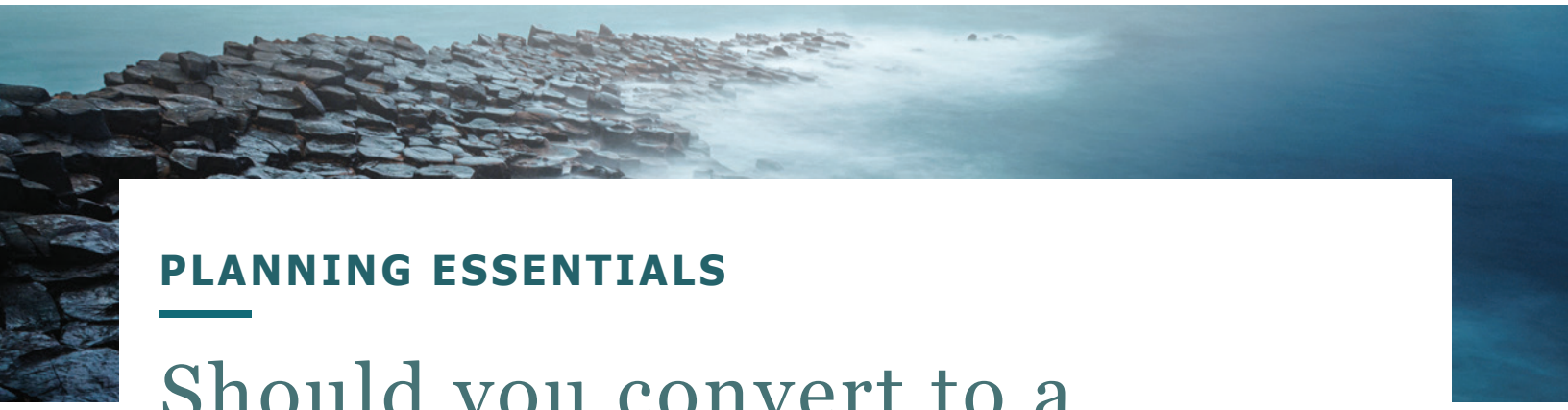
Eagle Strategies LLC

Retirement



PLANNING ESSENTIALS

Should you convert to a Roth IRA today?



Since being introduced in 1997, Roth IRAs have proven to be a very popular vehicle for saving for retirement. Recent tax law changes, specifically The Tax Cuts and Job Act of 2017, included provisions making Roth IRA conversions even more attractive. Current and anticipated economic impacts resulting from the COVID-19 pandemic has brought the opportunities for Roth IRA conversions back to the forefront.

WHAT IS A ROTH IRA AND WHAT MAKES IT ATTRACTIVE?

1. Roth IRAs are retirement accounts funded with after-tax contributions. Annual contributions of $7,500 ($8,600 if 50 or older), depending on one's adjusted gross income.*

2. While contributions are not tax-deductible, account withdrawals are tax-free (provided the account is in place for five years and the account holder is 59 ½ years or older).

3. Unlike a traditional IRA, there are no minimum distribution requirements. This means that account holders can leave their account to grow for as long as they like. As a result, this makes a Roth IRA an attractive option as an estate planning vehicle.

4. Individuals can convert their regular 401(k), or IRA, to a Roth IRA regardless of their income level. Conversions are fully taxable which can put taxpayers in a higher federal tax bracket, and subject them to the 3.8% Medicare surcharge tax if their modified adjusted gross income is $250,000 or over.

*Source: https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500

SHIFTING FROM A TRADITIONAL IRA TO A ROTH IRA

If converting to a Roth IRA will result in immediate taxation, why would someone consider a conversion? While motivations may differ, generally the conversion can be thought of as a hedge against future income tax rates. For example, if tax rates are higher in retirement than they are today, overall taxes over a lifetime may be significantly lower by implementing a Roth IRA conversion strategy today. The reason is two-fold:

1. There are no minimum distribution requirements for Roth IRAs. Absent the conversion, the account holder will have to pay taxes on any distributions which would be at a higher tax rate if rates increase.

2. With a conversion strategy in place, if the account holder needs to access funds during retirement, any fund withdrawals would be tax-free—an increasingly attractive benefit in a higher interest rate environment.

3 REASONS TO CONSIDER A ROTH IRA CONVERSION NOW

1. A Roth IRA conversion may be more attractive today as the economic effects of the COVID-19 pandemic continue to be felt. There continues to be an expectation that at some point in the future, income tax rates will rise for those in the upper income brackets to bring in needed revenue for both the federal government and states.

2. It is not unreasonable to expect a change in estate and state estate tax rates for the same reason. Some individuals may find themselves in a higher tax bracket in retirement then they are today depending on their types of income and how it's being taxed.

3. Finally, market volatility likely means lower IRA account balances for many—another reason converting today at the lower values would result in lower taxes compared to if the conversion was made during market highs. Subsequent future gains (which of course are never guaranteed) in the Roth would be entirely tax free, thus leveraging today's lower values for future benefits.

It is important to understand that tax consequences today should not be understated. Sometimes it may make more sense to do a partial conversion across multiple years to spread out the impact of taxation. Ultimately, the decision as to whether converting to a Roth IRA is right for you should always be made with the input of a CPA or a tax advisor.

Eagle Strategies LLC (Eagle) is an SEC-registered investment adviser. Registration with the SEC does not imply a certain level of skill or training. Eagle investment adviser representatives (IARs) act solely in their capacity as insurance agents of New York Life, its affiliates, or other unaffiliated insurance carriers when recommending insurance products and as registered representatives when recommending securities through NYLIFE Securities LLC (member FINRA/SIPC), an affiliated registered broker-dealer and licensed insurance agency. Eagle Strategies LLC and NYLIFE Securities LLC are New York Life Companies. Investment products are not guaranteed and may lose value. No tax or legal advice is provided by Eagle, its IARs or its affiliates.

ES.PE.RothIRA
SMRU 5020590 (Exp. 04.30.2028)

Eagle Strategies LLC

PROTECTION. RETIREMENT. INVESTMENT. ESTATE.

Trusted Guidance. Comprehensive Solutions.