*Presentation:*Advanced Roth Conversion Strategies

*Presenter:*

Michael E. Kitces, MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL is the Chief Financial Planning Nerd at Kitces.com, dedicated to advancing knowledge in financial planning and helping to make financial advisors better and more successful.

In addition, he is the Head of Planning Strategy at Focus Wealth Partners, the co-founder of the XY Planning Network, AdvicePay, New Planner Recruiting, fpPathfinder, and FA BeanCounters, the former Practitioner Editor of the Journal of Financial Planning, the host of the Financial Advisor Success podcast, and the publisher of the popular financial planning industry blog Nerd’s Eye View.

In 2010, Michael was recognized with one of the FPA’s “Heart of Financial Planning” awards for his dedication and work in advancing the profession.

*Session Description:*

The natural appeal of a Roth-style retirement account is the potential for tax-free growth for life. However, the reality is that creating a Roth account has a “cost” – the upfront tax liability of contributing to (or converting into) the account, which is avoided with a traditional pre-tax IRA or 401(k). As a result, optimal Roth strategies involve not merely contributing to or converting into Roths, but managing the timing and leveraging the available tax law to maximize the strategy. In this session, we explore techniques to maximize Roth contributions, including so-called “Backdoor Roth” IRAs and “Mega Backdoor Roth” 401(k) strategies, and leveraging the Roth recharacterization rules to optimally fill lower tax brackets, and be able to ensure that an investment in a Roth has a positive return before being required to commit to it!

*Learning Objectives:*

- LO #1: Compare and contrast the basics of a Traditional versus Roth IRA.

- LO #2: Explain the *tax equivalency principal* and calculate the amount of after-tax contributions needed to equal the same amount of pre-tax contributions given various tax rates and pre-tax contribution amounts.

- LO #3: Identify the “Backdoor” Roth IRA strategy and the considerations for using it.

- LO #4: Identify the Mega “Backdoor” Roth IRA Strategy and the rules for successfully implementing the strategy.

- LO #5: Explain partial Roth conversion strategies and the additional tax planning flexibility they provide.

*Level of Complexity:*

- Advanced

*Topic Area(s):*

- Income Tax Planning / Retirement Planning / Estate Planning

*Hour(s) of CE:*

- 1.0 hour

*Outline:*

* Introduction/overview of contributing to an IRA vs. Roth IRA 4 minutes
* Factors of Roth comparisons
  + Tax equivalency principle 5 minutes
  + Changes in tax rates impact 3 minutes
  + Lesser Roth vs. Traditional IRA considerations 1 minute
* Roth conversion strategies
  + Introduction 1 minute
  + “Backdoor” Roth IRA Contributions 10 minutes
  + Mega “Backdoor” Roth IRA 10 minutes
  + Partial Roth Conversions 10 minutes
  + Other Considerations 1 minute
* Summary & Conclusion 5 minutes

***Total: 50 minutes***