



May 15, 2020

Consider Annual Roth IRA Contributions and Back Door Roth IRA Conversions

Greetings,

We believe firmly that most clients should be building their retirement accounts, and particularly their Roth accounts. Even retired clients can benefit from building their Roth balances. With that in mind, please consider the following.

Make Your Annual Roth IRA Contributions

Monies from a Roth IRA grow tax free and can be withdrawn **tax-free** (for both you and your heirs), and Roth IRAs do not have RMDs (Required Minimum Distributions) during your life me. **This means that Roth IRAs can be effectively utilized as a tax-planning tool during your retirement by keeping your taxable income lower, thus limiting your taxes in retirement and lowering taxes on Social Security and decreasing Medicare surcharges. And Roth IRAs hold great advantages for your heirs, as monies can be withdrawn income tax free for them.**

If you have earned income in 2019, we recommend that you consider building your Roth IRA accounts. For 2019, the maximum Contribution is up to \$6,000 (or \$7,000 for the age 50 catch-up).

There can be limits on the amount you can directly contribute to a Roth. If your income is below \$124,000 for single (or \$196,000 for married filing jointly), you can directly contribute the maximum allowable amount of \$6,000 (plus \$1,000 for the over 50 catch-up) to your Roth IRA. If your income exceeds these amounts, then read below.

A "Back Door" Roth Conversion May Be Right For You

If your income is above \$124,000 for single (or \$196,000 for married filing jointly), we would perform what is known as a **"Back Door" Roth Conversion**. To accomplish a "Back Door" Roth IRA Conversion, you would first make after-tax contributions to a Traditional IRA account with a zero balance and then immediately convert those IRA contributions into a Roth IRA account.

Please note that the amount converted from a Traditional IRA to a Roth IRA may be subject to income taxes at your ordinary income tax rate. Please feel free to consult with your tax professional.

If you are not interested in either strategy, please note that there are no income limitations for after-tax contributions made to a Traditional IRA and you would owe no taxes when making the contribution (as you would with the Back Door Roth Conversion discussed immediately above).

Please let us know if you would like to contribute to your IRA for 2019 and whether you would like to do a Roth IRA. Once you confirm your intent to make the 2019 IRA contributions, we will send you another email (via DocuSign) to complete the necessary paperwork.

Please let us know how you would like to proceed and if you have any questions.

Thanks and Regards,

A handwritten signature in blue ink that reads 'Debra Taylor'.

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Professional Advice Disclosure: None of the information contained herein is meant as tax or legal advice. Tax laws are complex and subject to change. Please consult the appropriate professional to see how the laws apply to your situation.

Converting from a traditional IRA to a Roth IRA is a taxable event.

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