



T. J. Semmes Hughs, CLU
and Associates, LLC

Retirement
Executive Benefits
Insurance

Semmes Hughs
985-373-8899 cell
semmes@semmeshughs.com email
semmeshughs.com web

Tax Advantages of Roth Conversion Made Simple



American Network of
Financial Education



The Concept

Is a Roth Conversion Right for You?

Existing Strategy Assumptions

Age of Account Holder	60	
Current Account Value	\$1,000,000	
Annual Pre-Tax Earnings Rate <small>Based on 50/50 split of equities and fixed income, with equities earning 7% fixed income earning 3.5%</small>	5.25%	
Assumed Account Expenses	1.25%	
Assumed Tax Liability	Years 1-3	22%
	Years 4+	24%
	At Death	30%

Conversion¹ Assumptions

Conversion Period (Years)	5
Assumed Additional Tax Rate During Conversion Years	+2.00%

Keep Qualified Account		Re-allocate to Tax-Free	
Total taxes paid on RMDs at time of withdrawals	\$364,429	Taxes paid on conversion	\$248,000
Taxes paid on reinvested RMDs ²	\$112,711	Taxes paid on account growth	\$0
Taxes paid on remaining account value at death	\$406,493	Taxes paid on remaining account value at death:	\$0
TOTAL TAXES PAID:	\$883,633		\$248,000

\$635,633 Tax Savings

By converting your plan to a Roth IRA, you effectively buy out the IRS—your unwanted partner—at a cost of less than 30 cents on the dollar.



The Gradual Roth Conversions to Minimize Conversion Taxes

Convert over 5-10 years – Convert Gradually to stay in current tax bracket

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
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

\$100k left in current tax bracket

\$200k left in current tax bracket

Consider a Safe Place for Your Roth IRA

The Roth IRA is the Most Valuable Financial Asset you will ever own.

1- Tax Free Growth – Tax Free Withdrawals – Passes to the heirs Tax Free.

2- No Required Minimum Distributions for Owners or Spouses (RMD).

3 - Because of the many advantages, the Roth should not be exposed to risk if you are retired or nearing retirement.

Example:

If you converted in 2007 and stayed in the market, you might have lost 40% in addition to the conversion tax!

Taxes are Currently on Sale

The Trump tax cut act is still in effect and may remain in effect at least until his term is up. Now is the ideal time to convert.

The 4th lowest Tax Brackets in 100 Years

Notes:

The Horsepower of the Roth Conversion isn't in assumptions about current and future tax brackets.

The True Horsepower is in the many years the Roth grows Tax Free. The younger the age of the IRA or Plan owner, the More Benefit in Converting.

Question?

Now that you have seen the potential tax savings by converting to a Roth, would you like to see how this might work for you, based on your tax brackets and the amount you are considering converting?

I will need to get some information from you to show you accurate numbers to see if the Roth Conversion is right for you.