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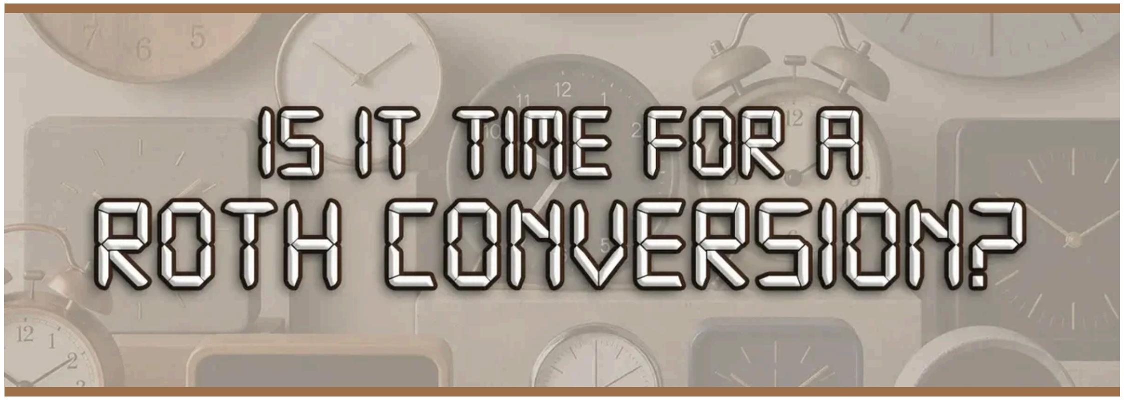
FOUR C FINANCIAL

Financial **INSIGHT**



If you had the option to choose when you pay taxes… *now or later*… which would you pick?

While your initial instinct may be to say “later,” the answer isn’t as simple as it seems.

When it comes to retirement, taxes can be one of the most important planning variables. The question isn’t just how much you’ve saved. It’s how much you’ll actually keep after taxes over time.

That’s where Roth conversions tend to become part of the conversation.

What is a Roth Conversion?

A Roth conversion allows you to move assets from a traditional IRA, 401(k), or similar account into a Roth IRA. You generally pay taxes now on the amount you’re converting that hasn’t been taxed yet, in exchange for potential tax-free growth and tax-free withdrawals in the future, as long as Roth rules are met.

In simple terms, you’re choosing to recognize income now to potentially reduce taxes later.

That trade-off becomes more compelling when you step back and look at where things may be headed, not just where they are today.

Why the Decision Matters

A Roth conversion tends to be most relevant when there's a meaningful difference between your current tax situation and what it could look like in the future.

It's often worth exploring if you find yourself in one of these scenarios:

1. **You expect to be in a higher tax bracket later.**
   This could be due to career progression, required minimum distributions, or potential changes in tax policy. Paying taxes at today's rates may be more favorable than waiting.

2. **You're in a temporarily lower-income year.**
   A transition year, such as a career change, retirement, or a reduction in income, can create an opportunity to convert at a lower tax cost than usual.

In both cases, the goal is the same: making thoughtful decisions around timing when the tax impact is more manageable.

It's Not All or Nothing

One common misconception is that a Roth conversion is a one-time, all-or-nothing decision. In reality, it's often done gradually.

The focus is on managing your tax bracket, meaning converting enough to take advantage of available space without pushing into a higher rate or triggering unintended consequences. Over time, this becomes a series of smaller, intentional decisions rather than one large move.

More Than Just Tax-Free Growth

Roth IRAs also offer flexibility that traditional retirement accounts don't.

They are not subject to Required Minimum Distributions (RMDs) during your lifetime, which gives you more control over when and how you draw income in retirement. For many, that flexibility becomes just as valuable as the tax treatment itself.

Potential Trade-Offs

A Roth conversion is not automatically the right move for everyone. Because the converted amount is generally taxable in the year of conversion, it can increase your current tax bill and potentially push you into a higher bracket. It may also affect other parts of your plan, including Medicare premiums, income-based benefits, deductions, or other tax-sensitive items.

In some cases, it also means giving up the benefit of keeping more money invested on a tax-deferred basis. That’s why the timing, amount, and broader planning implications all matter.

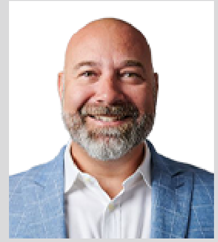
Your Decision Should Be Modeled, Not Guessed

Whether a Roth conversion makes sense depends on your income, future expectations, and how everything ties together across your plan, including cash flow, taxes, and other planning considerations.

Rather than guessing, this should be modeled, looking at the near-term tax impact alongside the longer-term implications.

We're Here to Help!

If you’d like to take a closer look at your situation to see if a Roth conversion may be right for you, simply reply to this email to schedule a time to walk through it together.



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