



# Roth IRA Conversions



## OPPORTUNITY CONCEPT

- » Tax diversification provides greater flexibility in retirement income planning. A mix of after-tax, tax-deferred, and tax-free investment accounts help to optimize lower tax brackets, while allowing for greater income without substantially increasing taxes.
- » For those clients over weighted in assets through a career of saving in a traditional 401k or earning a taxable pension benefit, or even capitalizing on deductible Traditional IRA contributions over many years, converting some of those assets strategically to a Roth IRA can provide significant tax savings for the future.



## IDEAL CUSTOMER

- » Clients who have all or nearly all taxable income sources or assets, especially those who are being pushed into higher tax brackets in their retirement years.
- » Clients dissatisfied with taxes on Required Minimum Distributions (RMDs) that they do not need nor want, since Roth IRAs do not have a required distribution at any age. Plan ahead though; one cannot convert RMDs due for that year.
- » Clients who wish to leave assets in investment accounts longer, or to their heirs tax-free.
- » Clients who are working with earnings exceeding Roth IRA contribution limits. A strategy called a “backdoor Roth contribution” may be appropriate – best used for clients with no other Traditional IRA.



## DESCRIPTION

- » Nothing makes tax planning easier than income that can be received tax free. Clients can convert accounts in whole or in part to a tax-free Roth IRA by paying taxes on the converted amounts now and having growth and access to those funds thereafter, with some limitations.
- » To ease or spread the tax load, clients can strategically set up a series of annual partial conversions in amounts maximizing their desired tax bracket.
- » Market contractions can provide extra incentive to convert a larger number of shares of investments that have declined in value, positioning them for recovery and growth in a tax-free account.
- » CUNA Mutual Group contract owners can elect partial conversions of existing contract amounts, which are treated as rollovers, while continuing the same contract for any amounts that are not converted.



## IMPLEMENTATION PLAN

- » Having control over taxable income in retirement can be advantageous for many reasons.
  1. The more assets converted out of Traditional IRAs or retirement plans reduces or potentially eliminates future amounts of RMDs and associated taxes.
  2. Additional savings can be realized for those who can reduce taxes below certain taxable income thresholds that trigger Medicare surcharges or Social Security taxation, as examples.
  3. Conversions to income for couples who have higher tax brackets when Married Filing Jointly can protect a surviving spouse from higher taxes on the same taxable income when they will file as Single.
  4. Beneficiaries of Roth IRAs will not owe taxes on the inherited account values, although they will have distribution requirements.
- » Considerations a client should be aware of:
  1. Have additional funds available to pay the taxes. Having to draw out of the Roth IRA too soon will defeat the purpose and could penalize distributions.
  2. Funds that are converted have a 5-year holding period, so it is best to plan years ahead of any need for converted Roth distributions.
  3. Start early. RMDs begin on tax-deferred accounts when the owner is age 72 and cannot be converted in the year they are due to be distributed.



### YOUR PRODUCT CONNECTION:

We provide annuities that can be utilized for Roth IRA conversions. Our annuity strategies service different needs of client's retirement phases - accumulation, income and legacy.



### TIPS FROM NEW BUSINESS:

Complete a new application and related paperwork for a new Roth IRA, plus;

- » Transfer/Direct Rollover Request Form (CLS-312) if converting from external annuity contract, or
- » Service form for internal contract conversion - specific to existing contract product type
- » State replacement form (if applicable)

Call the annuity sales team for assistance with Roth IRA conversion options suitable for your client.

### Call CUNA Mutual Annuity Sales Team:



877.345.GROW (4769), Option 1



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# CUNA MUTUAL GROUP

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