

SVA Plumb Financial – Money Minute: Should You Consider Converting Your Current IRA to a Roth IRA?

If you have a traditional IRA, you may want to consider the advantages of converting it to a Roth IRA. When you convert your IRA, you'll pay any taxes due on the assets today. However, all distributions at retirement will be tax-free and unlike a traditional IRA, there are no mandatory withdrawals for a Roth IRA when you reach the age of 70 and a half. A Roth IRA can also be used as an estate planning tool. Upon your death, your account passes to your beneficiaries and they will take the money out tax-free. Also paying the taxes upfront reduces your estate tax liability. Another unique feature of a Roth conversion IRA is that you can change your mind. You have until October 15th of the year following the conversion year to move the assets back to its original IRA status. Before you convert your traditional IRA to a Roth IRA please consult your tax advisor to see if it's right for you.