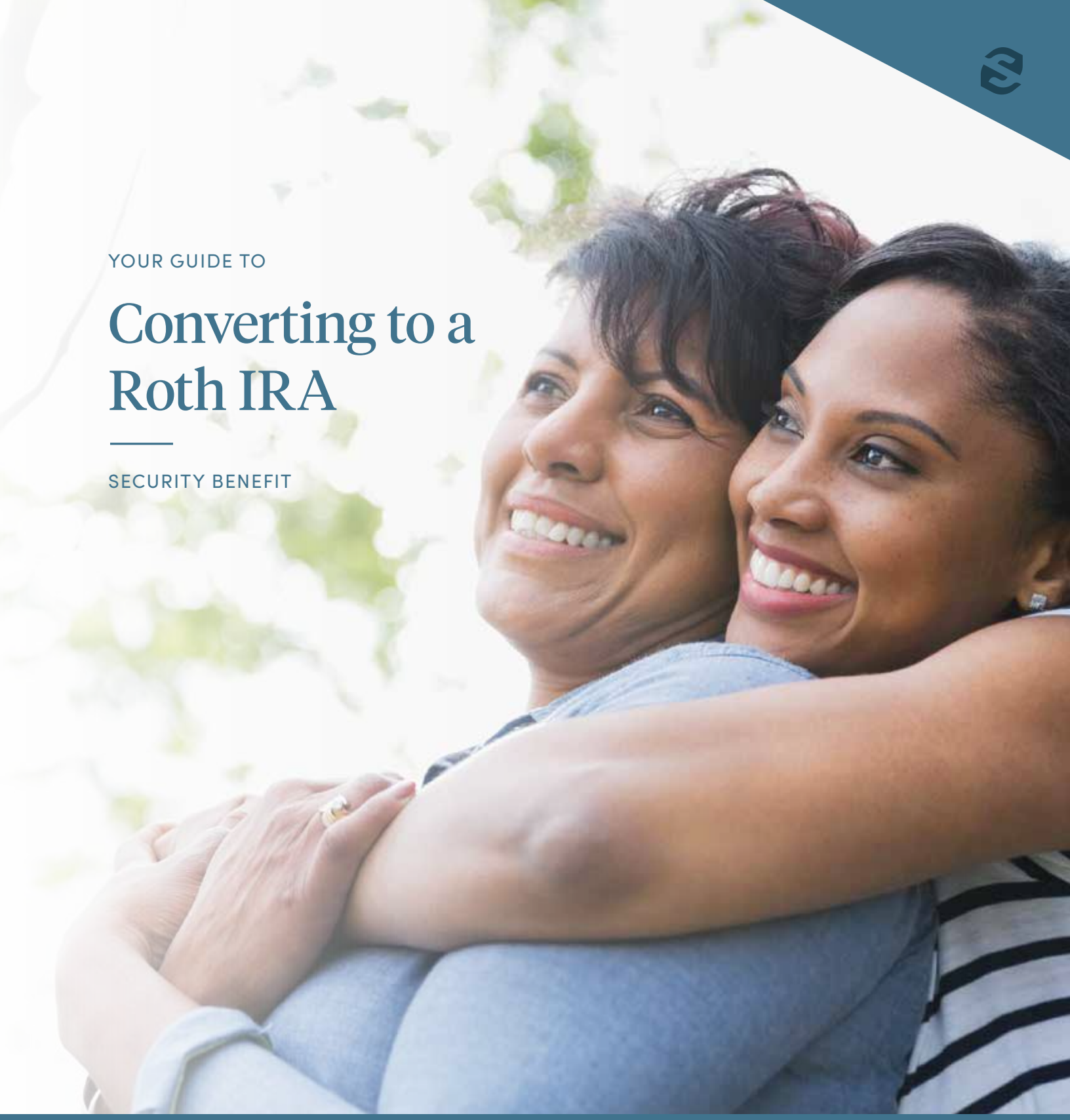

YOUR GUIDE TO

Converting to a Roth IRA

SECURITY BENEFIT

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TO AND THROUGH RETIREMENT

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Roth IRA Contributions are made with after tax dollars

When you withdraw money from a Roth IRA, you may not owe any income taxes. Many people who project they will be in a higher tax bracket in retirement are choosing to diversify their taxable assets.

If you currently have all your assets in Traditional IRAs and you're thinking a Roth IRA might be a better option for you, you can convert your Traditional IRA to a Roth IRA.

Benefits of a Roth IRA

- Qualified withdrawals are tax free if a Roth IRA is held for at least 5 years and one of the following apply; Age 59½, Death or Disability, First time home purchase ($10,000 maximum)
- Contributions may continue past the IRS RMD age
- No required minimum distributions (RMDs)
- If taxes go up in the future, your Roth IRA may become even more valuable
- Beneficiaries may receive Roth IRA funds tax free

Converting from a Traditional IRA to a Roth IRA

- Generally, you will pay taxes on the entire amount converted but will not pay penalty tax regardless of your age, even if you are under 59½
- Once you convert to a Roth IRA, you cannot reverse it

Comparing a Traditional and a Roth IRA

	Traditional	Roth
Contributions made	Pretax or After tax	After tax
2026 contribution limit and catch-up	$7,500 + $1,100	$7,500 + $1,100
Contributions tax-deductible?	Sometimes[1]	No
Qualified withdrawals taxed?	Yes	No
Required minimum distributions?	Yes, at the IRS RMD age	None

[1] Tax deductibility will depend on filing status, MAGI and active participant status.

Benefits of Conversion

Converting a Traditional IRA to a Roth IRA may benefit you if:

- You expect to be in a higher tax bracket at retirement
- You expect tax rates to be higher in the future
- You have a long time until retirement

Potentially lower tax consequence:

- Qualified withdrawals are tax-free
- No required minimum distributions

Conversion Example

Mary is 30 years old and has a Traditional IRA worth $50,000. She is paying 25% in combined taxes but, at her current salary projection, expects to be in the top bracket of 35% when she retires at age 67. Mary is wondering if she should convert to a Roth IRA to save herself from paying taxes on withdrawals from that account during retirement.

If Mary continues on her current course, this is what her Traditional IRA may yield vs. a Roth IRA.

	Keeping the Traditional IRA	Converting to a Roth IRA
Current account value	$50,000	$50,000
Current account value after taxes (paid upon conversion)	$50,000	$37,500
Account value at the beginning of the distribution period	$431,804 Assumes 6% annual return	$323,853 Assumes 6% annual return
Net annual after-tax distribution	$19,236	$22,196
Total after-tax distributions*	$577,092	$665,875

*This assumes 30 years of annual payments are used in the total distribution calculations.

Your path *To and Through Retirement®* begins here.

Talk to your financial professional to see whether a Roth IRA can complement your retirement portfolio or contact us at 800.888.2461.

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