  |                                       |  |
| 7 Plan type Roth   |  |                                       |  |
| 8 SEP contributions  |  |                                       |  |
| 9 SIMPLE contributions   |  |                                       |  |
| 10 Roth IRA contributions \$85.00                                      |  |                                       |  |
| 11 If checked, required minimum distribution for 2025 ( )              |  |                                       |  |
| 12a RMD date   |  | 12b RMD amount                        |  |
| 13a Postponed/late contribution  |  | 13b Year                              |  |
| 14a Repayments   |  | 13c Code                              |  |
| 15a FMV of certain specified assets                                    |  | 14b Code                              |  |
|  |  | 15b Code(s)                           |  |

|   |   |  |                               |  |
|---|---|--|-------------------------------|--|
| Form  | <b>8606</b>   | <b>Nondeductible IRAs</b>  |                               | OMB No. 1545-0074                            |
| Department of the Treasury<br>Internal Revenue Service  |   | Attach to 2024 Form 1040, 1040-SR, or 1040-NR.<br>Go to <a href="https://www.irs.gov/Form8606">www.irs.gov/Form8606</a> for instructions and the latest information. |                               | <b>2024</b><br>Attachment<br>Sequence No. 48 |
| Name. If married, file a separate form for each spouse required to file 2024 Form 8606. See instructions.   |   |  |                               | Your social security number                  |
| <b>Fill in Your Address<br/>Only if You Are<br/>Filing This Form by<br/>Itself and Not With<br/>Your Tax Return</b>   | Home address (number and street, or P.O. box if mail is not delivered to your home)   |  |                               | Apt. no.                                     |
|   | City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions). |  |                               |  |
|   | Foreign country name  |  | Foreign province/state/county | Foreign postal code                          |
|   |   |  |                               |  |
| <b>Part I</b> <b>Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, Traditional SEP, and Traditional SIMPLE IRAs</b>   |   |  |                               |  |
| Complete this part only if one or more of the following apply.  |   |  |                               |  |
| <ul style="list-style-type: none"><li>• You made nondeductible contributions to a traditional IRA for 2024.</li><li>• You took distributions from a traditional, traditional SEP, or traditional SIMPLE IRA in 2024 and you made nondeductible contributions to a traditional IRA in 2024 or an earlier year. For this purpose, "distributions" <b>does not</b> include rollovers (but does include certain 2024 retirement plan distribution repayments treated as rollovers (see instructions)). Also, it <b>does not</b> include qualified charitable distributions, one-time distributions to fund an HSA, conversions, recharacterizations, or returns of certain contributions.</li><li>• You converted part, but not all, of your traditional, traditional SEP, and traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs in 2024 and you made nondeductible contributions to a traditional IRA in 2024 or an earlier year.</li></ul> |   |  |                               |  |

|   |  |               |  |
|---|--|---------------|--|
| Form 8606 (2024)  |  | Page <b>2</b> |  |
| <b>Part II</b> <b>2024 Conversions From Traditional, Traditional SEP, or Traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs</b>   |  |               |  |
| Complete this part if you converted part or all of your traditional, traditional SEP, and traditional SIMPLE IRAs to a Roth, Roth SEP, or Roth SIMPLE IRA in 2024.  |  |               |  |
| 16  | If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, traditional SEP, and traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs in 2024 . . . . . | 16            |  |
| 17  | If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions) . . . . .  | 17            |  |
| 18  | <b>Taxable amount.</b> Subtract line 17 from line 16. If more than zero, also include this amount on 2024 Form 1040, 1040-SR, or 1040-NR, line 4b . . . . .  | 18            |  |
| <b>Part III</b> <b>Distributions From Roth, Roth SEP, or Roth SIMPLE IRAs</b>   |  |               |  |
| Complete this part only if you took a distribution from a Roth, Roth SEP, or Roth SIMPLE IRA in 2024. For this purpose, a distribution <b>does not</b> include a rollover (but does include certain 2024 retirement plan distribution repayments treated as rollovers (see instructions)). Also, it <b>does not</b> include a qualified charitable distribution, one-time distribution to fund an HSA, recharacterization, or return of certain contributions (see instructions). |  |               |  |



## The 5-Year Rule

### How to Count the Years

(It's not 5 full years!)

| \$ in by Dec 31<br>gets credited<br>for full year |        |        |        | \$ out any time<br>this year |
|---|--------|--------|--------|------------------------------|
| Year 1  | Year 2 | Year 3 | Year 4 | Year 5                       |
| 2024  | 2025   | 2026   | 2027   | 2028                         |

#### Tips:

- 1) Set up a Roth IRA now, and fund it with \$10 in order to get the clock started.
- 2) Use the counting rule to your advantage if needed.
- 3) Tell your heirs!



# Roth IRA Conversions

Detroit Area  
Bogleheads  
May 10, 2025

## Roth Conversion Tips and Tricks

- **Timing**
- **Amount**
- **Taxes**
- **Roth 401(k) Conversions**
- **Miscellaneous**



Publication 590-A

# Contributions to Individual Retirement Arrangements (IRAs)

For use in preparing  
**2024** Returns

## Contents

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**Know the Rules!**  
(IRS Pub 590A/B)



Publication 590-B

# Distributions from Individual Retirement Arrangements (IRAs)

For use in preparing  
**2024** Returns

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# Roth IRA Conversions

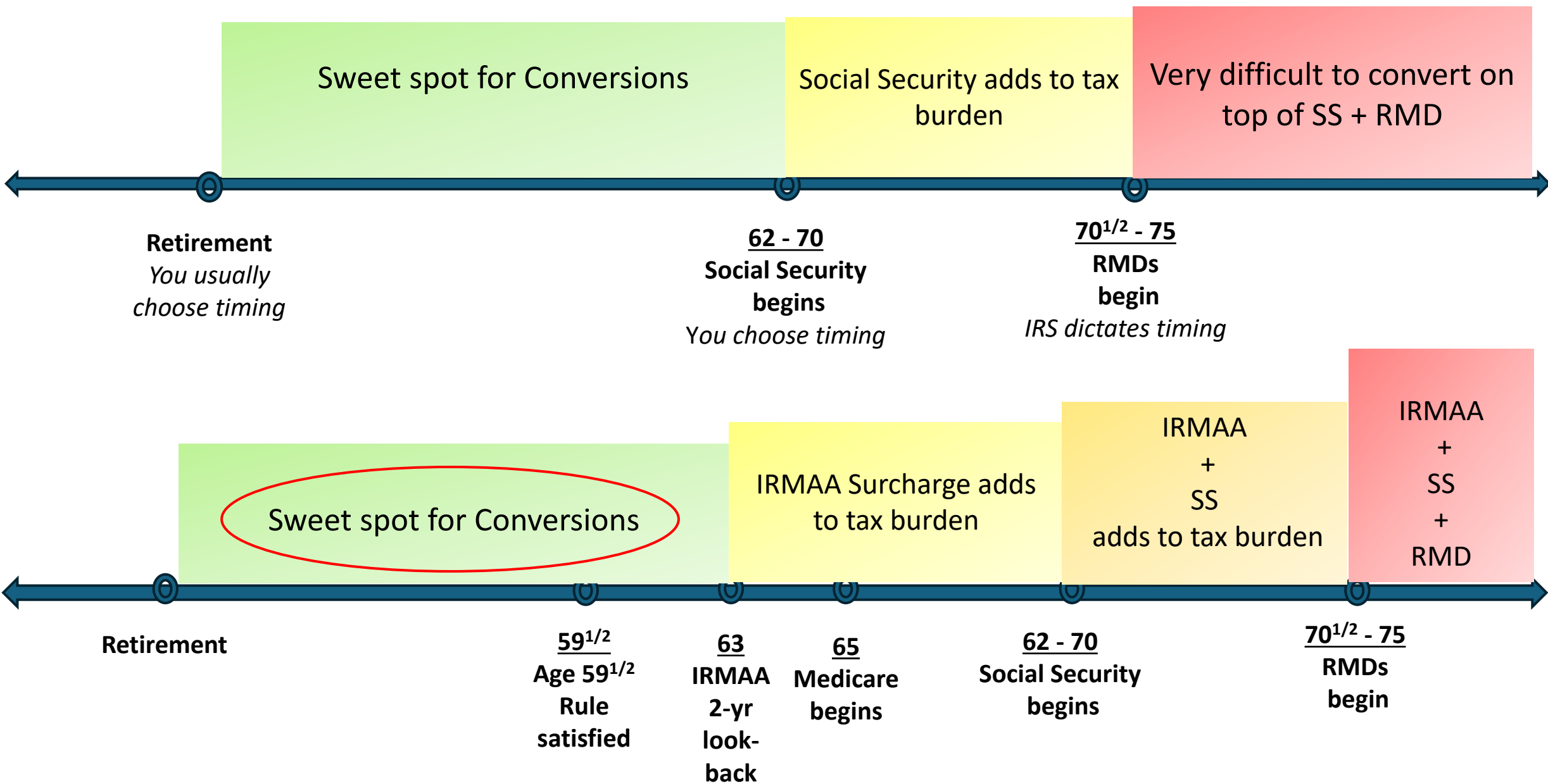
Detroit Area  
Bogleheads  
May 10, 2025

## Roth Conversion Tips and Tricks

### Timing

- In Life (Life Stage/Age)
  - Still working vs. retired
  - “Sweet Spot” for conversions
  - Delay SS for longer conversion window?
  - In year of death of spouse (then file SSA-44 2 yrs later for IRMAA relief)

# Timing of Roth Conversions (Life Stage/Age)





# Roth IRA Conversions

Detroit Area  
Bogleheads

May 10, 2025

## Roth Conversion Tips and Tricks

### Timing

- In Life (Life Stage/Age)
  - Still working vs. retired
  - “Sweet Spot” for conversions
  - Delay SS for longer conversion window?
  - In year of death of spouse (then file SSA-44 2 yrs later for IRMAA relief)
- In Calendar Year
  - During mkt dips
  - At year end when total income is better known
- Year-by-Year (Tax strategy/planning)
  - Fill the chosen tax bracket (being mindful of IRMAA, NIIT, ACA)
  - Conversion “Laddering” over several years
- May want to spike big conversions at the beginning if:
  - Balances are “huge” (varies by circumstance)
  - Fearful of tax rate increase





# Roth IRA Conversions

Detroit Area  
Bogleheads

May 10, 2025

## Roth Conversion Tips and Tricks

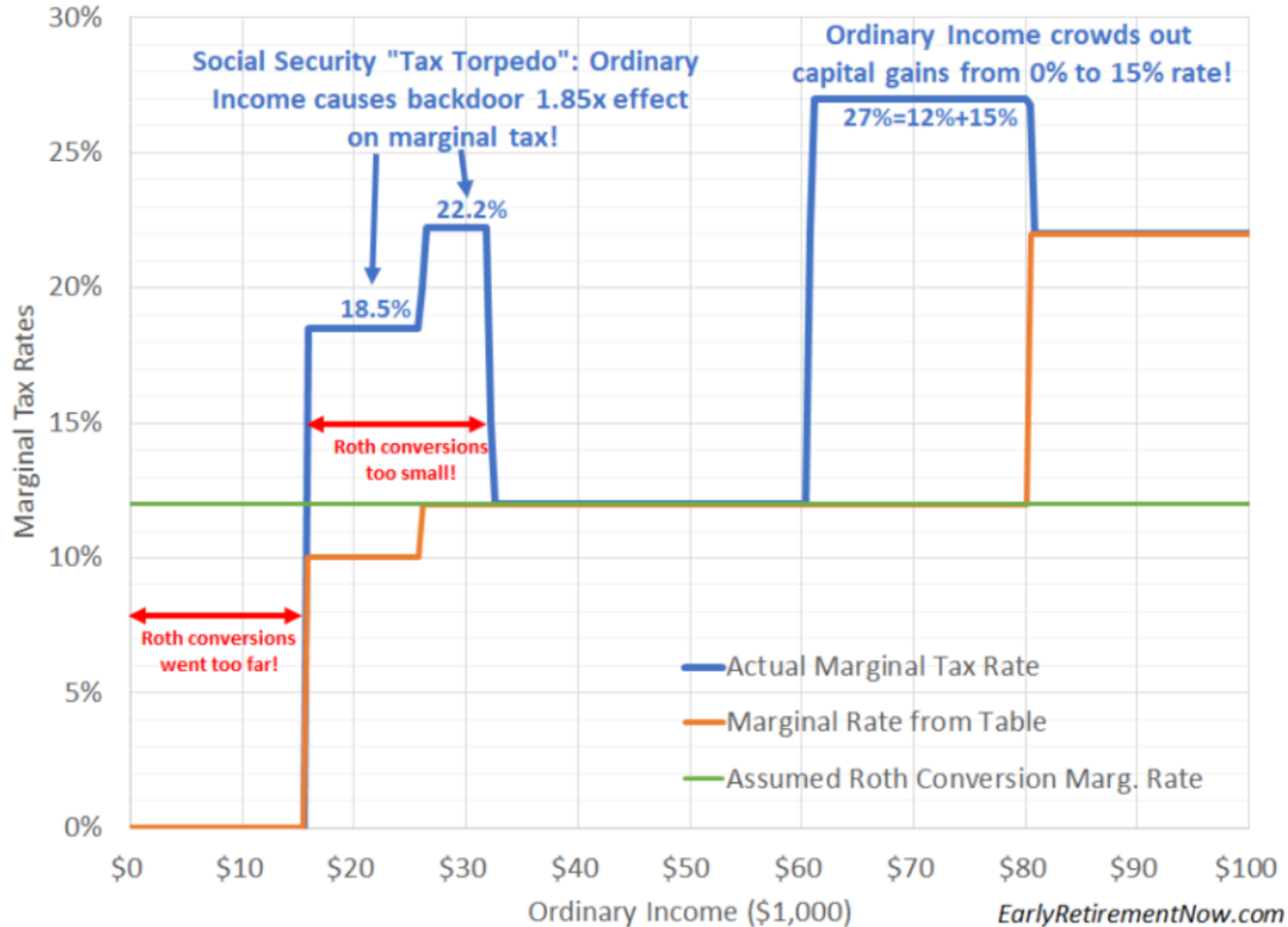
### Amount

- Use Tax Projection Software – all situations differ
- Top off current tax bracket vs next bracket(s)
- Manage tax brackets, IRMAA cliff, NIIT, Tax credits, etc.
- Beware the SS Tax Torpedo!
- Consider tax bracket in which original contributions were made (higher than current/future bracket?)

# The Social Security "Tax Torpedo"

**Link to article:**

<https://earlyretirementnow.com/2019/11/13/taxation-of-social-security-tax-torpedo-roth-conversion-tightrope/comment-page-1/>





# Roth IRA Conversions

Detroit Area  
Bogleheads

May 10, 2025

## Roth Conversion Tips and Tricks

### Amount

- Save some \$ in T-IRA for later in life (if applicable):
  - Filling lowest tax bracket(s)
  - Tax-deductible medical expenses (must be >7.5% of AGI)
- Qualified HSA Funding Distribution (for < 59<sup>1/2</sup>)
  - “QFHD” – see IRS Pub. 969
  - Must have HSA-qualified healthcare plan
  - Fund HSA with tax-free IRA distribution
  - Available once-in-lifetime
  - If > 59<sup>1/2</sup> and not on Medicare, just take T-IRA distribution, contribute to HSA, deduct via IRS form 8889
  - Max = HSA contribution limit (\$4300 - 10,550 for 2025)



# Roth IRA Conversions

Detroit Area  
Bogleheads  
May 10, 2025

## Roth Conversion Tips and Tricks Taxes

- Consider added taxes, surcharges, loss of credits
- Is the trade-off worth it? (When will gains on the conversions match the taxes paid?)
- Marginal vs Effective tax rate
  - Marginal: IRS tables – tax on ea add'l \$ converted
  - Effective:  $\frac{\text{Taxes paid on conversion}}{\text{Total conversion amount}}$



# Roth IRA Conversions

Detroit Area  
Bogleheads  
May 10, 2025

## Roth Conversion Tips and Tricks Taxes

- Best to pay out of non-IRA/401k accounts if available
  - Use bank or brokerage acct
  - May still be OK to pay from T-IRA acct
    - Very large T-IRA accounts
    - Long growth horizon
- Use losses in brokerage account to offset conversion tax
- Use the Safe Harbor Rule to your advantage
- Purchase a life insurance policy to cover the cost of IRA taxes to your beneficiaries (Ref: Ed Slott)

For more info:



Publication 505

## **Tax Withholding and Estimated Tax**

For use in **2025**

**Link to article:**

<https://blog.turbotax.intuit.com/self-employed/how-do-i-amend-my-previous-quarterly-estimated-tax-payment-31613/>

# What is the safe harbor rule?

Generally, you will **not be charged an underpayment penalty** if you:

Pay **90%** of this  
year's tax liability,

Pay **100%**  
(110% if your 2024  
adjusted gross income was  
more than \$150,000) of last  
year's tax liability, or

Owe less than  
**\$1,000** in tax



# 2025

## Form 1040-ES

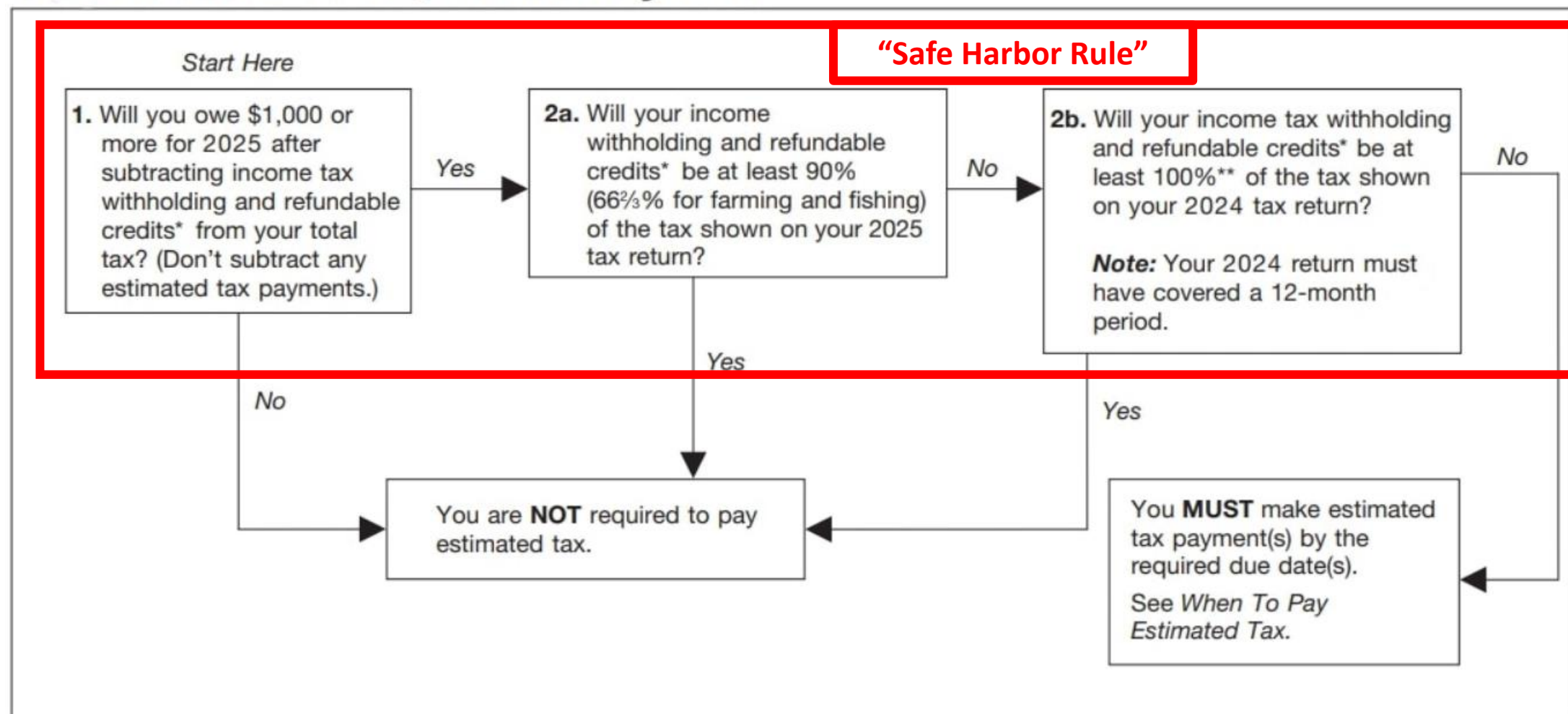
Estimated Tax for Individuals



### Quarterly Tax Due Dates for 2024

| Payment period          | Quarterly payment                   | Tax due date       |
|-------------------------|-------------------------------------|--------------------|
| January 1–March 31      | 1st quarterly estimated tax payment | April 15, 2024     |
| April 1–May 31          | 2nd quarterly estimated tax payment | June 17, 2024      |
| June 1–August 31        | 3rd quarterly estimated tax payment | September 16, 2024 |
| September 1–December 31 | 4th quarterly estimated tax payment | January 15, 2025   |

# Do You Have To Pay Estimated Tax?



\* Use the refundable credits shown on the 2025 Estimated Tax Worksheet, line 11b.

\*\* 110% if less than two-thirds of your gross income for 2024 or 2025 is from farming or fishing and your 2024 adjusted gross income was more than \$150,000 (\$75,000 if your filing status for 2025 is married filing a separate return).

# SIMPLIFYING THE RULES

---

As of each quarterly payment date, you must have paid a cumulative (year-to-date) amount of tax that is at least the **smallest** of:

1. 25% of the prior-year total tax, times the number of elapsed quarters (27.5% if the prior-year AGI was at least \$150,000), or
2. 22.5% of the current-year total tax, times the number of elapsed quarters (figured retroactively based on your actual full-year total tax), or
3. 90% of the estimated tax due based on your actual year-to-date income, figured according to your YTD income annualized by months and your tax prorated by the number of quarters.

*For example, this rule requires a total payment by June 15 of 45% (90% of one-half) of that tax which would be due on twelve-fifths of your income for the five months ended May 31.*



# WHY ARE WITHHOLDINGS THE SIMPLEST?

REGARDLESS OF WHEN YOU MAKE A WITHHOLDING, IT IS DEEMED AS  
BEING 'TIMELY' AND THEREFORE AVOIDS UNDERPAYMENT PENALTIES  
UNLIKE ESTIMATED PAYMENTS



**Trick: If you are paying your taxes from wages or an IRA account, pay them directly to the IRS at end of year. This is considered “withholding.”**





# Roth IRA Conversions

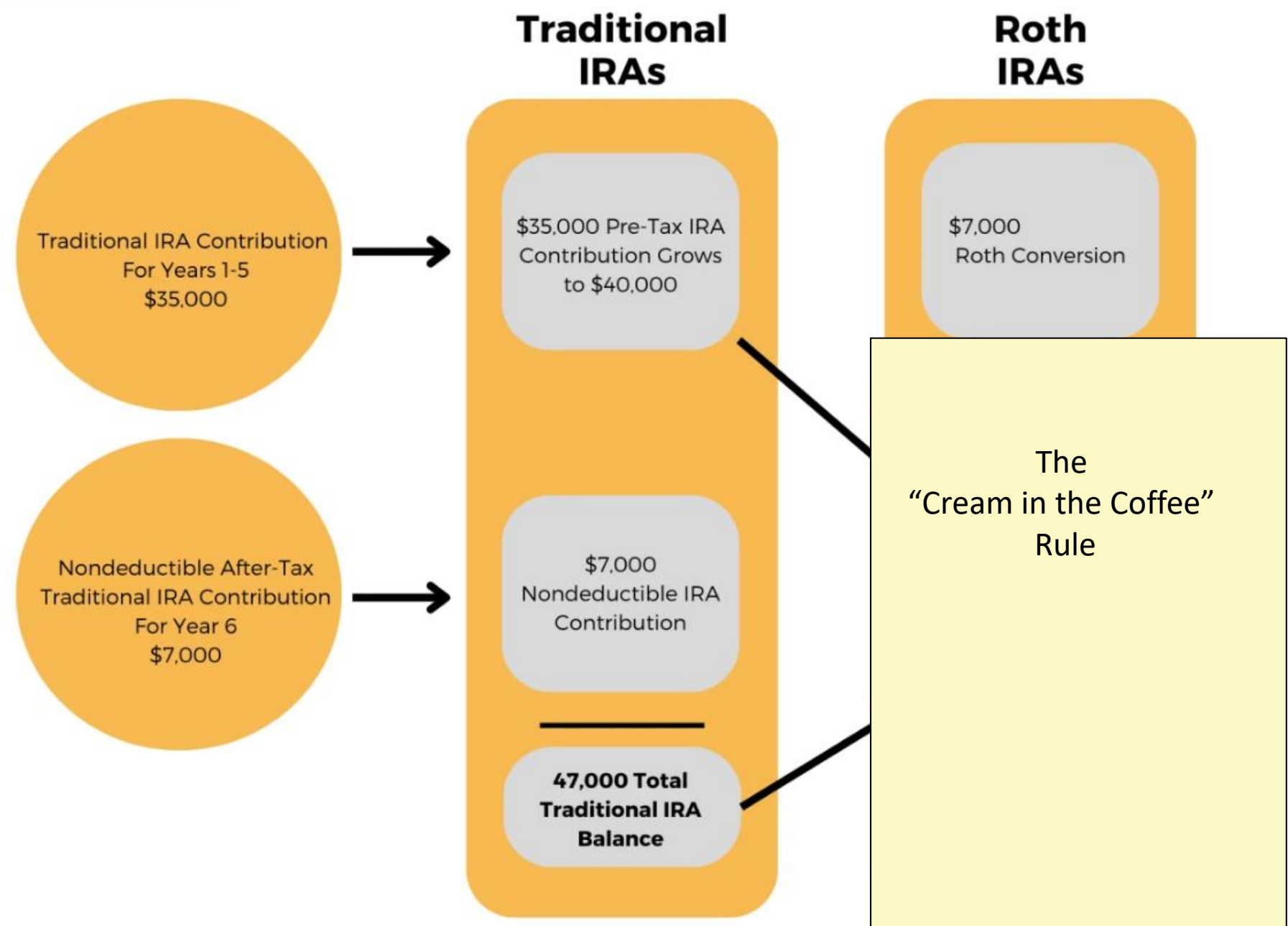
Detroit Area  
Bogleheads  
May 10, 2025

## Roth Conversion Tips and Tricks Taxes

- Pro-rata Rule

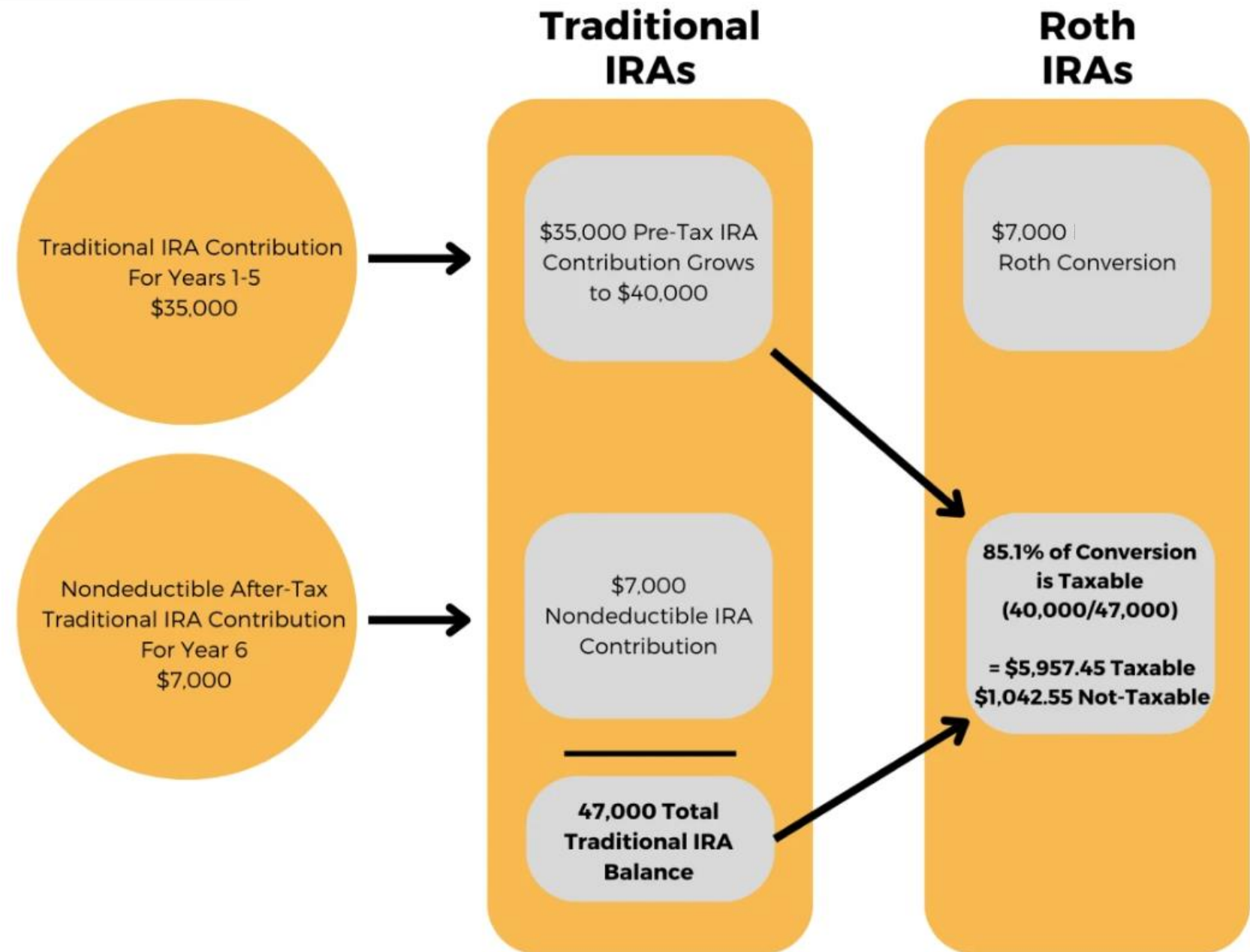


# Pro-Rata Rule for Roth Conversions





# Pro-Rata Rule for Roth Conversions



Form **8606**Department of the Treasury  
Internal Revenue Service**Nondeductible IRAs**Attach to 2024 Form 1040, 1040-SR, or 1040-NR.  
Go to [www.irs.gov/Form8606](https://www.irs.gov/Form8606) for instructions and the latest information.

OMB No. 1545-0074

**2024**  
Attachment  
Sequence No. **48**

Name. If married, file a separate form for each spouse required to file 2024 Form 8606. See instructions.

Your social security number

**Fill in Your Address  
Only if You Are  
Filing This Form by  
Itself and Not With  
Your Tax Return**

Home address (number and street, or P.O. box if mail is not delivered to your home)

Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).

Foreign country name

Foreign province/state/county

Foreign postal code

**Part I****Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, Traditional SEP, and Traditional SIMPLE IRAs**

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2024.
- You took distributions from a traditional, traditional SEP, or traditional SIMPLE IRA in 2024 **and** you made nondeductible contributions to a traditional IRA in 2024 or an earlier year. For this purpose, "distributions" **does not** include rollovers (but does include certain 2024 retirement plan distribution repayments treated as rollovers (see instructions)). Also, it **does not** include qualified charitable distributions, one-time distributions to fund an HSA, conversions, recharacterizations, or returns of certain contributions.
- You converted part, but not all, of your traditional, traditional SEP, and traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs in 2024 **and** you made nondeductible contributions to a traditional IRA in 2024 or an earlier year.

Form 8606 (2024)

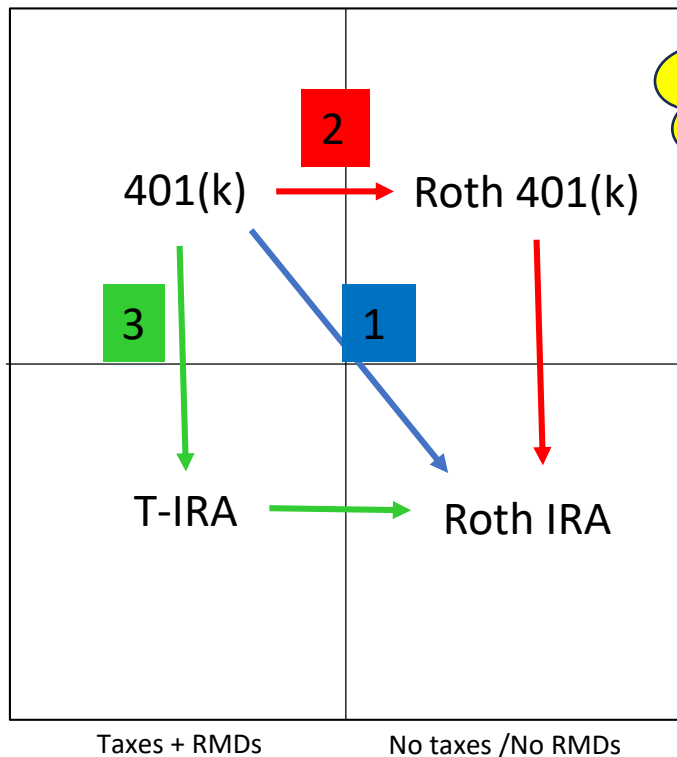
Page **2****Part II****2024 Conversions From Traditional, Traditional SEP, or Traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs**

Complete this part if you converted part or all of your traditional, traditional SEP, and traditional SIMPLE IRAs to a Roth, Roth SEP, or Roth SIMPLE IRA in 2024.

|           |  |           |  |
|-----------|--|-----------|--|
| <b>16</b> | If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, traditional SEP, and traditional SIMPLE IRAs to Roth, Roth SEP, or Roth SIMPLE IRAs in 2024 . . . . . | <b>16</b> |  |
| <b>17</b> | If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions) . . . . .  | <b>17</b> |  |
| <b>18</b> | <b>Taxable amount.</b> Subtract line 17 from line 16. If more than zero, also include this amount on 2024 Form 1040, 1040-SR, or 1040-NR, line 4b . . . . .  | <b>18</b> |  |

**Part III****Distributions From Roth, Roth SEP, or Roth SIMPLE IRAs**Complete this part only if you took a distribution from a Roth, Roth SEP, or Roth SIMPLE IRA in 2024. For this purpose, a distribution **does not** include a rollover (but does include certain 2024 retirement plan distribution repayments treated as rollovers (see instructions)). Also, it **does not** include a qualified charitable distribution, one-time distribution to fund an HSA, recharacterization, or return of certain contributions (see instructions).

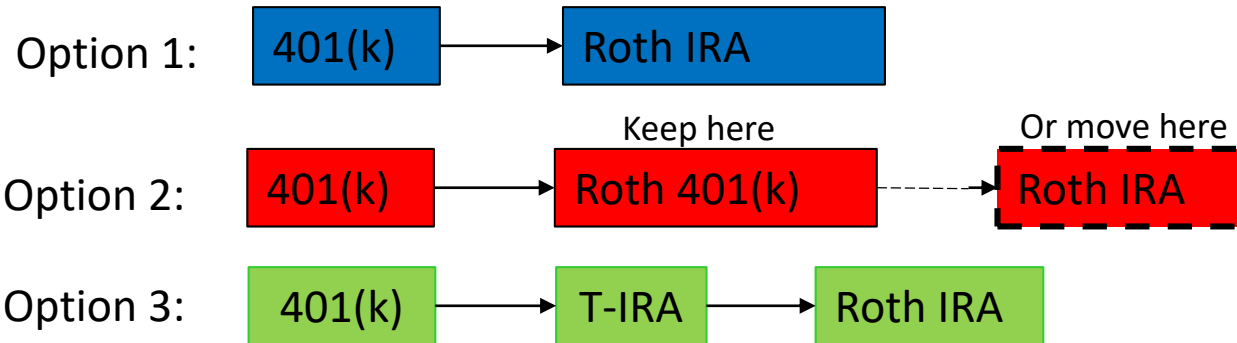
Workplace Acct  
Personal Acct



Which way  
to go?!?

## Roth Conversion Tips and Tricks

### Roth 401(k) Conversions



### Tip:

Option 3 may be better for you

- 20% Fed withholding applies to any distribution from a 401(k)
- Roth 401(k)-to-Roth IRA Rollover– Has own unique rules
- Check plan documents for your specific 401(k) plan

### Benefits of Option 3

- Allows 100% of conversion amount to grow in Roth
- Eliminates 401(k) restrictions
- Pay taxes from chosen source + timing



# Roth IRA Conversions

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## Roth Conversion Tips and Tricks Miscellaneous

- Use software for long-term + yearly planning
  - Boldin PlannerPlus (\$10/mo, with free 14 day trial)
  - MaxiFi Premium (\$149/yr)
  - Number Crunch Nerds (\$99 one-time purchase)
- Note regarding RMD withdrawals:
  - IRA – Aggregate RMD totals, withdraw from any acct
  - 401(k) – Must satisfy RMD from each plan separately
  - Other account types – check your plan literature
- RMDs
  - Can't convert the RMD
  - First money taken out each year = the RMD by definition
  - Any conversions come out after the RMD



# Roth IRA Conversions

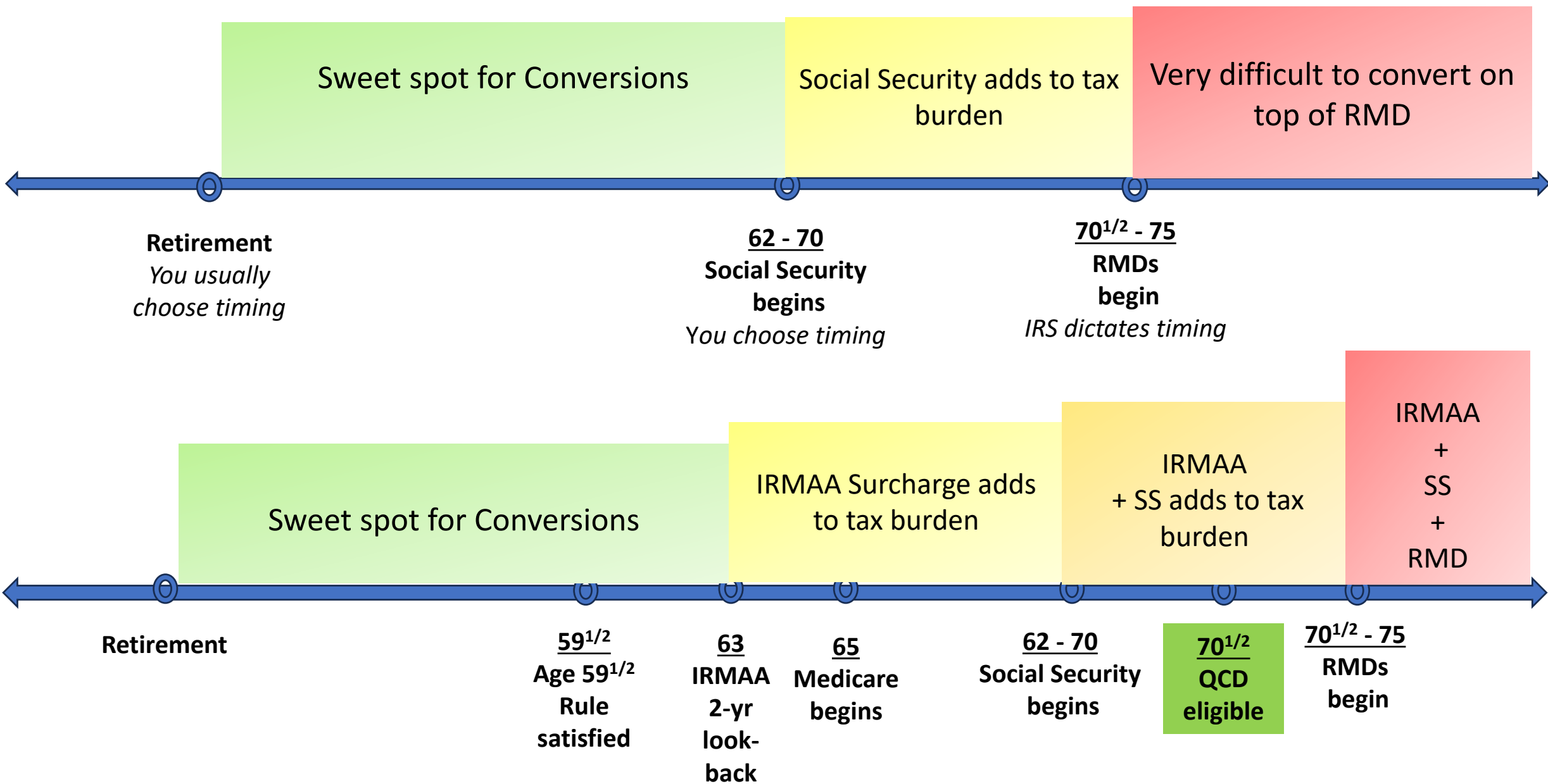
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## Roth Conversion Tips and Tricks Miscellaneous

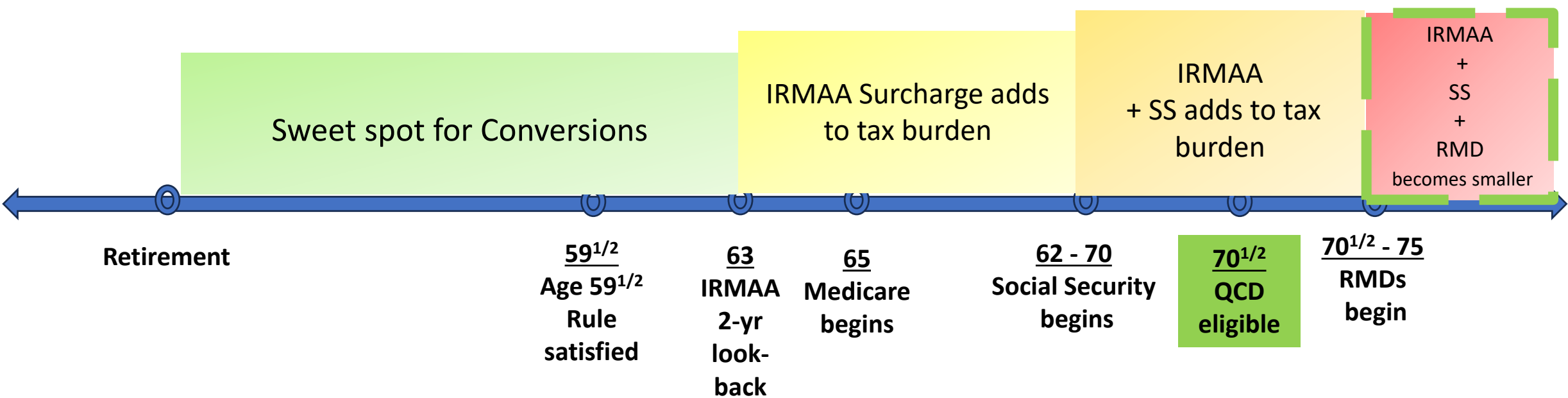
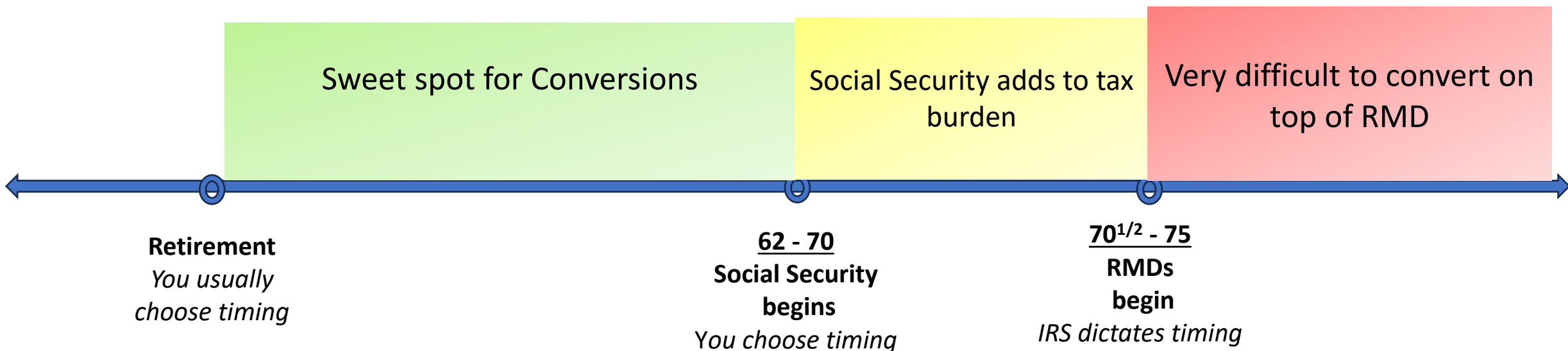
- QCD (Qualified Charitable Distribution)
  - Good way to donate to charity with pre-tax money
  - Must be at least 70<sup>1/2</sup> and charitably inclined
  - Max for 2025 is \$108k (adjusts for inflation)
  - Counts toward RMD
  - Must contribute directly to 501(c)(3) charity (trustee-to-trustee)
  - Tip: If at RMD age, make QCD early in year, since IRS deems first \$ out as RMD



# Timing of Roth Conversions (Life Stage/Age)



# Timing of Roth Conversions (Life Stage/Age)



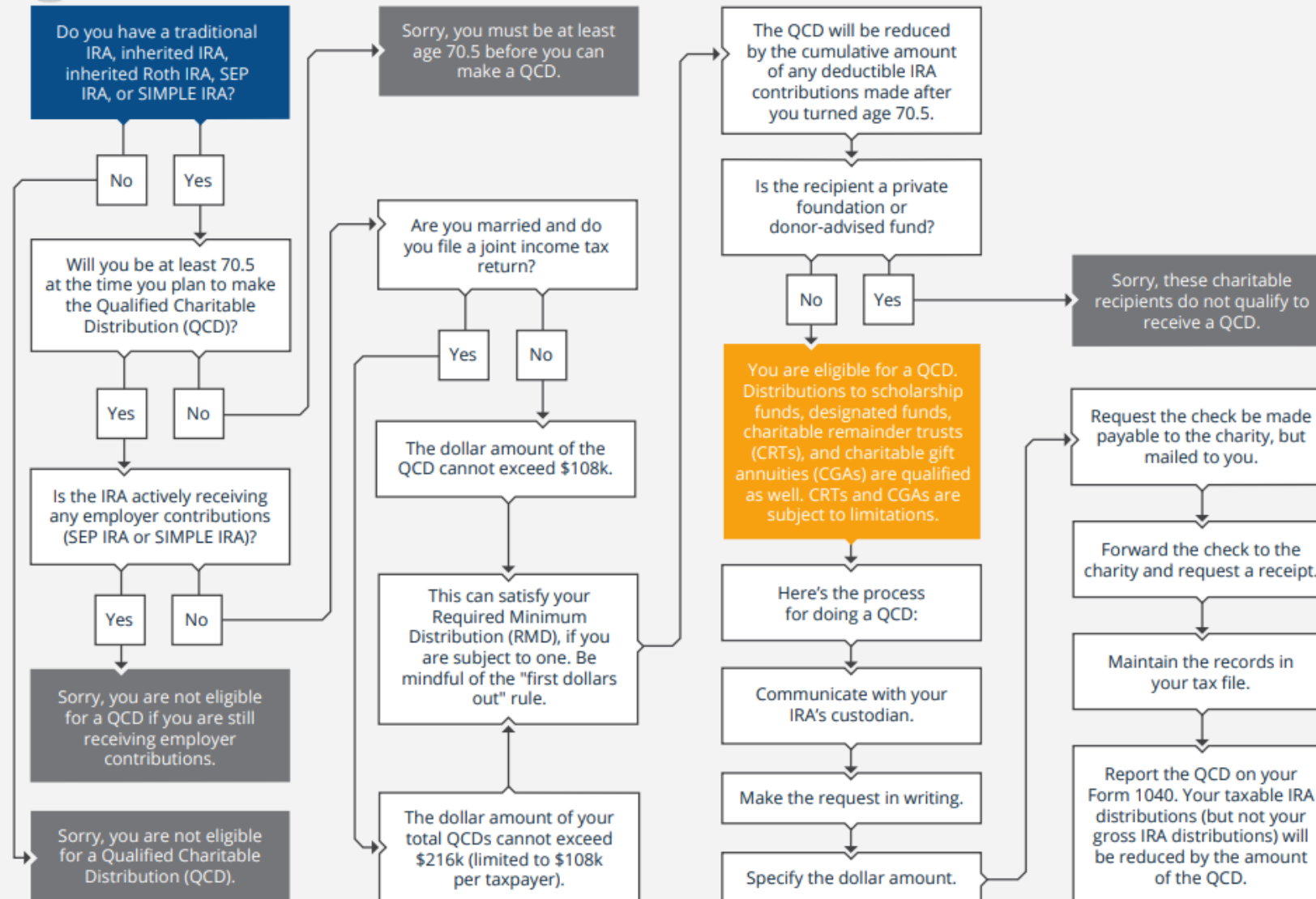
# 2025 · CAN I DO A QUALIFIED CHARITABLE DISTRIBUTION FROM MY IRA?

Retirement Planning Education

with Andy Panko, CFP®, RICP®, EA



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# Roth IRA Conversions

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## Roth Conversion Tips and Tricks Miscellaneous

- 5-yr Rule: Not 5 x 365 days, just 5 inclusive calendar years
  - Count starts Jan 1 of conversion year
- Pro-rata Rule
  - Track taxed basis on Form 8606
  - Move that money first until basis = \$0
- Which assets to convert first?
  - Anything already taxed (pro-rata rule – not a true “conversion”)
  - Stocks before bonds
  - Highest growth equities first? (Or save that to harvest for spending?)
  - High growth normally, but recent big losers?
  - Medium growth equities first?



# Roth IRA Conversions

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## Roth Conversion Tips and Tricks Miscellaneous

- To Request Reduction of IRMAA Surcharge
  - Form SSA-44 “life-changing event” such as death of spouse or work stoppage (Retirement)
  - 8 Valid Events – No Exceptions



## Form SSA-44

### Medicare Income-Related Monthly Adjustment Amount - Life-Changing Event

If you had a major life-changing event and your income has gone down, you may use this form to request a reduction in your income-related monthly adjustment amount. See page 5 for detailed information and line-by-line instructions. If you prefer to schedule an interview with your local Social Security office, call 1-800-772-1213 (TTY 1-800-325-0778).

|      |                        |
|------|------------------------|
| Name | Social Security Number |
|      |                        |

You may use this form if you received a notice that your monthly Medicare Part B (medical insurance) or prescription drug coverage premiums include an income-related monthly adjustment amount (IRMAA) and you experienced a life-changing event that may reduce your IRMAA. To decide your IRMAA, we asked the Internal Revenue Service (IRS) about your adjusted gross income plus certain tax-exempt income which we call "modified adjusted gross income" or MAGI from the Federal income tax return you filed for tax year 2023. If that was not available, we asked for your tax return information for 2022. We took this information and used the table below to decide your income-related monthly adjustment amount.

The table below shows the income-related monthly adjustment amounts for Medicare premiums based on your tax filing status and income. If your MAGI was lower than \$106,000.01 (or lower than \$212,000.01 if you filed your taxes with the filing status of married, filing jointly) in your most recent filed tax return, you do not have to pay any income-related monthly adjustment amount. If you do not have to pay an income-related monthly adjustment amount, you should not fill out this form even if you experienced a life-changing event.

| If you filed your taxes as:  | And your MAGI was:          | Your Part B monthly adjustment is: | Your prescription drug coverage monthly adjustment is: |
|--|-----------------------------|------------------------------------|--|
| -Single,<br>-Head of household,<br>-Qualifying widow(er) with dependent child, or<br>-Married filing separately (and you did not live with your spouse in tax year)* | \$106,000.01 - \$133,000.00 | \$ 74.00                           | \$ 13.70   |
|  | \$133,000.01 - \$167,000.00 | \$185.00                           | \$ 35.30   |
|  | \$167,000.01 - \$200,000.00 | \$295.90                           | \$ 57.00   |
|  | \$200,000.01 - \$499,999.99 | \$406.90                           | \$ 78.60   |
|  | More than \$499,999.99      | \$443.90                           | \$ 85.80   |
| -Married, filing jointly   | \$212,000.01 - \$266,000.00 | \$ 74.00                           | \$ 13.70   |
|  | \$266,000.01 - \$334,000.00 | \$185.00                           | \$ 35.30   |
|  | \$334,000.01 - \$400,000.00 | \$295.90                           | \$ 57.00   |
|  | \$400,000.01 - \$749,999.99 | \$406.90                           | \$ 78.60   |
|  | More than \$750,000.00      | \$443.90                           | \$ 85.80   |
| -Married, filing separately (and you lived with your spouse during part of that tax year)*   | \$106,000.01 - \$393,999.99 | \$406.90                           | \$ 78.60   |
|  | More than \$393,999.99      | \$443.90                           | \$ 85.80   |

\* Let us know if your tax filing status for the tax year was Married, filing separately, but you lived apart from your spouse at all times during that tax year.

### STEP 1: Type of Life-Changing Event

Check any life-changing event and fill in the date(s) that the events occurred (mm/yyyy).

- |   |  |
|---|--|
| <input type="checkbox"/> Marriage             | <input type="checkbox"/> Work Reduction                    |
| <input type="checkbox"/> Divorce/Annulment    | <input type="checkbox"/> Loss of Income-Producing Property |
| <input type="checkbox"/> Death of Your Spouse | <input type="checkbox"/> Loss of Pension Income            |
| <input type="checkbox"/> Work Stoppage        | <input type="checkbox"/> Employer Settlement Payment       |

Date(s) of life-changing event:  (mm/yyyy)

If you anticipate having a life-changing event, you can report to us an income reduction that has already occurred or that you anticipate occurring this or next year. Use Step 2 to report reductions you are anticipating occurring. Additional instructions.

**These are the only valid events!**

### STEP 2: Reductions in Income that have Already Occurred

If your income has already been reduced by the life-changing event (see instructions on page 6), the amount of your adjusted gross income (AGI, as used on line 11 of IRS form 1040) and tax-exempt interest income (as used on line 2a of IRS form 1040), and your tax filing status.

|          |                       |                     |
|----------|-----------------------|---------------------|
| Tax Year | Adjusted Gross Income | Tax-Exempt Interest |
| 20       | \$ .                  | \$ .                |

Tax Filing Status for this Tax Year (choose **ONE**):

|  |   |  |
|--|---|--|
| <input type="checkbox"/> Single                  | <input type="checkbox"/> Head of Household          | <input type="checkbox"/> Qualifying Widow(er) with Dependent Child |
| <input type="checkbox"/> Married, Filing Jointly | <input type="checkbox"/> Married, Filing Separately |  |

### STEP 3: Anticipated Reductions in Modified Adjusted Gross Income Next Year

Will your modified adjusted gross income be lower next year than the year in Step 2?

- ☐ No - Skip to STEP 4  
☐ Yes - Complete the blocks below for next year

|          |                                 |                               |
|----------|---------------------------------|-------------------------------|
| Tax Year | Estimated Adjusted Gross Income | Estimated Tax-Exempt Interest |
| 20       | \$ .                            | \$ .                          |

Expected Tax Filing Status for this Tax Year (choose **ONE**):

|  |   |  |
|--|---|--|
| <input type="checkbox"/> Single                  | <input type="checkbox"/> Head of Household          | <input type="checkbox"/> Qualifying Widow(er) with Dependent Child |
| <input type="checkbox"/> Married, Filing Jointly | <input type="checkbox"/> Married, Filing Separately |  |



# Roth IRA Conversions

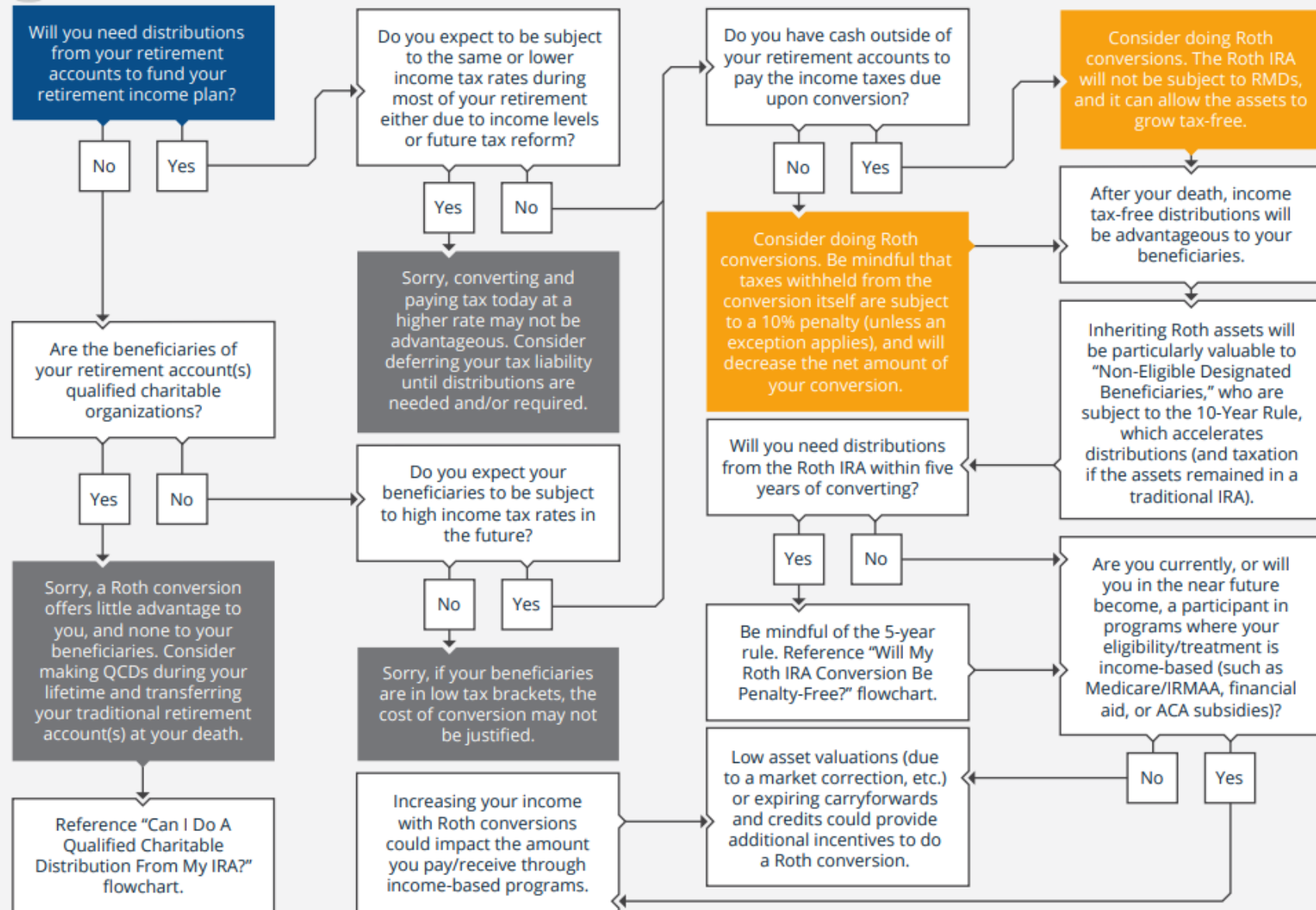
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## Summary

- Roth conversions may be a great tool to save taxes over the long run for you and/or your heirs.
- Be aware of the benefits and pitfalls when determining if this is right for your situation.
- Realize that there are many unknowns. Situations and tax laws change. Re-assess long term and short term actions each year.
- Take advantage of tips and tricks to optimize taxes/timing
- Don't sweat it –this is a good problem to have! Treat high RMDs like a bonus at work. (You wouldn't turn down a bonus because of the higher taxes it creates!)



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## Download MORE FREE Retirement Planning Education info

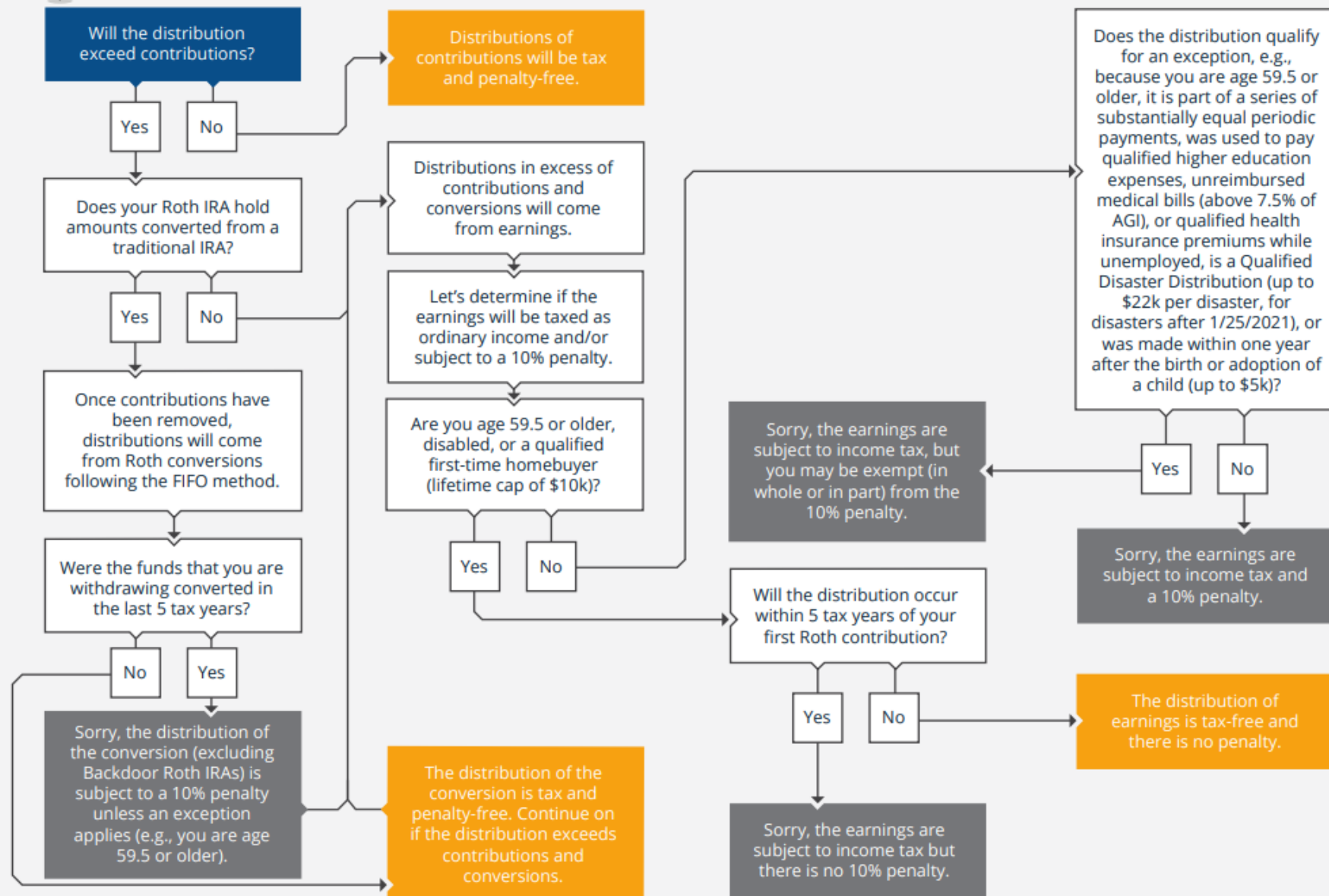
### Checklists & Flowcharts - IRAs & Roth IRAs

|  |                          |
|--|--------------------------|
| <a href="#">Can-I-Contribute-To-My-Roth-IRA-2025 (pdf)</a>   | <a href="#">Download</a> |
| <a href="#">Can-I-Make-A-Backdoor-Roth-IRA-Contribution-2025 (pdf)</a>                             | <a href="#">Download</a> |
| <a href="#">Can-I-Make-A-Deductible-IRA-Contribution-2025 (pdf)</a>                                | <a href="#">Download</a> |
| <a href="#">Should-I-Consider-Doing-A-Roth-Conversion (pdf)</a>                                    | <a href="#">Download</a> |
| <a href="#">Should-I-Contribute-To-My-Roth-IRA-Vs.-My-Traditional-IRA-2025 (pdf)</a>               | <a href="#">Download</a> |
| <a href="#">What-Issues-Should-I-Consider-When-Inheriting-A-Traditional-Or-Roth-IRA-2025 (pdf)</a> | <a href="#">Download</a> |
| <a href="#">Will-A-Distribution-From-My-Roth-IRA-Be-Tax-038-Penalty-Free (pdf)</a>                 | <a href="#">Download</a> |





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“Tax planning in retirement isn’t just about minimizing what you owe—it’s about creating an efficient strategy to preserve your wealth and maximize your income.

Many retirees assume their tax burden will decrease after they stop working.

However, taxes on Social Security benefits, required minimum distributions (RMDs), and investment gains can add up quickly.

Understanding tax liabilities and opportunities allows you to make informed financial decisions that keep more money in your pocket.”

-Wade Pfau, Weekly Roundup Newsletter, 2/15/25

# What Roth Conversions will YOU do?

