



NEW TAX LAW OPENS CONVERSION WINDOWS

Recent tax legislation has expanded opportunities for Roth conversions.

ENHANCED DEDUCTION CAPACITY (NEXT FOUR YEARS ONLY):

- Additional \$14,400 in deductions for married couples over 65
- \$6,000 senior deduction per person (not tied to Social Security receipt)
- Creates more room in lower tax brackets for conversions
- Income phase-outs begin at \$150,000 (married) and \$75,000 (single)

INCREASED SALT DEDUCTION:

- Cap raised from \$10,000 to \$40,000
- Particularly beneficial for California residents
- Includes state income taxes, property taxes, and DMV fees

THE CRITICAL SURVIVORSHIP PROBLEM

Joint Tax Filing Advantage: A married couple with \$101,000 total income pays only 5.5% effective tax rate due to:

- Social Security partially taxable (85% maximum)
- Enhanced senior deductions
- Married filing jointly brackets

Single Filer Penalty: When one spouse dies, the survivor faces:

- Loss of spouse's Social Security benefits
- Reduced standard deduction (drops from \$33,200 to \$17,000)
- Single filing tax brackets (higher rates)
- Tax rate jumps from 12% to 22%
- 44% increase in total taxes on \$15,000 less income

CONVERSION TIMING IS CRITICAL

The RMD Problem:

- Conversions become inefficient after Required Minimum Distributions begin (age 73-75)
- To convert \$5,000 after RMDs start requires taking \$10,000 from IRA (double taxation)
- Complete conversions before RMD age to avoid double taxation

Practical Conversion Example:

- Couple converts \$27,000 annually for 13 years
- Stays within 12% tax bracket
- Converts entire \$500,000 IRA at favorable rates
- Eliminates future RMD tax burden

ESSENTIAL TAKEAWAYS

- The next four years provide enhanced opportunities for Roth conversions due to temporary tax benefits.
- Survivorship planning is critical—losing a spouse significantly increases tax burden on retirement income.
- Medicare IRMA penalties create substantial long-term costs that must factor into conversion planning.
- Completing conversions before RMDs begin at age 73-75 maximizes tax efficiency and avoids double taxation.
- Professional tax and financial planning coordination is essential to optimize conversion strategies while managing multiple income-based thresholds.



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ROTH CONVERSION STRATEGIES
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Before entering the financial services industry, Ryan C. Mizer spent six years serving in the U.S. Army as a Special Forces Engineer. His time in the military helped him develop a passion and dedication for helping others.

Ryan is now using this passion to help individuals retire with confidence by designing comprehensive retirement plans as well as servicing their specific financial needs and priorities.

Ryan is an Investment Adviser Representative and Managing Director of Wolfgang Capital LLC.

MEDICARE IRMA PENALTIES

Two-Year Lookback Income Penalties:

- Standard Medicare Part B premium: \$185/month per person
- First penalty tier: \$259/month (income over \$212,000)
- Penalties escalate rapidly with income
- Maximum penalty: \$628/month per person

Strategic Considerations:

- Going \$1 over income threshold triggers penalty
- Sometimes worth paying higher conversion taxes short-term to avoid lifetime Medicare penalties
- Retirement waiver available for first year on Medicare

RMD MATHEMATICS

Million Dollar IRA Impact:

- Age 73-90 RMDs total: \$1.145 million withdrawn
- Account balance remaining: \$1.13 million (still taxable to heirs)
- Annual RMDs escalate from \$37,000 to over \$100,000

Inherited IRA Rules:

- Non-spouse beneficiaries: 10-year withdrawal requirement
- Traditional IRAs: Fully taxable to beneficiaries at their rates
- Roth IRAs: Tax-free to beneficiaries (10-year withdrawal requirement)

TAX BRACKET STRATEGY

Optimal Conversion Brackets:

- 12% bracket: Ideal for most conversions
- 22-24% bracket: May be necessary to complete conversions in available years
- Avoid 32% bracket: Rarely makes economic sense for conversions

Income Threshold Management: Multiple income-based benefits and penalties require careful coordination:

- Senior deduction phase-outs
- Medicare IRMA penalties
- Other modified adjusted gross income limits

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