

Factors to Consider before Converting to a Roth Account

Factor	How it affects a Roth conversion	Favors:	Does it affect you?	Does the calculator consider this factor?	
				Calculator #1	Calculator #2
Non-deductible contributions make up a significant proportion of the balances in your non-Roth IRA accounts.	You will owe no tax on that proportion of the converted amount.	Conversion			
You are under age 59 ½, and you will have to use money from your IRA to pay the tax on the conversion.	You'll be hit with a 10% penalty on that amount, in addition to regular income tax unless you qualify for an exception.	Traditional IRA			
Your estate is large enough that you expect to owe estate tax.	Taxes you pay now will be removed from your estate, reducing the amount of estate tax owed.	Conversion			
The beneficiary who will inherit the IRA upon your death is in a much lower tax bracket than you.	If you convert, you'll pay more taxes than your heir would.	Traditional IRA			
You don't need the money in your IRAs to live on, and you'd rather leave it all to your heirs.	A Roth IRA (or, as of 2024 a Designated Roth Account) does not have required minimum distributions for the account owner.	Conversion			
You can pay the tax on the conversion without using any of the money from the IRAs you are converting.	You'll owe tax but no penalties, and gain tax-free earnings on a greater amount of money than in your Traditional IRA. It's as if you contributed additional money to your IRAs.	Conversion			

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Your income this year (or the next 2 or more years) is much lower than it will be in future years. Perhaps you've retired but are not yet collecting Social Security or taking distributions from retirement accounts. Or you only worked part of this year.	The tax rate on the conversion may be lower than the rate you'll owe if you wait. RMDs will be larger if you've taken no voluntary distributions prior to age 73.	Conversion			
You plan to leave your IRAs to a charitable organization.	Charities pay no income tax, and your estate won't pay estate tax on amounts left to charitable organizations. Note: You will have to take minimum distributions beginning at age 73. The longer you live, the smaller the balance you'll be leaving to charity and the smaller this advantage will be.	Traditional IRA			
You plan to take substantial Qualified Charitable Distributions (QCDs) from your IRA.	QCDs from your IRA are tax-free. If you plan to distribute much of your account balance this way, there is no need to do a conversion and pay tax.	Traditional IRA			
Your heir has a high income and is in a higher tax bracket than you.	This doesn't impact your personal finances, but it does affect family wealth: a traditional IRA leaves the income tax burden to the heirs.	Conversion			

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You are receiving Social Security benefits and have Medicare.	The additional income from a conversion may cause you to pay tax on 50 to 85% of your Social Security benefits, and it could increase your Medicare premiums significantly.	Traditional IRA			
Without the conversion, your income is very close to the top income for your current tax bracket, or to the threshold for other taxes such as the Net Investment Income tax.	You would only owe the higher rate on the additional money that exceeds the cap for your existing tax bracket. Moving from the 10% to the 12% bracket, or from the 22% to the 24% isn't a big deal. But if you move from 12% to 22%, or from 24% to 32%, that could be a significant amount of money.	Traditional IRA			
You will be applying for financial aid for college for yourself, your spouse, or a child next year.	<i>Income</i> from a conversion could reduce the amount of financial aid, whereas <i>balances</i> in retirement accounts are not considered in the federal financial aid formula.	Traditional IRA			
You have a family member in college, and your income is within the limits for tax breaks such as the American Opportunity Tax Credit or Student Loan Interest income adjustment.	The additional income from the conversion may cause you to lose these tax breaks.	Traditional IRA			