



Roth IRA

C O N V E R S I O N

For Duece Lane

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Table of Contents

Important Notes	1
Retirement Savings Options	2
Comparing IRA with Roth IRA Conversion	4
Keep Traditional IRA	5
Convert IRA to Roth IRA	7
Convert IRA to Roth IRA after Taxes	9
Understanding IRAs, Roth IRAs, Conversions	11
Sources of Liquidity	13
Potential Taxes before Retirement	14
Calculating IRD Income Taxes for Qualified Plans	15
Assumptions	16

Important Notes

These pages depict certain wealth preservation strategies concerning possible methods for taking distributions from your qualified retirement plan. For purposes of this analysis, several of your qualified retirement plans may be aggregated and shown as one single plan.

This report provides only broad, general guidelines, which may be helpful in shaping your thinking about and discussing your wealth preservation needs with your professional advisors.

Each scenario shown illustrates your current situation or an alternative scenario and its possible effects on the financial situation you provided. Inclusion of one or more of these scenarios does not constitute a recommendation of that scenario over any other scenario.

Calculations contained in this analysis are estimates only based on the information you provided, such as the value of your assets today, and the rate at which the assets appreciate. Rates of return will vary over time, particularly for long-term investments. The actual values, rates of growth, and tax rates may be significantly different from those illustrated. These assumptions are only a “best guess.” It is unlikely that any one rate of return will be sustainable over a long period of time.

The Setting Every Community Up for Retirement Enhancement (SECURE) Act became Public Law No. 116-94 on December 20, 2019.

Strategies may be proposed to support the purchase of various products such as insurance and other financial products. When this occurs, additional information about the specific product (including a prospectus, if required, or an insurer provided policy illustration) will be provided for your review.

IMPORTANT: The projections or other information contained in this report, and generated by this analysis tool (Qualified Plan Concepts) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual results and are not guarantees of future results.

This tool and support materials are designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice. You should discuss all strategies with your legal, tax, and financial advisors.

Broker-Dealer disclosure go [here!](#)

Retirement Savings Options

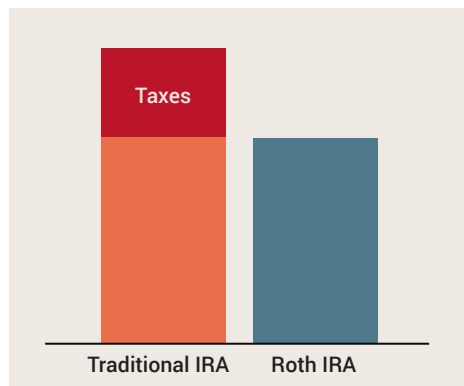
IRA vs. Roth vs. Taxable Accounts

Pay Taxes Now or Later?

The deciding factor between choosing an IRA or Roth IRA is whether you prefer paying taxes on your contributions (Roth IRA) or on your distributions (Traditional IRA). So when will your taxes be higher – during your working years or during retirement? When comparing, be sure to consider your income level during each phase (both income and withdrawals from assets), in addition to potential legislative changes.

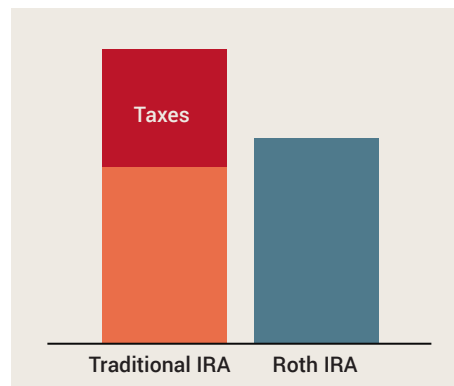
Taxes Stay the Same

Both are Equal



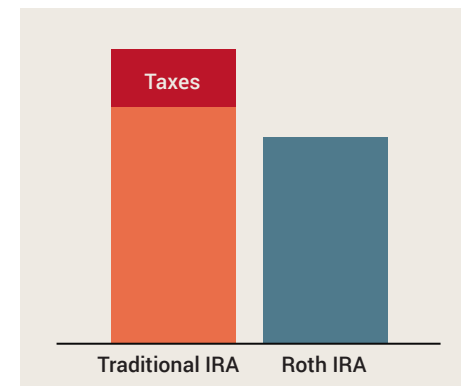
Taxes Higher in Retirement

Roth IRA is Better



Taxes Lower in Retirement

Traditional IRA is Better



(Conceptual purposes only. See your personalized illustration for information based on your specific circumstances.)

The Flexibility of the Roth IRA

A major advantage of the Roth IRA is the flexibility of distributions before and during retirement:

- Withdrawals from Traditional IRAs may be subject to an additional 10% penalty tax, with some exceptions, while there is no penalty tax on withdrawals of contributions from a Roth IRA (assuming distributions are qualified and not from assets converted within 5 years)
- Required Distributions (after 72 – Traditional IRAs require minimum distributions each year, while a Roth IRA has no required distributions for the Roth IRA owner.

The Case Against "Taxable Accounts" (Savings Accounts)

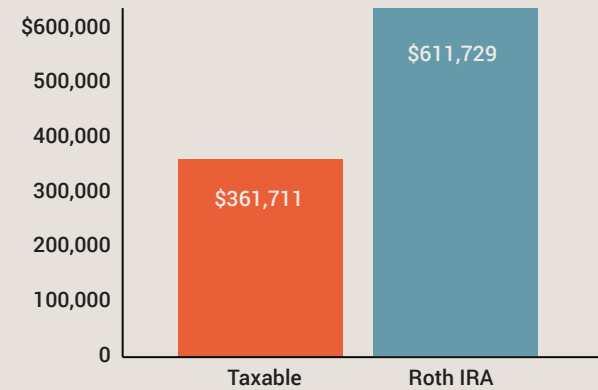
Contributions to taxable accounts are made after-tax (just like a Roth IRA), but unlike a Roth IRA, interest and dividends generated are taxable each year, and capital gains taxes are due when liquidating an investment held for more than a year.

This combination of taxes can significantly reduce your ability to accumulate retirement funds over the long-term, and may affect or limit your investment options and the frequency of changes to your investments over the long-term. The upside is that there are no penalties or restrictions on withdrawals from taxable accounts before retirement, making them perfect for short-term savings.

Use taxable accounts for short-term savings.

Use IRAs and Roth IRAs for long-term retirement funding.

Taxable Account vs Roth IRA



These graphs compare account balances after 30 years of \$5,000 annual contributions (after tax) growing at 8%. All growth in the taxable account is taxed each year at 35% while the Roth IRA grows tax free.

Comparing IRA with Roth IRA Conversion

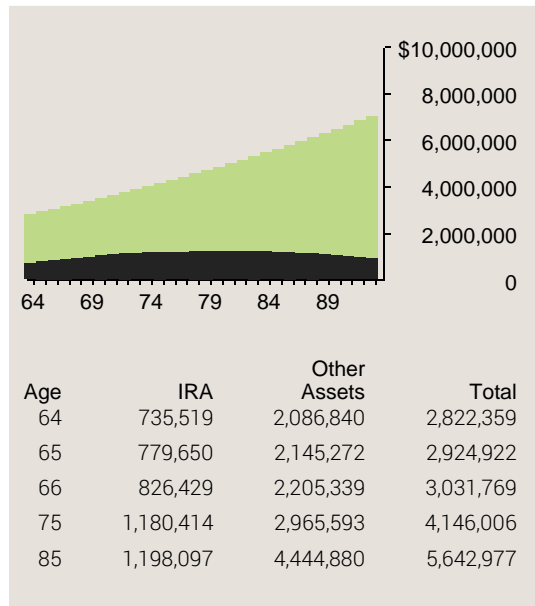
Should I Convert to a Roth IRA? How Should I Pay the Taxes?

Initial Value of IRA: **\$517,000**—Duece considers conversion in 2022 to Roth IRA

A Traditional IRA may be converted to a Roth IRA, but income taxes are generally paid on the taxable amount of the Traditional IRA converted to Roth IRA. In exchange, qualified distributions from the Roth IRA are received income tax-free.

Traditional IRA

No Conversion Taxes

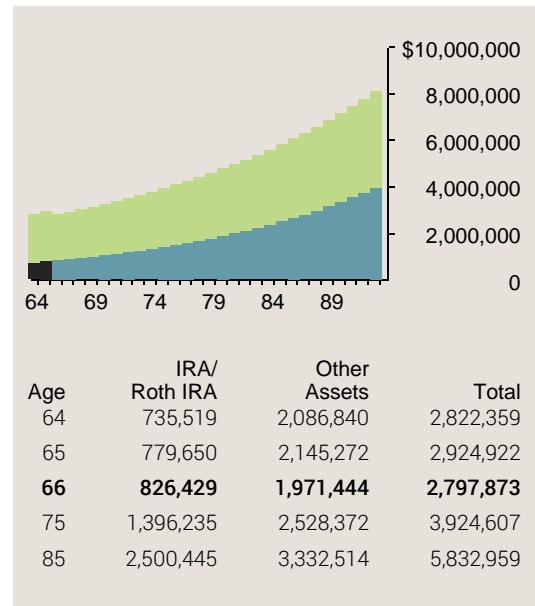


Total Funds if Death at Age 93

\$6,783,984¹

Roth IRA

Using Other Assets for Taxes²

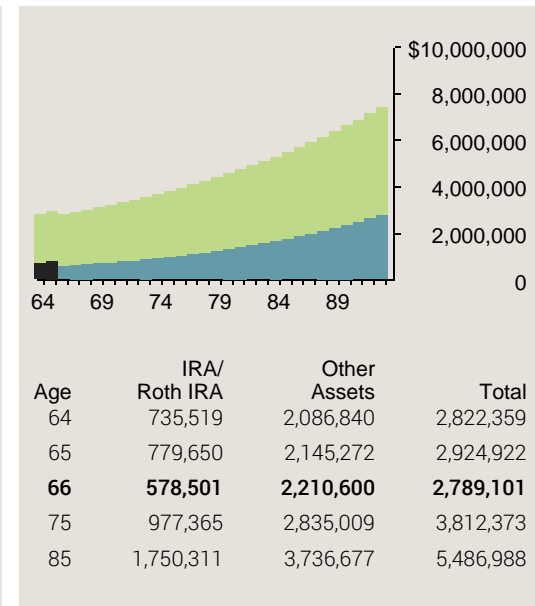


Total Funds if Death at Age 93

\$8,141,725

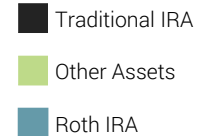
Roth IRA

Using IRA for Taxes²



Total Funds if Death at Age 93

\$7,450,208



¹ For comparison purposes, decedent's income taxes due of \$279,228 have been deducted from the Traditional IRA value at death of \$930,761. The net to heirs is \$6,783,984.

² Income tax rates are assumed to be 30%. Example assumes the net distributions after taxes are deposited into the Other Assets.

Lifetime Values—Traditional IRA

Keeping Traditional IRA

\$ Initial Value of IRA: **\$517,000**

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Traditional IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁷	Net All Other Assets ⁷	Qualified & All Other Assets
2020	64		41,633	0	735,519	30.0%	0	0	2,086,840	0	2,086,840	2,822,359
2021	65		44,131	0	779,650	30.0%	0	0	2,145,272	0	2,145,272	2,924,922
2022	66		46,779	0	826,429	30.0%	0	0	2,205,339	0	2,205,339	3,031,769
2023	67		49,586	0	876,015	30.0%	0	0	2,267,089	0	2,267,089	3,143,104
2024	68		52,561	0	928,576	30.0%	0	0	2,330,567	0	2,330,567	3,259,143
2025	69		55,715	0	984,291	30.0%	0	0	2,395,823	0	2,395,823	3,380,114
2026	70		59,057	0	1,043,348	30.0%	0	0	2,462,906	0	2,462,906	3,506,254
2027	71		62,601	0	1,105,949	30.0%	0	0	2,531,867	0	2,531,867	3,637,816
2028	72	25.6	63,987	43,201	1,126,735	30.0%	0	43,201	2,645,961	12,960	2,633,000	3,759,735
2029	73	24.7	65,101	45,617	1,146,219	30.0%	12,960	32,656	2,752,704	13,685	2,739,019	3,885,238
2030	74	23.8	66,131	48,160	1,164,189	30.0%	13,685	34,475	2,864,255	14,448	2,849,807	4,013,997
2031	75	22.9	67,062	50,838	1,180,414	30.0%	14,448	36,390	2,980,844	15,251	2,965,593	4,146,006
2032	76	22.0	67,881	53,655	1,194,639	30.0%	15,251	38,404	3,102,712	16,097	3,086,615	4,281,255
2033	77	21.2	68,587	56,351	1,206,875	30.0%	16,097	40,254	3,229,842	16,905	3,212,937	4,419,812
2034	78	20.3	69,151	59,452	1,216,574	30.0%	16,905	42,547	3,362,824	17,836	3,344,989	4,561,563
2035	79	19.5	69,571	62,388	1,223,757	30.0%	17,836	44,553	3,501,536	18,717	3,482,820	4,706,577
2036	80	18.7	69,835	65,442	1,228,150	30.0%	18,717	46,725	3,646,304	19,632	3,626,672	4,854,822
2037	81	17.9	69,925	68,612	1,229,463	30.0%	19,632	48,979	3,797,380	20,584	3,776,796	5,006,260
2038	82	17.1	69,823	71,898	1,227,388	30.0%	20,584	51,315	3,955,022	21,570	3,933,452	5,160,840
2039	83	16.3	69,512	75,300	1,221,600	30.0%	21,570	53,730	4,119,492	22,590	4,096,903	5,318,502

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan earns 6.000% interest. Also includes Employer Contributions and Salary Reductions, if any.

³ Actual Distribution is the greater of the distribution required to generate the Desired Distributions (see Assumptions pages) or Required Minimum Distribution.

⁴ Taxes and any applicable penalties are paid at the start of the calendar year following the tax liability. See the Assumptions pages for information on distributions from a Traditional IRA with an original after-tax amount of \$0.

⁵ Actual Distributions less Taxes and Penalties.

⁶ All Other Assets and Cumulative Reinvested Distributions are assumed to earn 4.000% interest and are taxed at a 30.00% income tax rate.

⁷ Net of liability for income taxes and any penalties.

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Traditional IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁷	Net All Other Assets ⁷	Qualified & All Other Assets
2040	84	15.5	68,972	78,813	1,211,759	30.0%	22,590	56,223	4,291,061	23,644	4,267,417	5,479,176
2041	85	14.8	68,213	81,876	1,198,097	30.0%	23,644	58,232	4,469,443	24,563	4,444,880	5,642,977
2042	86	14.1	67,224	84,971	1,180,349	30.0%	24,563	60,409	4,654,996	25,491	4,629,504	5,809,853
2043	87	13.4	65,988	88,086	1,158,251	30.0%	25,491	62,594	4,847,930	26,426	4,821,504	5,979,756
2044	88	12.7	64,491	91,201	1,131,542	30.0%	26,426	64,775	5,048,447	27,360	5,021,087	6,152,629
2045	89	12.0	62,719	94,295	1,099,966	30.0%	27,360	66,935	5,256,739	28,289	5,228,450	6,328,416
2046	90	11.4	60,704	96,488	1,064,181	30.0%	28,289	68,200	5,472,127	28,946	5,443,180	6,507,362
2047	91	10.8	58,445	98,535	1,024,091	30.0%	28,946	69,589	5,694,935	29,561	5,665,375	6,689,466
2048	92	10.2	55,937	100,401	979,627	30.0%	29,561	70,840	5,925,234	30,120	5,895,114	6,874,740
2049	93	9.6	53,179	102,044	930,761	30.0%	30,120	71,924	6,163,065	30,613	6,132,451	7,063,212

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

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Lifetime Values—Converting Traditional IRA to Roth IRA

Converting Traditional IRA to Roth IRA Using Other Assets for Taxes

\$ Initial Value of IRA: **\$517,000**

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Traditional IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2020	64		41,633	0	735,519	30.0%	0	0	2,086,840	0	2,086,840	2,822,359
2021	65		44,131	0	779,650	30.0%	0	0	2,145,272	0	2,145,272	2,924,922

↻ Convert \$779,650 to a Roth IRA in January 2022.

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Roth IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2022	66		826,429	0	826,429	30.0%	0	0	2,205,339	233,895	1,971,444	2,797,873
2023	67		49,586	0	876,015	30.0%	233,895	-233,895	2,027,197	0	2,027,197	2,903,212
2024	68		52,561	0	928,576	30.0%	0	0	2,083,959	0	2,083,959	3,012,535
2025	69		55,715	0	984,291	30.0%	0	0	2,142,309	0	2,142,309	3,126,600
2026	70		59,057	0	1,043,348	30.0%	0	0	2,202,294	0	2,202,294	3,245,642
2027	71		62,601	0	1,105,949	30.0%	0	0	2,263,958	0	2,263,958	3,369,907
2028	72		66,357	0	1,172,306	30.0%	0	0	2,327,349	0	2,327,349	3,499,655
2029	73		70,338	0	1,242,644	30.0%	0	0	2,392,515	0	2,392,515	3,635,159
2030	74		74,559	0	1,317,203	30.0%	0	0	2,459,505	0	2,459,505	3,776,708
2031	75		79,032	0	1,396,235	30.0%	0	0	2,528,372	0	2,528,372	3,924,607
2032	76		83,774	0	1,480,009	30.0%	0	0	2,599,166	0	2,599,166	4,079,175
2033	77		88,801	0	1,568,810	30.0%	0	0	2,671,943	0	2,671,943	4,240,752
2034	78		94,129	0	1,662,938	30.0%	0	0	2,746,757	0	2,746,757	4,409,695
2035	79		99,776	0	1,762,715	30.0%	0	0	2,823,666	0	2,823,666	4,586,381
2036	80		105,763	0	1,868,478	30.0%	0	0	2,902,729	0	2,902,729	4,771,206

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan/Roth IRA earns 6.000% interest. Also includes Employer Contributions and Salary Reductions, if any. After Roth Conversion, also includes amount converted to Roth IRA.

³ Actual Distribution is the greater of the distribution required to generate the Desired Distributions (see Assumptions pages) or Required Minimum Distribution. After Roth Conversion, Other Assets are used to the extent possible to pay income taxes on Traditional IRA taxable amounts converted to Roth IRA.

⁴ Taxes and any applicable penalties are paid at the start of the calendar year following the tax liability. See the Assumptions pages for information on distributions from a Traditional IRA with an original after-tax amount of \$0. After Roth Conversion, includes the estimated income taxes on the Traditional IRA taxable amount converted to Roth IRA, except for any after-tax amount.

⁵ Actual Distributions less Taxes and Penalties. After Roth Conversion, Other Assets are used to the extent possible to pay the income taxes on Traditional IRA taxable amounts converted to Roth IRA.

⁶ All Other Assets and Cumulative Reinvested Distributions are assumed to earn 4.000% interest and are taxed at a 30.00% income tax rate.

⁷ Net of liability for income taxes and any penalties.

Lifetime Values—Converting Traditional IRA to Roth IRA

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Roth IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2037	81		112,109	0	1,980,586	30.0%	0	0	2,984,005	0	2,984,005	4,964,592
2038	82		118,835	0	2,099,421	30.0%	0	0	3,067,557	0	3,067,557	5,166,979
2039	83		125,965	0	2,225,387	30.0%	0	0	3,153,449	0	3,153,449	5,378,836
2040	84		133,523	0	2,358,910	30.0%	0	0	3,241,746	0	3,241,746	5,600,656
2041	85		141,535	0	2,500,445	30.0%	0	0	3,332,514	0	3,332,514	5,832,959
2042	86		150,027	0	2,650,471	30.0%	0	0	3,425,825	0	3,425,825	6,076,296
2043	87		159,028	0	2,809,499	30.0%	0	0	3,521,748	0	3,521,748	6,331,247
2044	88		168,570	0	2,978,069	30.0%	0	0	3,620,357	0	3,620,357	6,598,426
2045	89		178,684	0	3,156,754	30.0%	0	0	3,721,727	0	3,721,727	6,878,481
2046	90		189,405	0	3,346,159	30.0%	0	0	3,825,935	0	3,825,935	7,172,094
2047	91		200,770	0	3,546,928	30.0%	0	0	3,933,061	0	3,933,061	7,479,990
2048	92		212,816	0	3,759,744	30.0%	0	0	4,043,187	0	4,043,187	7,802,931
2049	93		225,585	0	3,985,329	30.0%	0	0	4,156,396	0	4,156,396	8,141,725

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan/Roth IRA earns 6.000% interest. Also includes Employer Contributions and Salary Reductions, if any. After Roth Conversion, also includes amount converted to Roth IRA.

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Lifetime Values—Converting Traditional IRA to Roth IRA

Converting Traditional IRA to Roth IRA Using IRA for Taxes

\$ Initial Value of IRA: **\$517,000**

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Traditional IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2020	64		41,633	0	735,519	30.0%	0	0	2,086,840	0	2,086,840	2,822,359
2021	65		44,131	0	779,650	30.0%	0	0	2,145,272	0	2,145,272	2,924,922

↻ Convert \$545,755 to a Roth IRA in January 2022.

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Roth IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2022	66		578,501	0	578,501	30.0%	0	233,895	2,445,783	235,183	2,210,600	2,789,101
2023	67		34,710	0	613,211	30.0%	235,183	-235,183	2,273,053	0	2,273,053	2,886,263
2024	68		36,793	0	650,003	30.0%	0	0	2,336,698	0	2,336,698	2,986,701
2025	69		39,000	0	689,003	30.0%	0	0	2,402,126	0	2,402,126	3,091,129
2026	70		41,340	0	730,344	30.0%	0	0	2,469,385	0	2,469,385	3,199,729
2027	71		43,821	0	774,164	30.0%	0	0	2,538,528	0	2,538,528	3,312,692
2028	72		46,450	0	820,614	30.0%	0	0	2,609,607	0	2,609,607	3,430,221
2029	73		49,237	0	869,851	30.0%	0	0	2,682,676	0	2,682,676	3,552,527
2030	74		52,191	0	922,042	30.0%	0	0	2,757,791	0	2,757,791	3,679,833
2031	75		55,323	0	977,365	30.0%	0	0	2,835,009	0	2,835,009	3,812,373
2032	76		58,642	0	1,036,006	30.0%	0	0	2,914,389	0	2,914,389	3,950,396
2033	77		62,160	0	1,098,167	30.0%	0	0	2,995,992	0	2,995,992	4,094,159
2034	78		65,890	0	1,164,057	30.0%	0	0	3,079,880	0	3,079,880	4,243,937
2035	79		69,843	0	1,233,900	30.0%	0	0	3,166,116	0	3,166,116	4,400,017
2036	80		74,034	0	1,307,934	30.0%	0	0	3,254,768	0	3,254,768	4,562,702

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan/Roth IRA earns 6.000% interest. Also includes Employer Contributions and Salary Reductions, if any. After Roth Conversion, also includes amount converted to Roth IRA.

³ Actual Distribution is the greater of the distribution required to generate the Desired Distributions (see Assumptions pages) or Required Minimum Distribution.

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⁶ All Other Assets and Cumulative Reinvested Distributions are assumed to earn 4.000% interest and are taxed at a 30.00% income tax rate.

⁷ Net of liability for income taxes and any penalties.

Lifetime Values—Converting Traditional IRA to Roth IRA

Year	Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Roth IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2037	81		78,476	0	1,386,410	30.0%	0	0	3,345,901	0	3,345,901	4,732,312
2038	82		83,185	0	1,469,595	30.0%	0	0	3,439,586	0	3,439,586	4,909,181
2039	83		88,176	0	1,557,771	30.0%	0	0	3,535,895	0	3,535,895	5,093,666
2040	84		93,466	0	1,651,237	30.0%	0	0	3,634,900	0	3,634,900	5,286,137
2041	85		99,074	0	1,750,311	30.0%	0	0	3,736,677	0	3,736,677	5,486,988
2042	86		105,019	0	1,855,330	30.0%	0	0	3,841,304	0	3,841,304	5,696,634
2043	87		111,320	0	1,966,650	30.0%	0	0	3,948,861	0	3,948,861	5,915,510
2044	88		117,999	0	2,084,649	30.0%	0	0	4,059,429	0	4,059,429	6,144,077
2045	89		125,079	0	2,209,728	30.0%	0	0	4,173,093	0	4,173,093	6,382,820
2046	90		132,584	0	2,342,311	30.0%	0	0	4,289,939	0	4,289,939	6,632,250
2047	91		140,539	0	2,482,850	30.0%	0	0	4,410,058	0	4,410,058	6,892,907
2048	92		148,971	0	2,631,821	30.0%	0	0	4,533,539	0	4,533,539	7,165,360
2049	93		157,909	0	2,789,730	30.0%	0	0	4,660,478	0	4,660,478	7,450,208

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan/Roth IRA earns 6.000% interest. Also includes Employer Contributions and Salary Reductions, if any. After Roth Conversion, also includes amount converted to Roth IRA.

³ Actual Distribution is the greater of the distribution required to generate the Desired Distributions (see Assumptions pages) or Required Minimum Distribution.

⁴ Taxes and any applicable penalties are paid at the start of the calendar year following the tax liability. See the Assumptions pages for information on distributions from a Traditional IRA with an original after-tax amount of \$0. After Roth Conversion, includes the estimated income taxes on the Traditional IRA taxable amount converted to Roth IRA, except for any after-tax amount.

⁵ Actual Distributions less Taxes and Penalties. After Roth Conversion, includes the estimated income taxes on the Traditional IRA taxable amount converted to Roth IRA, except for any after-tax amount.

⁶ All Other Assets and Cumulative Reinvested Distributions are assumed to earn 4.000% interest and are taxed at a 30.00% income tax rate.

⁷ Net of liability for income taxes and any penalties.

Understanding IRAs, Roth IRAs, Conversions

Key Concepts & Rules

Traditional IRAs

- Contributions are limited to \$6,000 for 2020 (\$7,000 if 50 or over) and are generally tax deductible.
- If you are eligible for a retirement plan at work and your modified adjusted gross income (MAGI) is \$104,000 - \$124,000 in 2020 (married, filing jointly), deductibility phases out and is eliminated thereafter. If your spouse is covered by a retirement plan at work, but you are not, the phase out is \$196,000 - \$206,000 for married, filing joint. (The phase out is \$65,000 - \$75,000 for single taxpayers.)
- Funds grow tax-deferred, but are taxed as ordinary income upon distribution.
- Minimum distributions are required annually beginning on the Required Beginning Date (RBD¹).
- Distributions taken prior to age 59½ are subject to a 10% early distribution penalty tax, with certain exceptions.
- Distributions after your death (or your spouse's death) are taxed as ordinary income to the beneficiary as distributions are received.
- At your death (or your spouse's death), the entire account value is includible in the gross estate for federal estate tax purposes, and may be subject to estate taxes.

Roth IRAs

- Contributions are limited to \$6,000 for 2020 (\$7,000 if 50 or over) and are NOT income tax deductible.
- Ability to contribute is phased out if you earn \$196,000-\$206,000 for married, filing jointly in 2020, and eliminated thereafter. The phase out is \$124,000 - \$139,000 for single taxpayers.
- Withdrawals of contributions to Roth IRAs, prior to age 59½, are not subject to the 10% early withdrawal penalty tax. Withdrawals of earnings within 5 years of establishing a Roth IRA are taxed as ordinary income. Earnings taken prior to age 59½ are taxed as ordinary income, and may be subject to a 10% early withdrawal penalty tax, with certain exceptions.
- Funds grow tax deferred and are generally not taxable upon withdrawal.

¹ The RBD is no later than April 1st of the year following the year in which the IRA owner attains age 70½ for Traditional IRAs, SEPs, and SIMPLE IRAs. For qualified retirement plans, the RBD is the later of April 1 of the year following the year in which the owner reaches age 70½ or retires, if less than a 5% owner.

- No minimum distributions are required from Roth IRAs, during your (or your spouse's) lifetime.

Roth IRAs (continued)

- Qualified distributions after your death are received by the beneficiary income tax-free, assuming the 5 year period has been satisfied.
- At your death (or your spouse's death, if spouse is considered owner of Roth IRA at death), the entire account value is includible in the gross estate for federal estate tax purposes, and may be subject to estate taxes.

Conversions (from a Traditional IRA or Qualified Retirement Plan to a Roth IRA)

- A Conversion is a taxable event. The entire (or partial) amount of the Traditional IRA (less any non-deductible contributions) is taxable as ordinary income upon conversion (or distribution). The conversion amount may move you into a higher marginal income tax bracket.
- There is no income limit for Roth IRA conversions.
- If you pay the taxes out of the Traditional IRA, it will reduce the benefits of the conversion to a Roth IRA, and if you are under age 59½, the amount used to pay income taxes will be subject to the 10% early distribution penalty tax unless an exception applies.
- Withdrawals of converted amounts within 5 years of each separate conversion to Roth IRAs may be subject to a 10% early distribution penalty tax and withdrawals of earnings may be subject to a 10% early distribution penalty tax and/or taxed as ordinary income.
- Distributions from a Traditional IRA must be deposited into a Roth IRA within 60 days (not applicable for trustee-to-trustee transfers).
- You do not have to convert your entire Traditional IRA. A partial conversion is allowed, but you must follow the same rules as any other distribution regarding nondeductible contributions.

Sources of Liquidity

Ways to Pay Wealth Transfer Costs

1 Use Cash on Hand

Advantages

- It's easy to use
- It's always available
- No Interest costs

Concerns

- Who has that amount of cash?
- Cash is included in taxable estate
- May be better uses for cash

3 Borrow the Money

Advantages

- No immediate outlay
- Use other people's money
- Single Sum Transfer

Concerns

- Can't find a lender
- Interest charges can be high
- Can you play back the principal?
- Loan payments impede lifestyle

2 Liquidating Assets

Advantages

- No need to save during life
- No interest costs

Concerns

- Can't find a buyer
- Asset values subject to market fluctuation
- Sale takes too long
- Assets are subject to estate tax
- Family may want to keep asset

4 Life Insurance

Advantages

- Proceeds are generally paid income tax free
- No interest costs
- Flexible outlay options
- Cash value accumulation
- Proceeds can be estate tax free

Concerns

- Requires annual premiums
- Must qualify for insurance
- Proceeds may not be estate tax free (if owned by the insured)

Qualified Plan Taxation

Potential Taxes for Retirement Plans

Take Distributions Too Soon (Before Age 59½)

- Ordinary Income Taxes
- 10% Early Distribution Penalty for Pre 59½ distributions, unless an exception applies

Required Minimum Distributions

You must begin taking qualified plan distributions by the later of age 72 or retirement and IRA distributions by age 72. Severe penalties—50% excise tax on the required distribution not taken—if you don't!

Estate Taxes

What's left of the unused balance in your retirement plan is included in your estate and if your estate is sufficiently large, may be subject to estate taxes.

One Last Income Tax

Any amount in excess of your basis left in your retirement account at death is considered "income in respect of a decedent" and is taxable when received by your heirs as ordinary income. This is not a penalty tax—it simply replaces the ordinary income taxes the account owner would have paid upon distribution of the account balance.

The Quandary

Taxed when you take it. Penalty if you take it too soon. Penalty if you don't take enough or don't take it soon enough. Potential estate taxes on what's left. Income tax when your heirs get it.

Only proper analysis of your situation can help you determine what to do.

IRD for Qualified Plans

Tax on Income in Respect of a Decedent

Instead of paying income taxes on the qualified plan balances during the account owner's lifetime, the total monies distributed from any qualified retirement plan (including IRAs) at the death of the retiree are subject to one last income tax, a tax on Income in Respect of Decedent (IRD). All qualified plan assets are aggregated to determine the taxable amount. The beneficiaries of the plan pay this income tax when they receive the plan account. (Other assets, like deferred annuities, may also trigger IRD taxes.)

For income tax purposes, beneficiaries may deduct "the amount of federal estate taxes attributable to the qualified plan distribution" (from IRC Sec. 691). This deduction is determined by calculating and comparing the federal estate tax payable with and without the qualified plan assets.

⊕ With the Qualified Plan

	Federal estate tax before credits
less	Applicable Unified Credit ¹

equals	Federal tax with plan (Amount to Compare)

⊖ Without the Qualified Plan

	Federal estate tax before credits
less	Applicable Unified Credit ¹

equals	Federal tax without plan (Amount to Compare)

⊖ Deductions for Federal Estate Taxes Attributed to Qualified Plans

	Federal estate tax with qualified plan assets
less	Federal estate tax without qualified plan assets

equals	Income tax deduction for IRD purposes

⊖ Income Tax on Income in Respect of Decedent

	Qualified plan amount at death
less	Deduction for estate tax attributed to QP
times	Assumed income tax rate at death

equals	Income tax on Income in Respect of Decedent

¹ The Tax Cuts and Jobs Act of 2017 provides for an Applicable Exclusion amount of \$10,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$3,945,800, indexed for inflation after 2011. For deaths after December 31, 2025, the Applicable Exclusion Amount will revert to \$5,000,000 indexed for inflation after 2011. Unused exclusion amounts may be passed to the surviving spouse ('portability') provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit Amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.

Assumptions

General Assumptions

Duece's DOB: January 2, 1956

Contact Information:

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Calculations assume that the value of All Other Assets (excluding life insurance) is equal to \$2,030,000. These assets are assumed to earn 4.000% interest. Hypothetical rates of return illustrated are not associated with any particular investment product.

Calculations assume an ordinary income tax rate of 30.00%.

The Account Balance and Other Assets are grown pro-rata based on the date entered.

Traditional IRA/Qualified Plan Assumptions

Current Traditional IRA/Qualified Plan amount is \$517,000, which includes the employee cost basis amount of \$0, and assumes a growth rate of 6.000%. Calculations assume all non-deductible and after-tax contributions (also known as basis, investment in the contract, and non-taxable portion) are included in the original after-tax amount of \$0. Hypothetical rates of return illustrated are not associated with any particular investment product.

A portion of the distributions from the Traditional IRA/Qualified Plan that includes any after-tax amount may not be taxable. These illustrations assume there are no other Traditional IRA/Qualified Plan account balances for calculations that include any after-tax amount.

Elections: Distributions are at least the Required Minimum Distribution using the Uniform Lifetime Table, if applicable.

Roth IRA Assumptions

Conversion Occurs: Year 2022

Roth IRA is assumed to earn 6.000%. Hypothetical rates of return illustrated are not associated with any particular investment product.

There are no required minimum distributions during participant's or spouse's lifetime (if spouse is considered as owner).

Traditional IRA

Contributions may be tax deductible and earnings are tax-deferred. Annual contribution amounts are limited, and deductibility of contributions is based on modified adjusted gross income (MAGI), and not being a participant in an employer-sponsored retirement plan. Consult your tax advisor to determine the maximum tax-deductible contribution amount allowed annually. Contributions may also be non-deductible (after-tax), but earnings are tax deferred. These illustrations assume there are no other Traditional IRA/Qualified Plan account balances for calculations that include any after-tax amount. Required minimum distributions must begin by age 72.

Roth IRA

Contributions are not tax deductible but earnings are tax-deferred. Annual contribution amounts are limited, and the ability to contribute is based on modified adjusted gross income (MAGI). Consult your tax advisor to determine the maximum contribution amount allowed annually. Withdrawals of contributions to Roth IRAs are not subject to income tax or the 10% early withdrawal penalty tax. Withdrawals of earnings from a Roth IRA are considered qualified distributions after the 5-taxable year holding period for which a contribution or conversion was made to any Roth IRA and the owner is age 59½ or older. Withdrawals of earnings within 5 years of establishing a Roth IRA are taxed as ordinary income. Earnings taken prior to age 59½ are taxed as ordinary income, and may be subject to a 10% early distribution penalty tax, with certain exceptions.

Conversion of Traditional IRA to Roth IRA

Beginning in 2010, there is no income limit for Roth IRA conversions. Amounts converted from the Traditional IRA (except for any after-tax amount) are taxable in the year of the conversion. These illustrations assume there are no other Traditional IRA/Qualified Plan account balances for calculations that include any after-tax amount. Withdrawals of earnings from a Roth IRA are considered qualified distributions after the 5-taxable year holding period for which a conversion or contribution was made to any Roth IRA and the owner is age 59½ or older. Withdrawals of converted amounts within five years of each conversion to Roth IRA may be subject to the 10% early distribution penalty tax, and withdrawals of earnings may be subject to the 10% early distribution penalty tax and/or taxed as ordinary income.

Distribution Assumptions

Early retirement distributions are not exempt from the IRC Section 72(t) penalty.

Distribution Assumptions (Continued)

Distributions from the Traditional IRA/Qualified Plan that does not include any after-tax amount are taxable. A portion of the distributions from the Traditional IRA/Qualified Plan that includes any after tax amount is not taxable. The non-taxable portion is the amount of the distribution that bears the same ratio to the total amount of the distribution received as the total remaining after-tax amount bears to the Traditional IRA/Qualified Plan account balance at the end of the year.

For Traditional IRA/Qualified Plan, distribution calculations do not use a joint beneficiary. For Traditional IRA/Qualified Plan, required minimum distributions are based on the Uniform Lifetime Table.

Final Regulations

Required Minimum Distributions are calculated based on the Uniform Lifetime Table.

Tax Cuts and Jobs Act of 2017

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017 as P.L. 115-97, also known as TCJA 2017 in this presentation. TCJA applies to deaths and gifts made in 2018 and later. After December 31, 2025, the estate and gift tax rates and exclusions will revert to the amounts provided in the American Taxpayer Relief Act of 2012.

Setting Every Community Up for Retirement Enhancement (SECURE)

The Setting Every Community Up for Retirement Enhancement (SECURE) Act became Public Law No. 116-94 on December 20, 2019. Provisions of the Act apply to retirement plans in 2020 and later.