STRATEGIC CONVERSIONS

Jumet FINANCIAL

WHAT IS A CONVERSION?

A conversion is the transfer of money — generally pre-tax dollars — from a Traditional IRA to a Roth IRA. It's the mechanism behind the "Backdoor Roth" and, more broadly, a way to strategically move retirement savings from a tax-deferred account into a tax-free one. In many cases, a similar conversion can also be done within a 401(k).

WHY CONSIDER ONE?

TAX-DEFERRED VS. TAX-FREE GROWTH

Money in a Traditional IRA or pre-tax 401(k) grows tax-deferred — you'll owe ordinary income tax when it's withdrawn. Money in a Roth IRA or Roth 401(k) grows tax-free, and qualified withdrawals are not taxed.

MOST OF YOUR ACCOUNT IS GROWTH

Over a long time horizon, a significant portion of a retirement account — frequently more than half — is growth rather than original contributions. In a Traditional account that growth is taxable later; in a Roth, qualified growth is not.

PAY ON THE SEED, NOT THE HARVEST

Consider paying the tax on the smaller "seed" now, rather than on the full "harvest" down the road.

WHAT MAKES IT "STRATEGIC"?

It's a question of how much and when. A strategic approach weighs:

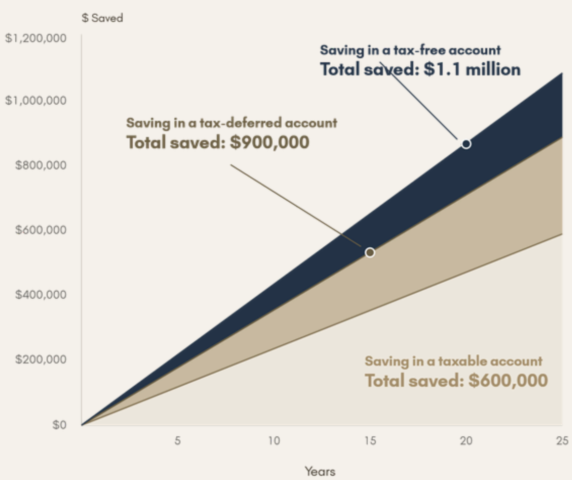
- Tax impact in the conversion year, and how much to convert to manage your bracket.
- Timing — the window between retirement and when RMDs begin.
- The effect on IRMAA (Medicare Part B/D surcharges).
- Whether Roth dollars can outlast Traditional dollars and pass efficiently to heirs.

POTENTIAL BENEFITS

- Qualified Roth growth and withdrawals are tax-free in retirement.
- Roth IRAs have no Required Minimum Distributions during the owner's lifetime.
- Roth assets are a valuable estate-planning and generational-wealth tool.

THINGS TO WEIGH

- Conversions are a taxable event, generally taxed as ordinary income — ideally pay the tax from outside funds.
- Converting too much in one year can raise your tax bracket, trigger IRMAA surcharges, or affect eligibility for income-contingent programs (rent-controlled housing, reduced prescription costs, etc.).
- Conversions are generally irreversible, and the payoff depends on your current vs. future tax rates and time horizon.



*This is a hypothetical example and is not representative of any specific investment. Your results may vary.

1. Conversion mechanics / taxed as ordinary income — IRS, Retirement Plans FAQs Regarding IRAs, irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras
2. No lifetime RMDs on Roth; Traditional RMDs begin at 73 — IRS, Retirement Topics - RMDs, irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds
3. RMD must be taken before converting in RMD years — IRS, Retirement Plan and IRA RMD FAQs, irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs
4. IRMAA surcharge mechanism (Part B/D) — SSA, POMS HI 01101.020, secure.ssa.gov/poms.nsf/lnx/0601101020
5. IRMAA notices/appeals — Medicare.gov, Initial IRMAA Determination, medicare.gov/basics/forms-publications-mailings/mailings/costs-and-coverage/initial-income-related-monthly-adjustment-amount-notice

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