

Roth: two decisions. One starting point.

QUALIFY FIRST / UNDERSTAND THE NUMBERS SECOND

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Not tax, legal or investment advice.

Path A / Should an existing traditional IRA be converted?

A Roth moves the tax decision forward: an eligible conversion generally creates taxable income now; qualified Roth withdrawals are tax-free later. A traditional IRA generally defers tax until withdrawal. Neither is automatically better.

Five readiness questions - a Yes starts the conversation

- 1. Can I separate existing IRA money from future contributions?
- 2. Do I know my IRA basis and workplace-plan coverage?
- 3. Can I estimate current and future taxes with a tax professional?
- 4. Can I protect near-term cash and choose a meaningful time horizon?
- 5. Am I ready to compare equal resources, risks and access restrictions?

No or not sure? Identify the missing fact before interpreting the numbers. These are readiness questions, not legal eligibility tests.

Eligibility first - then the illustration

Conversions have no direct-Roth income ceiling, annual contribution cap, or compensation requirement. Confirm an eligible owned account; required minimum distributions cannot be converted. Inherited and SIMPLE IRA situations need separate review. Nondeductible basis is aggregated across traditional, SEP and SIMPLE IRAs, not isolated to a chosen account.

The fictional napkin math / outside cash pays the tax

\$100,000 fully pretax IRA (no aggregate IRA basis); supplied incremental conversion tax \$24,000; outside cash \$30,000. Both paths start with the same \$124,000 of compared resources; the other \$6,000 cancels equally. Horizon 15 years; IRA/Roth return 5% after fees; retained tax cash return 3% after tax and fees. Future tax on the entire retained IRA withdrawal: 24%.

Illustrated ending resources	Value
Convert: qualified Roth balance	\$207,893
Retain: after-tax IRA + retained tax cash	\$195,390
Convert minus retain	\$12,503

Retained tax cash grows to \$37,391. Conversion tax is a cost paid now, not a deduction, cash gift, or promised saving. No tax is withheld from the IRA in this model.

Future-rate sensitivity: at 19%, 24%, and 29%, convert minus retain is \$2,108, \$12,503, \$22,898. Only the future rate changes; these are not forecasts.

Professional review: verify incremental tax, basis, RMDs, bracket interactions, state tax and benefits/premium effects. A completed conversion cannot be recharacterized back. Qualified-distribution and early-access rules differ; see the next page.

Future contributions: traditional or Roth?

TAX TIMING / ELIGIBILITY / EQUAL-COST COMPARISON

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Path B / Where should future IRA contributions go?

An IRA is an optional retirement account, not something everyone needs. A deductible traditional IRA may reduce current taxable income; Roth contributions are not deductible. A traditional contribution may be allowed even when its deduction is not. A separate test governs direct Roth eligibility.

2026 limits / ability to contribute is not deductibility

The combined traditional + Roth IRA limit is **\$7,500**, plus **\$1,100 at age 50 or older by year-end** (\$8,600 total). No age 60-63 IRA super catch-up. Eligible compensation and prior contributions may lower the amount available; qualifying joint-return spousal rules can matter. IRA contribution eligibility has no upper age limit.

Direct Roth MAGI phaseout	2026 range
Single / head of household; MFS lived apart all year	\$153,000-\$168,000
Married filing jointly / qualifying surviving spouse	\$242,000-\$252,000
MFS and lived with spouse at any time	\$0-\$10,000

At or below the lower boundary generally allows the full income-based Roth limit; inside the range requires the IRS partial-limit worksheet; at or above the upper boundary no direct contribution. MFS cohabitation: \$0 permits the full income-based limit; above \$0 the phaseout applies. Confirm Roth-specific MAGI, not salary or automatically the deduction MAGI.

Traditional deduction: if neither spouse is covered at work, no income phaseout. If the contributor is covered: single/HOH \$81,000-\$91,000; MFJ/QSS \$129,000-\$149,000. If only the spouse is covered, MFJ \$242,000-\$252,000. MFS cohabitation and either covered: \$0-\$10,000. Other filing/coverage cases and partial deductions require IRS review.

Fictional contribution comparison / equal economic cost

Age 52; single; eligible compensation \$100,000; no workplace coverage; Roth MAGI and deduction MAGI each \$100,000; no prior IRA contributions. This example has full Roth availability and full deductibility, with an \$8,600 combined ceiling. The alternatives below are **not both contributed**.

One-time alternative	Contribution now	After 15 years
Fully deductible traditional	\$7,500	\$11,850 after tax
Roth	\$5,700	\$11,850 qualified

Same \$7,500 pretax economic budget: the assumed 24% current tax saving makes a \$7,500 deductible contribution cost \$5,700 net, equal to the Roth contribution. Both earn 5%; the traditional endpoint is taxed at 24%. Equal rates produce equal illustrated values. At a lower future rate traditional is higher; at a higher rate Roth is higher. Partial/no deduction is outside this simplified comparison.

Next: a coordinated professional conversation

Take the final comprehensive review to a CEPA-credentialed, Q4-trained financial advisor, coordinated with your CPA/tax professional. Verify eligibility, compensation, MAGI, basis, taxes and liquidity before choosing either path. Credentials do not replace tax or legal advice.

Limits: constant nominal returns and rates; no inflation, changing brackets, state-tax modeling, fees beyond entered net returns, or benefits/credit interactions. Roth tax-free qualification generally requires the five-tax-year rule plus age 59 1/2 or another qualifying condition. Separate conversion five-year early-distribution rules may apply.

Official references: IRS 2026 limits; Publication 590-A (contributions/conversions); Form 8606 instructions (basis); Publication 590-B (distributions). Limits verified for 2026; illustrations are assumptions, not IRS projections.