

Traditional IRA to Roth Conversion Checklist

The changes in the tax law starting in 2010 and the decline in the value of many IRAs have created an opportunity to convert an IRA to a Roth IRA that may never be better. But, a conversion creates a tax liability that many do not fully understand. Due to the complexity of a potential conversion, we have created this checklist to help you determine if you need additional information before proceeding with a Roth conversion. Please check yes or no to each of the questions below. There are no right or wrong answers; the impact a conversion could have is unique to you and your situation.

1. Are there differences between IRAs and Roth IRAs you do not fully understand?
Before you consider converting you should have a full understanding of the rules and taxability of each type of account.
 Yes No
2. Are you collecting Social Security, or will you be collecting Social Security during the period the conversion creates taxable income.
 Yes No
3. Are you aware that the premiums you pay for Medicare Part B are based on your income and that by converting you may pay more for Medicare?
 Yes No
4. Will the conversion from IRA to Roth IRA potentially move you into a higher tax bracket?
 Yes No
5. Do you think, independent of the taxable income associated with a potential conversion, you could be in either a higher or a lower tax bracket in the future?
 Yes No
6. Is there a possibility you could incur greater medical expenses in the future?
 Yes No
7. Are you aware that if you have qualifying medical expenses that exceed 7.5% of your AGI you may be able to get money out of your IRA tax free?
 Yes No
8. Do you understand how to do a Roth recharacterization to a traditional IRA and the time constraints in case you lose money in your Roth IRA or change your mind?
 Yes No

Depending on how you answer these questions a Roth conversion may or may not be right for you and you should more fully analyze the current and future impact a conversion could have on you. We at Lineweaver Financial Group would appreciate the opportunity to help you with this analysis. Please call us today to schedule a time to meet regarding a Roth conversion.

IRA Compared to Roth IRA

	IRA	Roth IRA
Deduct Contributions	Yes	No
Taxes on Distributions < 59 1/2	Yes & 10% Penalty	Yes on Gain & 10% Penalty
Taxes on Distributions > 59 1/2	Yes	No
Required Minimum Distributions > 70 1/2	Yes	No
Eligibility > 70 1/2	No	Yes

Disclaimers:

- 1) *This material is provided for general and educational purposes only and is not intended as tax, legal or investment advice (or for use to avoid penalties that may be imposed under U.S. Federal tax laws). Please consult your tax advisor for advice regarding your personal tax situation.*
- 2) *Conversion from a traditional IRA to a Roth first requires paying taxes on any pre-tax contributions, plus any gains. Additionally, the money used to pay these taxes cannot come from you traditional IRA without a 10% penalty, if you are under age 59 1/2.*
- 3) *Converted amounts can be distributed without penalty after five years, beginning January 1 of the year of conversion and ending on December 31 of the fifth year. Each conversion has a separate five-year holding period. If you are under 59 1/2 and take a distribution of converted amounts prior to the five-year holding period you may be subject to the 10 percent premature penalty. Distribution of earnings before completing a five-year holding period and attaining age 59 1/2 may be subject to tax and 10 percent penalty.*



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