

Retirement Crossroads: Why Consider Roth Conversions

June 17, 2025



Agenda

- The differences between a Roth IRA and a Traditional IRA and why a Roth IRA is desirable
- What is a Roth conversion
- The benefits of a Roth conversion
- Considerations before executing a Roth conversion
- Illustrations of Roth conversions for two couples with differing objectives

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Presenters

Jenifer Aronson, CFA® Founder, Managing Partner

Jenifer leads the investment management and operations for the firm. Her background includes

- 14 years of Fixed Income portfolio management at Northern Trust and Brinson Partners.
- 8 years of portfolio construction and financial management for ultra high net worth family offices.
- 11 years of financial planning and investment management at Mosaicfi.

Jenifer is a Chartered Financial Analyst and received her MBA in Finance and Economics from the Booth School of Business at the University of Chicago. She earned her Bachelor of Science in Business Administration from the University of Arizona.

Tammy Wener, CFP® Partner, Director of Financial Planning

Tammy is responsible for Mosaicfi's financial planning practice and compliance. Her background includes

- 20 years of financial planning and investment experience working with a wide range of clients.
- Prior to merging with Mosaicfi in July 2024, Tammy was the co-founder of RW Financial Planning.
- Adjunct instructor at Northwestern University's School of Professional Studies CFP® program.

Tammy is a Certified Financial Planner™ and received her MBA from DePaul University's Driehaus College of Business. She earned her Bachelor of Science in Finance from Illinois State University. She is currently enrolled in the Tax Planning Certified Professional™ program at the American College of Financial Services.

Roth Conversion Poll

Roth IRA vs. Traditional IRA

Feature	Roth IRA	Traditional IRA
Contributions	After-tax dollars	Pre-tax dollars (if deductible)
Tax Deduction	Not deductible	Deductible (if eligible based on income/retirement plan participation)
Investment Growth	Grows tax-free	Grows tax-deferred
Retirement Withdrawals	Tax-free if qualified	Taxable as ordinary income
RMDs	None during the account holder's lifetime	Begin at age 73 - 75
Access to Contributions	Anytime, tax- and penalty-free	Subject to tax and 10% penalty if under age 59½
Income Limits to Contribute	Yes – based on Modified Adjusted Gross Income (MAGI)	No income limits
Best For	Those expecting higher taxes in retirement	Those expecting lower taxes in retirement

What is a Roth Conversion?



Questions to Ask Yourself about Roth Conversions

1. Is a Roth conversion a smart tax move right now? What is my tax bracket today versus the estimated future tax bracket?
2. How will a Roth conversion impact other aspects of my financial plan?
Do I have enough cash on hand to pay taxes on the conversion?
3. Do I have adequate tax diversification?
4. Do I plan to leave assets at death to the next generation? If so, what is their estimated future tax bracket?
5. Do I plan to leave assets at death to charitable organizations?

Roth IRA Benefits for Retirees*

- Tax-free growth and withdrawals
- Reduced required minimum distributions (RMD) (provides income management flexibility)
- Help reduce overall tax liability in retirement
- Pass tax-free assets to heirs

**After age 59 ½ and account has been open for at least 5 years*

IRMAA!

Single - MAGI*	Married Filing Jointly - MAGI*	Part B Premium	Part D IRMAA	Tax Brackets - Taxable Income
\$106,000 or less	\$212,000 or less	\$185	\$0 + plan premium	10%, 12%, 22%, 24%
Above \$106,000 up to \$133,000	Above \$212,000 up to \$266,000	\$259	\$13.70 + plan premium	24%
Above \$133,000 up to \$167,000	Above \$266,000 up to \$334,000	\$370	\$35.30 + plan premium	24%
Above \$167,000 up to \$200,000	Above \$334,000 up to \$400,000	\$480.90	\$57 + plan premium	24%, 32%
Above \$200,000 and less than \$500,000	Above \$386,000 and less than \$750,000	\$591.90	\$78.60 + plan premium	24%, 32%, 35%
\$500,000 or above	\$750,000 and above	\$628.90	\$85.80 + plan premium	35%, 37%

*MAGI – Modified Adjusted Gross Income

Roth IRAs and the 5-Year Rule(s)

How Roth IRA penalties and taxes on withdrawals work

		Taxes on earnings	Penalties
Originally owned Roth IRA	<ul style="list-style-type: none">• 59½ and older• 5-year rule met	No	No
	<ul style="list-style-type: none">• Not 59½• 5-year rule not met	Yes	Yes
	<ul style="list-style-type: none">• 59½ and older• 5-year rule not met	Yes	No
Roth conversion (on converted amount)	<ul style="list-style-type: none">• Independent 5-year rule not met	No	Yes
Inherited Roth IRA	<ul style="list-style-type: none">• Original owner 5-year rule not met	Yes	No

Source: Fidelity Viewpoints, January 15, 2025

Scenario One

JOHN & SARAH SNAPSHOT

John and Sarah Snapshot

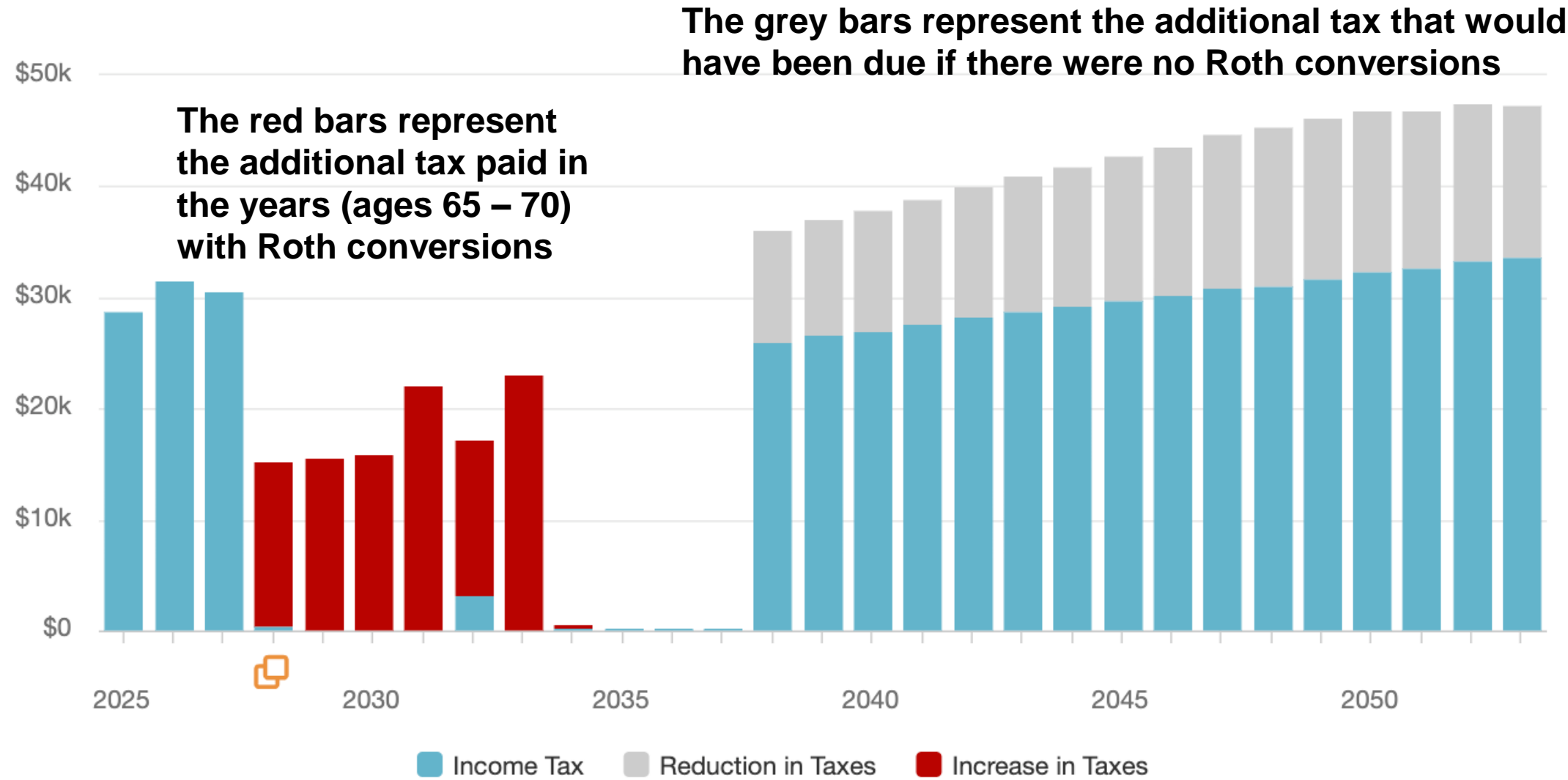
The Facts:

1. John and Sarah, age 62
2. Investments
 - Sarah: \$1,500,000 Traditional IRA
 - John: \$1,200,000 Traditional IRA
 - Joint taxable account: \$400,000
3. Current income: \$120,000 combined (part-time consulting work)
4. Residence: Illinois (flat state income tax ~4.95%)
5. Social Security benefits start at 70
6. Required Minimum Distributions (RMDs) begin at 75

John and Sarah Snapshot – Roth Conversion Goal

- John and Sarah want to:
 - Reduce their RMDs once they begin at age 75
 - Minimize the tax burden to their children when they inherit their assets (their children are high income earners)
- John and Sarah want to take advantage of their lower income years to make Roth conversions but did not want to go above their allowable income within their 12% income tax bracket.
- We ran the analysis to convert as much as possible within their requested parameters. The result was no conversions during the 3 years of part-time income (ages 62 – 64), with conversions beginning at age 65 and continuing until age 70.

John and Sarah – Roth Conversion Tax Impact



PROBABILITY OF SUCCESS

100%

Same as base facts

CUMULATIVE TAXES

\$682,156

-\$98,967 vs base facts

TOTAL PORTFOLIO ASSETS LEFT

\$6,039,573

+\$229,036 vs base facts

SCENARIO TWO

CARIN AND CARL CLARK

Carl and Carin Clark

The Facts:

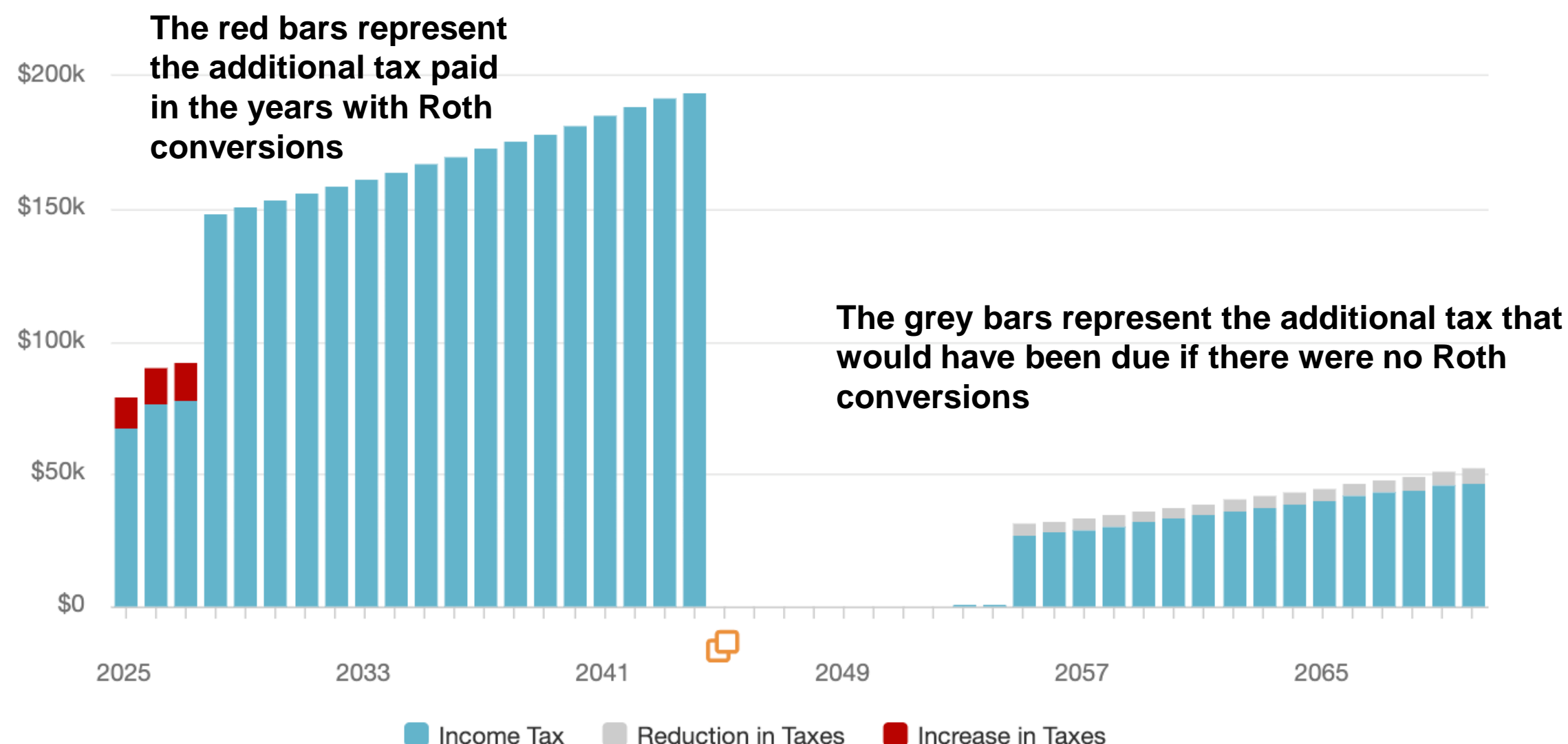
1. Carl and Carin, age 45, just had a baby
2. Carl will stay home with the baby for 3 years and then will return to work
3. Investments
 - Carl: \$400,000 in Traditional IRA
 - Carin: \$500,000 in Traditional IRA
 - Joint taxable account: \$200,000
4. Current income: \$400,000 combined (before Carl stops working)
5. Residence: Illinois (flat state income tax ~4.95%)

Carl and Carin Clark

Carl and Carin want to:

- As an alternative to fully funding a college savings account they wanted to get some of their assets into a Roth IRA that they could tap at some point to pay for their child's college.
 - To do this they decided to take advantage of this period of relatively low income and get some of their IRA assets into a Roth IRA.
 - They decided they would do a \$50,000 conversion each year for the three years that Carl wasn't working.
-
- We ran the analysis to convert \$50,000/year for the three years that Carl wasn't working.

Carl and Carin Clark – Roth Conversion Tax Impact



PROBABILITY OF SUCCESS ⓘ
100%
Same as base facts

CUMULATIVE TAXES
\$3,764,904
-\$32,446 vs base facts

TOTAL PORTFOLIO ASSETS LEFT
\$8,495,826
+\$157,313 vs base facts

Carl and Carin Clark – Breakdown of Assets by Tax Type

		Roth conversion- \$50k/year for 3yrs - Jun 2025			
Year	Age	Taxable Assets	Tax-Deferred Assets	Tax-Free Assets	Total Portfolio Assets
2025	45/45	\$258,243	\$886,000	\$50,000	\$1,194,243
2026	46/46	\$308,360	\$871,440	\$102,000	\$1,281,800
2027	47/47	\$360,074	\$856,298	\$156,080	\$1,372,452
2028	48/48	\$517,940	\$890,550	\$162,323	\$1,570,813
2029	49/49	\$679,495	\$926,172	\$168,816	\$1,774,483
2030	50/50	\$844,850	\$963,219	\$175,569	\$1,983,638
2031	51/51	\$1,014,105	\$1,001,747	\$182,592	\$2,198,444
2032	52/52	\$1,187,331	\$1,041,817	\$189,896	\$2,419,044
2033	53/53	\$1,364,676	\$1,083,489	\$197,492	\$2,645,657
2034	54/54	\$1,546,233	\$1,126,828	\$205,392	\$2,878,453
2035	55/55	\$1,732,093	\$1,171,901	\$213,608	\$3,117,602
2036	56/56	\$1,922,398	\$1,218,777	\$222,152	\$3,363,327
2037	57/57	\$2,117,254	\$1,267,528	\$231,038	\$3,615,820
2038	58/58	\$2,316,945	\$1,318,229	\$240,280	\$3,875,454
2039	59/59	\$2,521,485	\$1,370,958	\$249,891	\$4,142,334
2040	60/60	\$2,730,669	\$1,425,797	\$259,887	\$4,416,353
2041	61/61	\$2,944,573	\$1,482,829	\$270,282	\$4,697,684
2042	62/62	\$3,163,335	\$1,542,142	\$281,093	\$4,986,570
2043	63/63	\$3,387,064	\$1,603,827	\$292,337	\$5,283,228
2044	64/64	\$3,617,730	\$1,667,980	\$304,030	\$5,589,740
2045	65/65	\$3,546,082	\$1,734,699	\$316,191	\$5,596,972

Carl and Carin can now expect to have about \$300,000 available to pay for college.

In Closing

Roth conversions bring a certain amount complexity with them and can be a great tool for your toolbox.

There is no “one size” fits all. Not only must the calculations be done, but only you can answer if they feel right to you.

Please reach out to Tammy or Jenifer for further questions!

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Thank You!

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