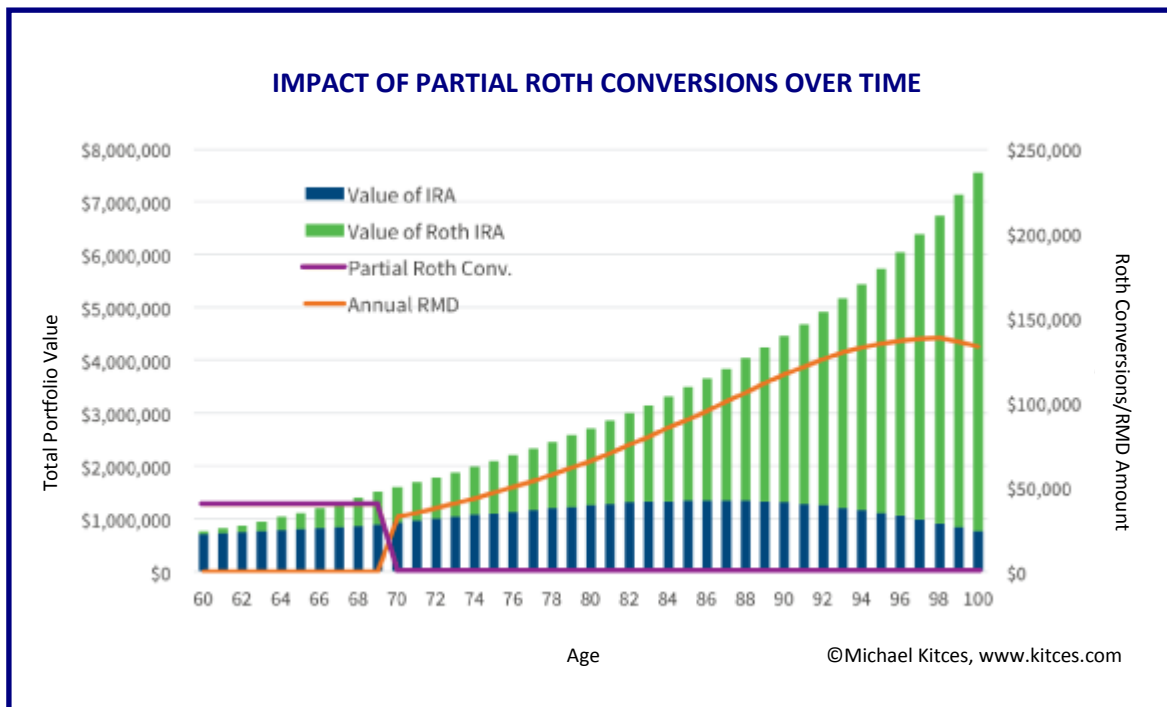


Partial Roth Conversions



You may be able to increase your wealth by creating a well-crafted, strategic plan for withdrawing funds from your retirement accounts. The order that you choose to withdraw your distributions and the type of investment account you choose to draw from are important considerations. Should you access your tax deferred account or taxable account first? Or should you develop a blended approach utilizing partial Roth conversions—moving a portion of funds from a traditional IRA to a Roth IRA while withdrawing some funds from your taxable account?

Michael Kitces, a leader in the financial industry, has studied the impact of partial Roth conversions over a period of thirty years. He found that “doing partial Roth conversions will maximize long-term wealth by minimizing the future impact of Required Minimum Distribution (RMD) obligations” (Kitces, 2016).¹ In other words, by reducing the amount of an IRA through partial Roth conversions, you will decrease the RMDs and corresponding future income taxes that you will incur. It’s like getting a head start in paying income tax on your IRA withdrawals. As partial Roth conversions will generate taxable income, it is strategic to do them when you believe your income tax will be lower, to avoid falling into a higher income tax bracket.² In addition, by doing partial Roth conversions, you will increase funds in your Roth IRA, which does not have a Required Minimum Distribution and can continue to grow entirely free from tax. Discuss these guidelines with your financial advisor to find the best plan for you within the framework of your portfolio and individual circumstances.

1. Kitces, M. (2016). Tax-efficient spending strategies from retirement portfolios. Retrieved from <https://www.kitces.com/blog/tax-efficient-retirement-withdrawal-strategies-to-fund-retirement-spending-needs/>
2. Ibid.

© 2018 Alloodium Investment Consultants

The information provided is for educational purposes only and is not intended to be, and should not be construed as, investment, legal or tax advice. Alloodium makes no warranties with regard to the information or results obtained by its use and disclaim any liability arising out of your use of or reliance on the information. The information is subject to change and, although based upon information that Alloodium considers reliable, is not guaranteed as to accuracy or completeness. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment.