EDUCATIONAL PLANNING GUIDE

Roth, IRMAA & RMD Decision Guide

A plain-language framework for evaluating Roth conversions as part of a multi-year retirement income plan.

One decision changes the next

PlannedWell helps clients and their professionals coordinate tax decisions with healthcare, retirement income, business, estate, and family priorities.

PLANNEDWELL

Tax Advisors

Tax preparation and proactive planning aligned with your broader financial life.

THE CONNECTED DECISION

A Roth conversion is never only about today's tax bracket.

Moving money from a pre-tax retirement account to a Roth account generally creates taxable income in the conversion year. The potential benefit appears over time: a different balance between taxable, tax-deferred, and Roth assets and greater flexibility in future withdrawal decisions.

The right question is not, 'Should we convert?' It is, 'How much income, if any, should we intentionally recognize this year after considering every connected cost and future benefit?'

Think in a range, not an answer

A good analysis compares multiple conversion amounts, including doing nothing, and shows the tax cost, cash required, Medicare or Marketplace effects, future required distributions, and estate implications of each path.

What the model should include

Current-year tax

Ordinary income, deductions, credits, investment income, capital gains, state taxes, and available cash to pay the tax.

Healthcare

Marketplace coverage before Medicare and potential Part B and Part D IRMAA after Medicare enrollment.

Future distributions

Expected required distributions, pensions, Social Security, business income, and other sources that may fill later brackets.

Portfolio location

The long-term role of pre-tax, Roth, HSA, and taxable assets and the liquidity available outside retirement accounts.

Estate and heirs

Who is likely to inherit the assets, the expected distribution rules, charitable intentions, and the heirs' possible tax circumstances.

Flexibility

Whether the conversion creates more options later or consumes cash and tax capacity needed for another goal.

A MULTI-YEAR FRAMEWORK

Find the years when income is most controllable

The years around retirement can create a temporary tax window: wages may have stopped, while Social Security, pensions, and required distributions have not fully begun. That window does not automatically make a conversion wise, but it makes deliberate modeling more valuable.

The annual decision sequence

1. Project income and deductions without a conversion.
2. Identify the household's available cash and near-term spending needs.
3. Model several conversion amounts and their federal and state tax effects.
4. Test the interaction with capital gains, Marketplace coverage, Medicare IRMAA, credits, and other income-sensitive items.
5. Compare future required distributions and the projected account mix under each option.
6. Consider heirs, charitable goals, and the surviving spouse's future filing status.
7. Choose an amount only after the current-year information is sufficiently complete, then verify withholding or estimated payments.

Remember the two-year Medicare connection

Medicare generally determines income-related premium adjustments using tax-return information from two years earlier. A conversion can therefore affect a later premium year even when the conversion occurs before or shortly after Medicare begins.

Reasons a smaller conversion may be better

- The additional income changes healthcare costs or other income-sensitive items
- Cash to pay the tax is limited or needed for near-term spending
- A large gain, bonus, property sale, or other income event already fills the year
- The household expects a future low-income year with more favorable conditions
- State residency may change

MEETING WORKSHEET

Bring one set of assumptions to every professional

Income and tax

- Year-to-date wages, business income, pensions, Social Security, interest, dividends, gains, and rental activity
- Expected deductions, charitable gifts, credits, and loss carryovers
- Prior-year return and current-year projection
- Federal and state estimated payments and withholding

Accounts and cash

- Traditional IRA, employer plan, Roth, HSA, taxable, and cash balances
- Expected spending for the next three years
- Source of conversion-tax payments
- Required distribution projections and pension elections

Healthcare and household

- Current coverage, Medicare status, and upcoming eligibility dates
- Recent IRMAA notices or premium information
- Expected retirement, move, sale, or other life-changing events
- Estate beneficiaries, charitable intentions, and likely survivor circumstances

The decision output

Ask for a one-page comparison showing at least: no conversion, a moderate conversion, and a higher conversion. The comparison should show current tax, healthcare interactions, future account balances, projected required distributions, and key assumptions.

Questions to ask

- What problem are we trying to solve, and which assumptions matter most?
- What other decision becomes more expensive if income increases?
- How will the tax be paid, what could change the analysis, and when will we revisit the decision?

OFFICIAL REFERENCES

Use these official sources for current rules, deadlines, limits, and enrollment details.

- IRS: Roth IRAs
  https://www.irs.gov/retirement-plans/roth-iras
- IRS: IRA distributions and required minimum distributions
  https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals
- IRS: Retirement plan and IRA RMD FAQs
  https://www.irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs
- Medicare.gov: Medicare costs and income-related premiums
  https://www.medicare.gov/basics/costs/medicare-costs
- Social Security: Plan for Medicare and request to lower IRMAA
  https://www.ssa.gov/medicare

Important notice

This guide is for general educational purposes only. It is not individualized tax, legal, investment, insurance, or medical advice and does not create a professional relationship. Rules, thresholds, plan terms, and individual circumstances change. Consult the appropriate qualified professionals before acting.