2023 · SHOULD I CONSIDER DOING A ROTH CONVERSION?

CITADEL FINANCIAL PLANNING

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Will you need distributions from your retirement accounts to fund your retirement income plan?

- No → Are the beneficiaries of your retirement account(s) qualified charitable organizations?
  - Yes → Sorry, a Roth conversion offers little advantage to you, and none to your beneficiaries. Consider making QCDs during your lifetime and transferring your traditional retirement account(s) at your death. → Reference "Can I Do A Qualified Charitable Distribution From My IRA?" flowchart.
  - No → Do you expect your beneficiaries to be subject to high income tax rates in the future?
    - No → Sorry, if your beneficiaries are in low tax brackets, the cost of conversion may not be justified.
    - Yes → Do you have cash outside of your retirement accounts to pay the income taxes due upon conversion?
- Yes → Do you expect to be subject to the same or lower income tax rates during most of your retirement either due to income levels or future tax reform?
  - Yes → Sorry, converting and paying tax today at a higher rate may not be advantageous. Consider deferring your tax liability until distributions are needed and/or required.
  - No → Do you have cash outside of your retirement accounts to pay the income taxes due upon conversion?
    - Yes → Consider doing Roth conversions. The Roth IRA will not be subject to RMDs, and it can allow the assets to grow tax-free. → After your death, income tax-free distributions will be advantageous to your beneficiaries. → Inheriting Roth assets will be particularly valuable to "Non-Eligible Designated Beneficiaries," who are subject to the 10-Year Rule, which accelerates distributions (and taxation if the assets remained in a traditional IRA). → Will you need distributions from the Roth IRA within five years of converting?
    - No → Using retirement funds to pay tax erodes the value of a Roth conversion, but you may still benefit if you have a long time horizon to enjoy tax-free growth and your future income tax rates will remain high. → After your death, income tax-free distributions will be advantageous to your beneficiaries. → Inheriting Roth assets will be particularly valuable to "Non-Eligible Designated Beneficiaries," who are subject to the 10-Year Rule, which accelerates distributions (and taxation if the assets remained in a traditional IRA). → Will you need distributions from the Roth IRA within five years of converting?
    - Yes → Be mindful of the 5-year rule. Reference "Will My Roth IRA Conversion Be Penalty-Free?" flowchart. → Are you currently, or will you in the near future become, a participant in programs where your eligibility/treatment is income-based (such as Medicare/IRMAA, financial aid, or ACA subsidies)?
    - No → Are you currently, or will you in the near future become, a participant in programs where your eligibility/treatment is income-based (such as Medicare/IRMAA, financial aid, or ACA subsidies)?
      - No → Low asset valuations (due to a market correction, etc.) or expiring carryforwards and credits could provide additional incentives to do a Roth conversion.
      - Yes → Increasing your income with Roth conversions could impact the amount you pay/receive through income-based programs. → Low asset valuations (due to a market correction, etc.) or expiring carryforwards and credits could provide additional incentives to do a Roth conversion.

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