

## **Roth Conversions**

You probably know that the IRS requires you to start taking mandatory distributions from your IRA when you turn 70 1/2, even if you don't actually need the money. But can you do a Roth conversion at that late date, and thereby defer distributions forever?

The answer is that you CAN do a Roth conversion at any time, including after age 70 1/2. But that might not be ideal tax planning. Why? Because at the time of the conversion, you would have to pay ordinary income taxes on the amount converted—basically, paying Uncle Sam up-front for what you would owe on all future distributions. So, from a tax standpoint, you're either paying taxes on yearly distributions or all at once. (Or, if it's a partial conversion, on the amount transferred over.) If the goal was to avoid having to pay taxes on that money until you needed it, the conversion kind of defeats the purpose.

The traditional reason people made Roth conversions was to pay taxes at a lower rate today than the rate they expect to have to pay on distributions in the future. They might also want to convert in order to leave the Roth IRA dollars to heirs who might be in a higher tax bracket. But with the new Republican Administration taking over, and Republicans controlling both houses of Congress, tax rates are odds-on favorites to go down, not up, in the near future.

If you still want to go ahead and make a conversion after the mandatory distribution date, the law says that you have to take your mandatory withdrawal from your IRA before you do your conversion.

*By Bob Veres, publisher of [Inside Information](#) - the premier publication of financial industry trends and information for leading practitioners in the financial planning profession.*