



ROTH CONVERSION ANALYSIS



Prepared for: Sample Client

Prepared on: Sample Date

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EVALUATING POTENTIAL APPROACHES FOR YOUR FUNDS

Many savers choose a qualified account to save funds for retirement.

In an existing qualified account, there are two potential ways to manage your account and the tax status of your savings going forward:

- 1 You can keep the account as is and accumulate the funds tax-deferred ¹
- 2 You can convert your account to a Roth IRA and accumulate funds tax-free ¹

Some savers may want to understand the potential impact of these choices on:

»»» The **total amount of taxes** they will pay in each scenario.

Qualified accounts, like IRAs and 401(k)s, are funded with pre-tax monies, and taxes are then paid when the funds are withdrawn in retirement.¹ Roth accounts, like Roth IRAs and Roth 401(k)s, are funded with after-tax dollars, and no additional taxes are due when the funds are withdrawn in retirement, as taxes have already been paid on those funds.¹

»»» Any **additional amount of taxes** they could potentially pay if they chose to convert their qualified account to a Roth account.

During a potential Roth Conversion, there may be additional taxes paid during the conversion years if in the process of converting funds, a portion of a saver's income is pushed into a higher tax bracket. This is sometimes called "Tax Drift" and represents the additional taxes potentially paid beyond the regular income tax amount paid at current bracket rates.¹

»»» The **total amount of government fees** they may potentially pay in each scenario.

Certain government fees could be impacted depending on how you manage your retirement account and the tax status of your savings. For example, once a saver elects to receive Medicare, they will likely pay certain fees for their Medicare Part B and Part D premiums. These fees – called the Income-Related Monthly Adjustment Amount, or IRMAA – are based on a saver's modified adjusted gross income (MAGI). The higher the MAGI, the higher the IRMAA amount.² A saver's MAGI could potentially change based on the conversion process.

The following pages will show how your account could potentially function under these scenarios. These examples are hypothetical only and are not intended to predict future conditions, taxes, fees, or experience. Unlike this hypothetical example, your tax bracket may be lower or higher in retirement. This report is not intended to provide tax, legal, or investment advice. Be sure to consult a qualified professional in these areas about your individual needs.

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¹This is not a complete list of features and benefits of a qualified account or Roth account. This material is for informational purposes only and should not be considered investment advice or advice on withdrawing funds from your qualified account. Both qualified accounts and Roth accounts may have requirements, limitations and features that vary from what is discussed in this material. This hypothetical example does not consider every product or feature of tax-deferred accounts or Roth accounts and is for illustrative purposes only. It should not be deemed a representation of past or future results, and is no guarantee of return or future performance.

²This is not a complete list of features and requirements for IRMAA. Fees can vary based on income and personal situation. Complete information on IRMAA requirements, IRMAA fee tables and potential IRMAA adjustments can be found on the Medicare website, available online at www.medicare.gov/basics/costs.

ASSUMPTIONS:

The values below are based on what we believe are reasonable forward-looking assumptions.

IRA ASSUMPTIONS

Total IRA Amount	<input type="text" value="\$1,500,000"/>	Conversion Amount ²	<input type="text" value="\$500,000"/>
Annual Pre-Tax Earnings Rate ¹	<input type="text" value="6%"/>	Conversion Period ³	<input type="text" value="65"/> <input type="text" value="5"/> <small>Start Age Years</small>

IRA OWNER

Age	<input type="text" value="65"/>	Social Security Income at Age 70	<input type="text" value="\$60,000"/>
Pre-Retirement Income	<input type="text" value="\$120,000"/>	Additional Non-IRA Retirement Income	<input type="text" value="\$50,000"/>
Retirement Income Age Range	<input type="text" value="70"/> <input type="text" value="95"/>		
Medicare Election Age	<input type="text" value="65"/>		

TAX AND IRMAA ASSUMPTIONS

EFFECTIVE TAX RATE: (Initial)

Federal	<input type="text" value="17.2%"/>
State/Local	<input type="text" value="4%"/>

MODELED CHANGES:

Tax Change 1	<input type="text" value="7"/> <input type="text" value="30%"/> <small>Year Increase</small>
Tax Change 2	<input type="text" value="0"/> <input type="text" value="0%"/> <small>Year Increase</small>
Annual IRMAA Increase	<input type="text" value="6%"/>
Tax Rate for Beneficiary	<input type="text" value="25%"/>

¹Net of fees.

²In some cases, the annual conversion amount may be different than modeled based on rules surrounding RMDs, which could potentially impact the assumed effective tax rate and IRMAA.

³For the purpose of this report, the conversion vehicle is assumed to be a Roth IRA.

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ROTH CONVERSION ANALYSIS: POTENTIAL TAXES & FEES

Based on assumptions from the previous page, the values below show several scenarios:

- 1 The taxes and additional IRMAA fees potentially paid if you keep your IRA and withdraw funds under two scenarios: taking only the Required Minimum Distributions¹ (RMDs), and taking level income amounts of \$48,545 a year.
- 2 The taxes and additional IRMAA fees potentially paid if you convert your qualified account to a tax-free account over the assumed time-period.²

1	TAXES	IRMAA FEES	TOTAL
	Total taxes paid on IRA income	Additional IRMAA fees paid as a result of the IRA income distributions	Total lifetime taxes and IRMAA fees on IRA income
KEEP IRA			
RMD ONLY	\$644,314	\$99,766	\$744,080
LEVEL INCOME	\$450,606	\$112,971	\$563,577
2	TAXES	IRMAA FEES	TOTAL
	Total taxes paid on converted assets	Additional IRMAA fees paid as a result of the Roth conversion	Total lifetime taxes and IRMAA fees on IRA income
CONVERT TO ROTH			
	\$141,521	\$22,593	\$164,114

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¹RMD calculation data gathered from Stonewood RMD calculation software based on IRS guidelines and tables. Your actual RMDs are determined by a variety of factors.

²For the purpose of this report, the tax-free vehicle is assumed to be a Roth IRA. Tax-free accounts, like Roth IRAs and 401(k)s, have specific sets of rules and limitations. Please consult a qualified professional about your individual situation.

ROTH CONVERSION ANALYSIS: BREAK-EVEN AGE

Below is a year-by-year analysis of the potential total after-tax wealth generated in each hypothetical account, assuming death in that given year. The higher value in each year is highlighted in blue.

TOTAL WEALTH GENERATED ASSUMING DEATH AT:					
YEAR	AGE	RMD	ROTH	LEVEL	ROTH
1	65	\$397,500	\$393,667	\$397,500	\$393,667
2	66	\$421,350	\$413,618	\$421,350	\$413,618
3	67	\$446,631	\$430,176	\$446,631	\$430,176
4	68	\$473,429	\$452,657	\$473,429	\$452,657
5	69	\$501,835	\$477,965	\$501,835	\$477,965
6	70	\$531,945	\$506,643	\$529,070	\$504,779
7	71	\$507,475	\$531,010	\$503,513	\$525,305
8	72	\$537,924	\$567,656	\$525,222	\$556,015
9	73	\$570,199	\$601,715	\$546,320	\$581,918
10	74	\$604,411	\$637,818	\$566,772	\$607,511
11	75	\$637,782	\$676,087	\$585,544	\$632,775
12	76	\$671,606	\$716,652	\$603,591	\$657,691
13	77	\$702,635	\$759,651	\$619,784	\$682,237
14	78	\$733,810	\$805,230	\$635,096	\$706,392
15	79	\$765,043	\$853,544	\$649,474	\$730,131
16	80	\$796,239	\$904,757	\$662,862	\$753,430
17	81	\$831,356	\$959,042	\$679,243	\$776,263
18	82	\$866,467	\$1,016,585	\$690,470	\$798,602
19	83	\$896,943	\$1,077,580	\$700,519	\$820,416
20	84	\$926,916	\$1,142,234	\$709,317	\$841,675
21	85	\$956,263	\$1,210,769	\$716,791	\$862,345
22	86	\$984,837	\$1,283,415	\$722,861	\$882,391
23	87	\$1,012,478	\$1,360,420	\$727,443	\$901,775
24	88	\$1,039,007	\$1,442,045	\$730,447	\$920,457
25	89	\$1,063,834	\$1,528,567	\$731,779	\$938,396
26	90	\$1,086,999	\$1,620,281	\$731,338	\$955,548
27	91	\$1,108,352	\$1,717,498	\$729,019	\$971,863
28	92	\$1,127,742	\$1,820,548	\$724,707	\$987,294
29	93	\$1,145,023	\$1,929,781	\$718,285	\$1,001,786
30	94	\$1,160,397	\$2,045,568	\$709,625	\$1,015,282
31	95	\$1,173,796	\$2,168,302	\$698,593	\$1,027,725

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ROTH CONVERSION ANALYSIS: PERIOD OPTIONS

Some savers who convert funds from a qualified account to a Roth account convert those funds over a number of years. This decision can potentially impact the total taxes and additional fees that saver pays. The table below analyzes various conversion period scenarios based on the assumptions made in this report. Several factors are included in this analysis:

TAX BRACKET “DRIFT”¹

The potential additional taxes paid from a higher tax bracket if converting funds pushes a saver into a higher tax bracket during conversion years.

CONVERSION “DELTA”²

The assumed potential changes to tax bracket rates during the conversion, leading to additional taxes paid on converted funds.

IRMAA “DRIFT”³

The potential additional IRMAA fees paid during the conversion if converting funds pushes a saver into a higher IRMAA bracket.

Potential Roth Conversion	Total Conversion Taxes	IRMAA From IRA Converted Funds	Total (Tax + IRMAA):	Total Wealth Generated ⁴
1 Year	\$183,250	\$7,142	\$190,392	\$1,928,404
2 Years	\$171,248	\$13,485	\$184,733	\$2,002,939
3 Years	\$158,987	\$19,512	\$178,498	\$2,074,763
4 Years	\$149,521	\$25,900	\$175,421	\$2,127,035
5 Years	\$141,521	\$22,593	\$164,114	\$2,168,302
6 Years	\$139,233	\$26,568	\$165,801	\$2,177,222
7 Years	\$144,237	\$17,562	\$161,799	\$2,152,540
8 Years	\$147,742	\$17,552	\$165,294	\$2,135,445
9 Years	\$150,248	\$19,437	\$169,685	\$2,123,310
10 Years	\$152,054	\$21,435	\$173,489	\$2,114,565

INITIAL
PATTERN
MODELED

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¹During a potential Roth conversion, there may be additional taxes paid during the conversion years if in the process of converting funds, a portion of a saver's income is pushed into a higher tax bracket.

²Your tax bracket may be lower or higher in retirement, unlike this hypothetical example.

³This is not a complete list of stipulations and requirements for IRMAA. Fees can vary based on income and personal situation. Complete information on IRMAA requirements, IRMAA fee tables and potential IRMAA adjustments can be found on the Medicare website, available online at www.medicare.gov/basics/costs.

⁴Year-by-year analysis of total after-tax wealth generated, assuming death in the final year of analysis.

YEAR-BY-YEAR DATA | MAINTAIN IRA - RMD ONLY

Year	Age ¹	Tax Rate	AGI ²	IRA Income ³	IRA Balance	Income Tax: Annual	IRMAA Fees: Annual	Taxes + IRMAA ⁴	Total Wealth ⁵
1	65	21.2%	\$105,000	\$0	\$530,000	\$0	\$0	\$0	\$397,500
2	66	21.2%	\$108,000	\$0	\$561,800	\$0	\$0	\$0	\$421,350
3	67	21.2%	\$111,075	\$0	\$595,508	\$0	\$0	\$0	\$446,631
4	68	21.3%	\$114,227	\$0	\$631,238	\$0	\$0	\$0	\$473,429
5	69	21.3%	\$117,458	\$0	\$669,113	\$0	\$0	\$0	\$501,835
6	70	18.7%	\$78,600	\$0	\$709,260	\$0	\$0	\$0	\$531,945
7	71	24.4%	\$81,550	\$0	\$751,815	\$0	\$0	\$0	\$507,475
8	72	24.5%	\$84,574	\$0	\$796,924	\$0	\$0	\$0	\$537,924
9	73	24.6%	\$87,673	\$0	\$844,739	\$0	\$0	\$0	\$570,199
10	74	24.7%	\$90,850	\$0	\$895,424	\$0	\$0	\$0	\$604,411
11	75	30.5%	\$166,905	\$36,399	\$910,566	\$13,249	\$0	\$13,249	\$637,782
12	76	30.7%	\$174,285	\$38,421	\$924,474	\$13,985	\$0	\$27,234	\$671,606
13	77	30.8%	\$181,605	\$40,370	\$937,150	\$14,695	\$3,202	\$45,131	\$702,635
14	78	30.9%	\$189,567	\$42,598	\$948,226	\$15,506	\$3,394	\$64,030	\$733,810
15	79	31.0%	\$197,845	\$44,940	\$957,483	\$16,358	\$3,598	\$83,986	\$765,043
16	80	31.1%	\$206,450	\$47,400	\$964,688	\$17,254	\$3,813	\$105,053	\$796,239
17	81	31.2%	\$214,879	\$49,726	\$969,860	\$18,100	\$0	\$123,153	\$831,356
18	82	31.3%	\$224,147	\$52,425	\$972,481	\$19,083	\$0	\$142,236	\$866,467
19	83	31.4%	\$233,149	\$54,942	\$972,591	\$19,999	\$4,542	\$166,777	\$896,943
20	84	31.5%	\$243,116	\$57,892	\$969,580	\$21,073	\$4,814	\$192,664	\$926,916
21	85	31.5%	\$252,476	\$60,599	\$963,521	\$22,058	\$5,103	\$219,825	\$956,263
22	86	31.6%	\$261,714	\$63,390	\$954,139	\$23,074	\$5,409	\$248,308	\$984,837
23	87	31.7%	\$271,203	\$66,260	\$941,152	\$24,119	\$5,734	\$278,161	\$1,012,478
24	88	31.7%	\$279,920	\$68,697	\$924,802	\$25,054	\$6,078	\$309,292	\$1,039,007
25	89	31.9%	\$289,844	\$71,690	\$904,299	\$26,581	\$6,443	\$342,316	\$1,063,834
26	90	32.0%	\$298,746	\$74,123	\$879,986	\$27,718	\$6,829	\$376,863	\$1,086,999
27	91	32.1%	\$307,679	\$76,521	\$851,674	\$28,818	\$7,239	\$412,920	\$1,108,352
28	92	32.1%	\$316,596	\$78,859	\$819,184	\$29,865	\$7,673	\$450,458	\$1,127,742
29	93	32.2%	\$325,440	\$81,107	\$782,361	\$30,838	\$8,134	\$489,429	\$1,145,023
30	94	32.1%	\$332,389	\$82,354	\$742,008	\$31,119	\$8,622	\$529,170	\$1,160,397
31	95	32.0%	\$338,992	\$83,372	\$698,154	\$31,233	\$9,139	\$569,542	\$1,173,796

¹Age of IRA owner/spouse ²Estimated AGI (excluding analysis amount) ³IRA income generated from analysis amount

⁴Cumulative taxes and IRMAA fees ⁵Total wealth generated assuming death

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YEAR-BY-YEAR DATA | MAINTAIN IRA - Level Income

Year	Age ¹	Tax Rate	AGI ²	IRA Income ³	IRA Balance	Income Tax: Annual	IRMAA Fees: Annual	Taxes + IRMAA ⁴	Total Wealth ⁵
1	65	21.2%	\$105,000	\$0	\$530,000	\$0	\$0	\$0	\$397,500
2	66	21.2%	\$108,000	\$0	\$561,800	\$0	\$0	\$0	\$421,350
3	67	21.2%	\$111,075	\$0	\$595,508	\$0	\$0	\$0	\$446,631
4	68	21.3%	\$114,227	\$0	\$631,238	\$0	\$0	\$0	\$473,429
5	69	21.3%	\$117,458	\$0	\$669,113	\$0	\$0	\$0	\$501,835
6	70	21.6%	\$78,600	\$48,545	\$657,802	\$12,826	\$0	\$12,826	\$529,070
7	71	28.1%	\$81,550	\$48,545	\$645,812	\$16,674	\$0	\$29,500	\$503,513
8	72	28.1%	\$84,574	\$48,545	\$633,103	\$16,675	\$1,582	\$47,758	\$525,222
9	73	28.1%	\$87,673	\$48,545	\$619,632	\$16,676	\$1,677	\$66,111	\$546,320
10	74	28.1%	\$90,850	\$48,545	\$605,352	\$16,677	\$1,778	\$84,566	\$566,772
11	75	30.9%	\$166,905	\$48,545	\$590,216	\$17,670	\$1,885	\$104,121	\$585,544
12	76	30.9%	\$174,285	\$48,545	\$574,171	\$17,670	\$1,998	\$123,789	\$603,591
13	77	31.0%	\$181,605	\$48,545	\$557,163	\$17,670	\$3,202	\$144,661	\$619,784
14	78	31.0%	\$189,567	\$48,545	\$539,135	\$17,670	\$3,394	\$165,726	\$635,096
15	79	31.1%	\$197,845	\$48,545	\$520,026	\$17,670	\$3,598	\$186,994	\$649,474
16	80	31.1%	\$206,450	\$48,545	\$499,770	\$17,670	\$3,813	\$208,477	\$662,862
17	81	31.2%	\$214,879	\$48,545	\$478,298	\$17,670	\$0	\$226,148	\$679,243
18	82	31.2%	\$224,147	\$48,545	\$455,539	\$17,670	\$4,285	\$248,103	\$690,470
19	83	31.3%	\$233,149	\$48,545	\$431,413	\$17,670	\$4,542	\$270,315	\$700,519
20	84	31.3%	\$243,116	\$48,545	\$405,840	\$17,670	\$4,814	\$292,800	\$709,317
21	85	31.3%	\$252,476	\$48,545	\$378,733	\$17,670	\$5,103	\$315,573	\$716,791
22	86	31.4%	\$261,714	\$48,545	\$349,999	\$17,670	\$5,409	\$338,653	\$722,861
23	87	31.4%	\$271,203	\$48,545	\$319,542	\$17,670	\$5,734	\$362,057	\$727,443
24	88	31.4%	\$279,920	\$48,545	\$287,256	\$17,670	\$6,078	\$385,806	\$730,447
25	89	31.4%	\$289,844	\$48,545	\$253,034	\$17,670	\$6,443	\$409,919	\$731,779
26	90	31.4%	\$298,746	\$48,545	\$216,758	\$17,670	\$6,829	\$434,418	\$731,338
27	91	31.4%	\$307,679	\$48,545	\$178,306	\$17,670	\$7,239	\$459,328	\$729,019
28	92	31.4%	\$316,596	\$48,545	\$137,547	\$17,670	\$7,673	\$484,671	\$724,707
29	93	31.4%	\$325,440	\$48,545	\$94,342	\$17,670	\$8,134	\$510,476	\$718,285
30	94	31.4%	\$332,389	\$48,545	\$48,545	\$17,670	\$8,622	\$536,768	\$709,625
31	95	31.4%	\$338,992	\$48,545	\$	\$17,670	\$9,139	\$563,577	\$698,593

¹Age of IRA owner/spouse ²Estimated AGI (excluding analysis amount) ³IRA income generated from analysis amount

⁴Cumulative taxes and IRMAA fees ⁵Total wealth generated assuming death

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YEAR-BY-YEAR DATA | ROTH CONVERSION (NO INCOME)

Year	Age ¹	Tax Rate	AGI ²	IRA Income ³	IRA Balance	Income Tax: Annual	IRMAA Fees: Annual	Taxes + IRMAA ⁴	Total Wealth ⁵
1	65	24.8%	\$105,000	\$100,000	\$424,000	\$28,616	\$0	\$28,616	\$393,667
2	66	24.7%	\$108,000	\$100,000	\$343,440	\$28,461	\$0	\$57,077	\$413,618
3	67	24.6%	\$111,075	\$100,000	\$258,046	\$28,303	\$4,758	\$90,139	\$430,176
4	68	24.5%	\$114,227	\$100,000	\$167,529	\$28,141	\$5,044	\$123,323	\$452,657
5	69	24.4%	\$117,458	\$100,000	\$71,581	\$28,000	\$4,018	\$155,340	\$477,965
6	70	18.7%	\$78,600	\$0	\$75,876	\$0	\$4,259	\$159,599	\$506,643
7	71	24.4%	\$81,550	\$0	\$80,428	\$0	\$4,514	\$164,114	\$531,010
8	72	24.5%	\$84,574	\$0	\$85,254	\$0	\$0	\$0	\$567,656
9	73	24.6%	\$87,673	\$0	\$90,369	\$0	\$0	\$0	\$601,715
10	74	24.7%	\$90,850	\$0	\$95,791	\$0	\$0	\$0	\$637,818
11	75	29.3%	\$166,905	\$0	\$101,539	\$0	\$0	\$0	\$676,087
12	76	29.4%	\$174,285	\$0	\$107,631	\$0	\$0	\$0	\$716,652
13	77	29.5%	\$181,605	\$0	\$114,089	\$0	\$0	\$0	\$759,651
14	78	29.6%	\$189,567	\$0	\$120,934	\$0	\$0	\$0	\$805,230
15	79	29.8%	\$197,845	\$0	\$128,191	\$0	\$0	\$0	\$853,544
16	80	29.9%	\$206,450	\$0	\$135,882	\$0	\$0	\$0	\$904,757
17	81	30.0%	\$214,879	\$0	\$144,035	\$0	\$0	\$0	\$959,042
18	82	30.1%	\$224,147	\$0	\$152,677	\$0	\$0	\$0	\$1,016,585
19	83	30.2%	\$233,149	\$0	\$161,838	\$0	\$0	\$0	\$1,077,580
20	84	30.3%	\$243,116	\$0	\$171,548	\$0	\$0	\$0	\$1,142,234
21	85	30.4%	\$252,476	\$0	\$181,841	\$0	\$0	\$0	\$1,210,769
22	86	30.4%	\$261,714	\$0	\$192,751	\$0	\$0	\$0	\$1,283,415
23	87	30.5%	\$271,203	\$0	\$204,316	\$0	\$0	\$0	\$1,360,420
24	88	30.5%	\$279,920	\$0	\$216,575	\$0	\$0	\$0	\$1,442,045
25	89	30.6%	\$289,844	\$0	\$229,570	\$0	\$0	\$0	\$1,528,567
26	90	30.6%	\$298,746	\$0	\$243,344	\$0	\$0	\$0	\$1,620,281
27	91	30.7%	\$307,679	\$0	\$257,945	\$0	\$0	\$0	\$1,717,498
28	92	30.7%	\$316,596	\$0	\$273,421	\$0	\$0	\$0	\$1,820,548
29	93	30.7%	\$325,440	\$0	\$289,827	\$0	\$0	\$0	\$1,929,781
30	94	30.7%	\$332,389	\$0	\$307,216	\$0	\$0	\$0	\$2,045,568
31	95	30.6%	\$338,992	\$0	\$325,649	\$0	\$0	\$0	\$2,168,302

¹Age of IRA owner/spouse ²Estimated AGI (excluding analysis amount) ³IRA income generated from analysis amount

⁴Cumulative taxes and IRMAA fees ⁵Total wealth generated assuming death

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YEAR-BY-YEAR DATA | ROTH CONVERSION (LEVEL INCOME)

Year	Age ¹	Tax Rate	AGI ²	IRA Income ³	IRA Balance	Income Tax: Annual	IRMAA Fees: Annual	Taxes + IRMAA ⁴	Total Wealth ⁵
1	65	24.8%	\$105,000	\$100,000	\$424,000	\$28,616	\$0	\$28,616	\$393,667
2	66	24.7%	\$108,000	\$100,000	\$343,440	\$28,461	\$0	\$57,077	\$413,618
3	67	24.6%	\$111,075	\$100,000	\$258,046	\$28,303	\$4,758	\$90,139	\$430,176
4	68	24.5%	\$114,227	\$100,000	\$167,529	\$28,141	\$5,044	\$123,323	\$452,657
5	69	24.4%	\$117,458	\$100,000	\$71,581	\$28,000	\$4,018	\$155,340	\$477,965
6	70	18.7%	\$78,600	\$31,074	\$75,876	\$0	\$4,259	\$159,599	\$504,779
7	71	24.4%	\$81,550	\$31,074	\$80,428	\$0	\$4,514	\$164,114	\$525,305
8	72	24.5%	\$84,574	\$31,074	\$85,254	\$0	\$0	\$0	\$556,015
9	73	24.6%	\$87,673	\$31,074	\$90,369	\$0	\$0	\$0	\$581,918
10	74	24.7%	\$90,850	\$31,074	\$95,791	\$0	\$0	\$0	\$607,511
11	75	29.3%	\$166,905	\$31,074	\$101,539	\$0	\$0	\$0	\$632,775
12	76	29.4%	\$174,285	\$31,074	\$107,631	\$0	\$0	\$0	\$657,691
13	77	29.5%	\$181,605	\$31,074	\$114,089	\$0	\$0	\$0	\$682,237
14	78	29.6%	\$189,567	\$31,074	\$120,934	\$0	\$0	\$0	\$706,392
15	79	29.8%	\$197,845	\$31,074	\$128,191	\$0	\$0	\$0	\$730,131
16	80	29.9%	\$206,450	\$31,074	\$135,882	\$0	\$0	\$0	\$753,430
17	81	30.0%	\$214,879	\$31,074	\$144,035	\$0	\$0	\$0	\$776,263
18	82	30.1%	\$224,147	\$31,074	\$152,677	\$0	\$0	\$0	\$798,602
19	83	30.2%	\$233,149	\$31,074	\$161,838	\$0	\$0	\$0	\$820,416
20	84	30.3%	\$243,116	\$31,074	\$171,548	\$0	\$0	\$0	\$841,675
21	85	30.4%	\$252,476	\$31,074	\$181,841	\$0	\$0	\$0	\$862,345
22	86	30.4%	\$261,714	\$31,074	\$192,751	\$0	\$0	\$0	\$882,391
23	87	30.5%	\$271,203	\$31,074	\$204,316	\$0	\$0	\$0	\$901,775
24	88	30.5%	\$279,920	\$31,074	\$216,575	\$0	\$0	\$0	\$920,457
25	89	30.6%	\$289,844	\$31,074	\$229,570	\$0	\$0	\$0	\$938,396
26	90	30.6%	\$298,746	\$31,074	\$243,344	\$0	\$0	\$0	\$955,548
27	91	30.7%	\$307,679	\$31,074	\$257,945	\$0	\$0	\$0	\$971,863
28	92	30.7%	\$316,596	\$31,074	\$273,421	\$0	\$0	\$0	\$987,294
29	93	30.7%	\$325,440	\$31,074	\$289,827	\$0	\$0	\$0	\$1,001,786
30	94	30.7%	\$332,389	\$31,074	\$307,216	\$0	\$0	\$0	\$1,015,282
31	95	30.6%	\$338,992	\$31,074	\$325,649	\$0	\$0	\$0	\$1,027,725

¹Age of IRA owner/spouse ²Estimated AGI (excluding analysis amount) ³IRA income generated from analysis amount

⁴Cumulative taxes and IRMAA fees ⁵Total wealth generated assuming death

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SUPPLEMENTAL CONVERSION PERIOD ANALYSIS



Prepared for: Sample Client
Prepared on: Sample Date
Prepared by: Sample Advisor

Stonewood Financial
502-588-7155
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Louisville, KY 40207

ASSUMPTIONS:

The values below are based on what we believe are reasonable forward-looking assumptions.

IRA ASSUMPTIONS

Total IRA Amount	<input type="text" value="\$1,500,000"/>	Conversion Amount ²	<input type="text" value="\$500,000"/>
Annual Pre-Tax Earnings Rate ¹	<input type="text" value="6%"/>	Conversion Period ³	<input type="text" value="65"/> <input type="text" value="5"/> <small>Start Age Years</small>

IRA OWNER

Age	<input type="text" value="65"/>	Social Security Income at Age 70	<input type="text" value="\$60,000"/>
Pre-Retirement Income	<input type="text" value="\$120,000"/>	Additional Non-IRA Retirement Income	<input type="text" value="\$50,000"/>
Retirement Income Age Range	<input type="text" value="70"/> <input type="text" value="95"/>		
Medicare Election Age	<input type="text" value="65"/>		

TAX AND IRMAA ASSUMPTIONS

EFFECTIVE TAX RATE: (Initial)

Federal	<input type="text" value="17.2%"/>
State/Local	<input type="text" value="4%"/>

MODELED CHANGES:

Tax Change 1	<input type="text" value="7"/> <input type="text" value="30%"/> <small>Year Increase</small>
Tax Change 2	<input type="text" value="0"/> <input type="text" value="0%"/> <small>Year Increase</small>
Annual IRMAA Increase	<input type="text" value="6%"/>
Tax Rate for Beneficiary	<input type="text" value="25%"/>

¹Net of fees.

²In some cases, the annual conversion amount may be different than modeled based on rules surrounding RMDs, which could potentially impact the assumed effective tax rate and IRMAA.

³For the purpose of this report, the conversion vehicle is assumed to be a Roth IRA.

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CONSIDERATIONS FOR CONVERSION PERIOD

Below is a deeper look at some factors that can potentially impact the total taxes and additional IRMAA fees a saver may pay, based on assumptions in this report.

TAX BRACKET “DRIFT”¹

The potential additional taxes paid from a higher tax bracket if converting funds pushes a saver into a higher tax bracket during conversion years.

CONVERSION PERIOD	TAXES PAID DUE TO “DRIFT”
1 Year	\$43,250
2 Years	\$31,501
3 Years	\$19,751
4 Years	\$10,464
5 Years	\$3,080
6 Years	\$0
7 Years	\$0
8 Years	\$0
9 Years	\$0
10 Years	\$0

CONVERSION “DELTA”²

The assumed potential changes to tax bracket rates during the conversion, leading to additional taxes paid on converted funds.

Tax Δ 1: Year 7 30 %

CONVERSION PERIOD	TAX IMPACT
1 Year	\$0
2 Years	\$0
3 Years	\$0
4 Years	\$0
5 Years	\$0
6 Years	\$0
7 Years	\$5,770
8 Years	\$10,041
9 Years	\$13,311
10 Years	\$15,882

IRMAA “DRIFT”³

The potential additional IRMAA fees paid during the conversion if converting funds pushes a saver into a higher IRMAA bracket.

IRA Owner Medicare Age: 65

CONVERSION PERIOD	IRMAA “DRIFT” AMOUNT
1 Year	\$7,142
2 Years	\$13,485
3 Years	\$19,512
4 Years	\$25,900
5 Years	\$22,593
6 Years	\$26,568
7 Years	\$17,562
8 Years	\$17,552
9 Years	\$19,437
10 Years	\$21,435

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¹During a potential Roth Conversion, there may be additional taxes paid during the conversion years if in the process of converting funds, a portion of a saver’s income is pushed into a higher tax bracket.

²Your tax bracket may be lower or higher in retirement, unlike this hypothetical example.

³This is not a complete list of stipulations and requirements for IRMAA. Fees can vary based on income and personal situation. Complete information on IRMAA requirements, IRMAA fee tables and potential IRMAA adjustments can be found on the Medicare website, available online at www.medicare.gov/basics/costs.

ROTH CONVERSION ANALYSIS: PERIOD OPTIONS

Some savers who convert funds from a qualified account to a Roth account convert those funds over a number of years. This decision can potentially impact the total taxes and additional fees that saver pays. The table below analyzes various conversion period scenarios based on the assumptions made in this report. Several factors are included in this analysis:

Potential Roth Conversion Period	Total Conversion Taxes	IRMAA From IRA Converted Funds	Total (Tax + IRMAA):
1 Year	\$183,250	\$7,142	\$190,392
2 Years	\$171,248	\$13,485	\$184,733
3 Years	\$158,987	\$19,512	\$178,498
4 Years	\$149,521	\$25,900	\$175,421
5 Years	\$141,521	\$22,593	\$164,114
6 Years	\$139,233	\$26,568	\$165,801
7 Years	\$144,237	\$17,562	\$161,799
8 Years	\$147,742	\$17,552	\$165,294
9 Years	\$150,248	\$19,437	\$169,685
10 Years	\$152,054	\$21,435	\$173,489

INITIAL
PATTERN
MODELED

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Your tax bracket may be lower or higher in retirement, unlike this hypothetical example.

This is not a complete list of stipulations and requirements for IRMAA. Fees can vary based on income and personal situation. Complete information on IRMAA requirements, IRMAA fee tables and potential IRMAA adjustments can be found on the Medicare website, available online at www.medicare.gov/basics/costs.

YEAR-BY-YEAR DATA | CONVERSION PERIOD

CONVERT OVER 1 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$500,000	\$183,250	\$0
2	66 / 66	\$0		\$0
3	67 / 67	\$0		\$7,142
			\$183,250	\$7,142

CONVERT OVER 2 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$250,000	\$85,750	\$0
2	66 / 66	\$250,000	\$85,498	\$0
3	67 / 67	\$0		\$6,546
4	68 / 68	\$0		\$6,939
			\$171,248	\$13,485

CONVERT OVER 3 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$166,667	\$53,250	\$0
2	66 / 66	\$166,667	\$52,998	\$0
3	67 / 67	\$166,667	\$52,739	\$6,546
4	68 / 68	\$0		\$6,939
5	69 / 69	\$0		\$6,027
			\$158,987	\$19,512

CONVERT OVER 4 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$125,000	\$37,616	\$0
2	66 / 66	\$125,000	\$37,461	\$0
3	67 / 67	\$125,000	\$37,303	\$6,546
4	68 / 68	\$125,000	\$37,141	\$6,939
5	69 / 69	\$0		\$6,027
6	70 / 70	\$0		\$6,388
			\$149,521	\$25,900

CONVERT OVER 5 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$100,000	\$28,616	\$0
2	66 / 66	\$100,000	\$28,461	\$0
3	67 / 67	\$100,000	\$28,303	\$4,758
4	68 / 68	\$100,000	\$28,141	\$5,044
5	69 / 69	\$100,000	\$28,000	\$4,018
6	70 / 70	\$0		\$4,259
7	71 / 71	\$0		\$4,514
			\$141,521	\$22,593

CONVERT OVER 6 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$83,333	\$23,333	\$0
2	66 / 66	\$83,333	\$23,333	\$0
3	67 / 67	\$83,333	\$23,333	\$4,758
4	68 / 68	\$83,333	\$23,333	\$5,044
5	69 / 69	\$83,333	\$23,333	\$4,018
6	70 / 70	\$83,333	\$22,567	\$4,259
7	71 / 71	\$0		\$4,514
8	72 / 72	\$0		\$3,975
			\$139,233	\$26,568

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YEAR-BY-YEAR DATA | CONVERSION PERIOD

CONVERT OVER 7 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$71,429	\$20,000	\$0
2	66 / 66	\$71,429	\$20,000	\$0
3	67 / 67	\$71,429	\$20,000	\$4,758
4	68 / 68	\$71,429	\$20,000	\$3,149
5	69 / 69	\$71,429	\$20,000	\$2,009
6	70 / 70	\$71,429	\$19,233	\$2,129
7	71 / 71	\$71,429	\$25,004	\$2,257
8	72 / 72	\$0		\$1,582
9	73 / 73	\$0		\$1,677
			\$144,237	\$17,562

CONVERT OVER 8 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$62,500	\$17,500	\$0
2	66 / 66	\$62,500	\$17,500	\$0
3	67 / 67	\$62,500	\$17,500	\$2,970
4	68 / 68	\$62,500	\$17,500	\$3,149
5	69 / 69	\$62,500	\$17,500	\$2,009
6	70 / 70	\$62,500	\$16,733	\$2,129
7	71 / 71	\$62,500	\$21,754	\$2,257
8	72 / 72	\$62,500	\$21,755	\$1,582
9	73 / 73	\$0		\$1,677
10	74 / 74	\$0		\$1,778
			\$147,742	\$17,552

CONVERT OVER 9 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$55,556	\$15,556	\$0
2	66 / 66	\$55,556	\$15,556	\$0
3	67 / 67	\$55,556	\$15,556	\$2,970
4	68 / 68	\$55,556	\$15,556	\$3,149
5	69 / 69	\$55,556	\$15,556	\$2,009
6	70 / 70	\$55,556	\$14,789	\$2,129
7	71 / 71	\$55,556	\$19,226	\$2,257
8	72 / 72	\$55,556	\$19,227	\$1,582
9	73 / 73	\$55,556	\$19,228	\$1,677
10	74 / 74	\$0		\$1,778
11	75 / 75	\$0		\$1,885
			\$150,248	\$19,437

CONVERT OVER 10 YEAR				
Year	Age: IRA Owner / Spouse	Annual Income	IRA Tax Impact	IRA Impact on IRMAA
1	65 / 65	\$50,000	\$14,000	\$0
2	66 / 66	\$50,000	\$14,000	\$0
3	67 / 67	\$50,000	\$14,000	\$2,970
4	68 / 68	\$50,000	\$14,000	\$3,149
5	69 / 69	\$50,000	\$14,000	\$2,009
6	70 / 70	\$50,000	\$13,233	\$2,129
7	71 / 71	\$50,000	\$17,204	\$2,257
8	72 / 72	\$50,000	\$17,205	\$1,582
9	73 / 73	\$50,000	\$17,206	\$1,677
10	74 / 74	\$50,000	\$17,206	\$1,778
11	75 / 75	\$0		\$1,885
12	76 / 76	\$0		\$1,998
			\$152,054	\$21,435

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