Hilltop
WEALTH & TAX SOLUTIONS

IS A ROTH CONVERSION WORTH CONSIDERING BEFORE RETIREMENT?

THE PRE-RETIREE'S GUIDE TO ROTH CONVERSION PLANNING

ROTH CONVERSIONS NEED CONTEXT

You may have heard that a Roth conversion can be a smart retirement planning strategy. In some cases, that may be true.

But a Roth conversion is not automatically right for every household.

A Roth conversion can affect your taxable income, Medicare premiums, cash flow, retirement account balances, required minimum distributions, and legacy planning. That is why the decision should be reviewed in the context of your full financial picture, not based on a rule of thumb or a single tax-year estimate.

This guide is designed to help you understand the key questions to ask before deciding whether a Roth conversion may fit your retirement plan.

WHAT IS A ROTH CONVERSION?

A Roth conversion moves money from a pre-tax retirement account, such as a traditional IRA, SEP IRA, SIMPLE IRA, 401(k), 403(b), or certain other employer retirement plans, into a Roth account.

In most cases, the amount converted is included in taxable income for the year of the conversion. Once the funds are in a Roth IRA, qualified distributions may be tax-free, provided applicable requirements are met.

One potential reason households consider Roth conversions is that Roth IRAs are not subject to lifetime required minimum distributions for the original owner. This may provide more flexibility in retirement income planning and legacy planning, depending on your circumstances. The IRS states that required minimum distributions generally apply to traditional IRAs, SEP IRAs, SIMPLE IRAs, and retirement plan accounts beginning at age 73, while original Roth IRA owners are not required to take lifetime RMDs.

A Roth conversion is different from making a Roth IRA contribution. For 2026, the IRS states that IRA contribution limits are $7,500, or $8,600 for individuals age 50 or older, subject to taxable compensation and other rules. Roth IRA direct contribution eligibility also phases out based on income.

WHY PEOPLE CONSIDER ROTH CONVERSIONS

A Roth conversion may be worth reviewing if you want to explore whether paying taxes today could provide more flexibility later.

Some households consider Roth conversions because they may want to:
- Create more tax diversification between taxable, tax-deferred, and Roth accounts
- Reduce future pre-tax retirement account balances
- Manage the potential impact of future required minimum distributions
- Use a lower-income year to evaluate a partial conversion
- Build assets that may be distributed tax-free if qualified distribution rules are met
- Support legacy planning goals for heirs
- Reduce reliance on taxable retirement account withdrawals later in life

However, each of these potential benefits comes with tradeoffs.

A Roth conversion should not be evaluated as simply "good" or "bad." The better question is: ***Does this strategy make sense within your tax, income, investment, Medicare, and legacy plan?***

THE MAIN TRADEOFF: TAXES NOW VS. POTENTIAL FLEXIBILITY LATER

A Roth conversion usually creates taxable income in the year of conversion.

That means you may pay more in taxes now in exchange for the potential for tax-free qualified distributions later. Whether that tradeoff is appropriate depends on several factors, including your current tax rate, expected future tax rate, retirement income needs, life expectancy, account balances, estate goals, and future tax-law uncertainty.

For some households, a Roth conversion may fit into a multi-year retirement income plan. For others, the tax cost or income impact may outweigh the potential benefit.

This is why many Roth conversion decisions come down to timing, sizing, and coordination.

Seven Questions to Ask Before Converting

1. WHAT TAX RATE ARE YOU IN TODAY?

Because a Roth conversion is generally taxable in the year it occurs, the first question is how the conversion may affect your current tax picture.

A conversion may increase your taxable income and could move part of your income into a higher tax bracket. It may also affect deductions, credits, capital gains tax exposure, or state income taxes.

This does not mean a conversion should automatically be avoided. It simply means the tax impact should be estimated before the conversion is made.

Ask yourself: ***Would converting this amount create a tax bill I am comfortable paying this year?***

2. WHAT TAX RATE MIGHT YOU FACE LATER?

Roth conversion planning often compares your current tax rate with your expected future tax rate.

If you expect your future tax rate may be higher, a Roth conversion may be worth discussing. If you expect your future tax rate may be lower, paying tax now may be less attractive.

Future tax rates are not fully knowable. They may be affected by your income, Social Security, pensions, investment income, required minimum distributions, state residency, and future legislative changes.

Ask yourself: ***Am I likely to have higher taxable income later because of RMDs, pensions, Social Security, or other income sources?***

3. HOW WOULD YOU PAY THE TAX BILL?

A Roth conversion can create a tax liability. One important planning question is whether you have cash or taxable assets available outside your retirement accounts to pay that tax.

It is important to have cash outside retirement accounts to pay the income taxes due. Taxes withheld from the conversion itself may be subject to a 10% penalty unless an exception applies and may reduce the net amount converted.

Using retirement account assets to pay the tax may reduce the amount that ends up in the Roth account. In some situations, it may also create additional tax or penalty considerations.

Ask yourself: ***Can I pay the tax liability without disrupting my retirement income plan or emergency reserves?***

4. COULD THE CONVERSION AFFECT MEDICARE PREMIUMS OR INCOME-BASED BENEFITS?

A Roth conversion may increase your modified adjusted gross income. That can matter if you are enrolled in Medicare or participate in other income-based programs.

Medicare Part B and Part D premiums may be affected by income-related monthly adjustment amounts, commonly known as IRMAA. CMS released 2026 Medicare premium and IRMAA information for Medicare Parts B and D, which reinforces why Medicare premium planning should be reviewed before creating additional taxable income.

Increasing income through a conversion may affect Medicare IRMAA, ACA subsidies, financial aid, or other income-based programs. IRMAA surcharges are calculated each year based on income reported two years prior.

Ask yourself: ***Could this conversion increase my Medicare premiums or affect any income-based benefits?***

5. ARE YOU ALREADY SUBJECT TO REQUIRED MINIMUM DISTRIBUTIONS?

If you are already subject to RMDs, you generally must satisfy your RMD before converting additional IRA assets to a Roth IRA. The Roth IRA conversion tax rules resource states that if you are subject to an RMD in your IRA, the RMD must be satisfied before the conversion.

This matters because RMDs cannot simply be converted to a Roth IRA. The timing and order of distributions should be reviewed carefully.

The IRS states that RMDs are generally required beginning at age 73 for traditional IRAs, SEP IRAs, SIMPLE IRAs, and retirement plan accounts.

Ask yourself: ***Have I already taken any RMD required for the year before considering a conversion?***

6. WILL YOU NEED THE CONVERTED ASSETS SOON?

Roth conversions can be affected by five-year rules. If you are under age 59½ and expect to access converted funds soon, timing matters.

If you take a distribution within five tax years of a conversion and are under age 59½, you may be subject to a 10% penalty.

A Roth conversion is generally more appropriate when the converted assets can remain invested long enough for the strategy to support your broader planning goals.

Ask yourself: ***Do I expect to need these converted funds within the next five years?***

7. WHAT ARE YOUR LEGACY GOALS?

Roth conversions may also be reviewed as part of a legacy planning conversation.

For some households, leaving Roth assets to heirs may be attractive because qualified Roth distributions can receive different tax treatment than inherited traditional IRA assets. However, this depends on your beneficiaries, their tax situations, inherited IRA rules, charitable intent, and your own retirement income needs.

Roth conversion assets may be particularly valuable to certain non-eligible designated beneficiaries who are subject to the 10-year rule. If retirement account beneficiaries are qualified charitable organizations, a Roth conversion may offer little advantage because charitable beneficiaries may already receive traditional retirement assets without the same income tax impact as individual heirs.

Ask yourself: ***Am I converting primarily for my own retirement flexibility, for my heirs, or both?***

Final Takeaway

A Roth conversion may be a valuable planning tool for some households, but it is not a one-size-fits-all strategy.

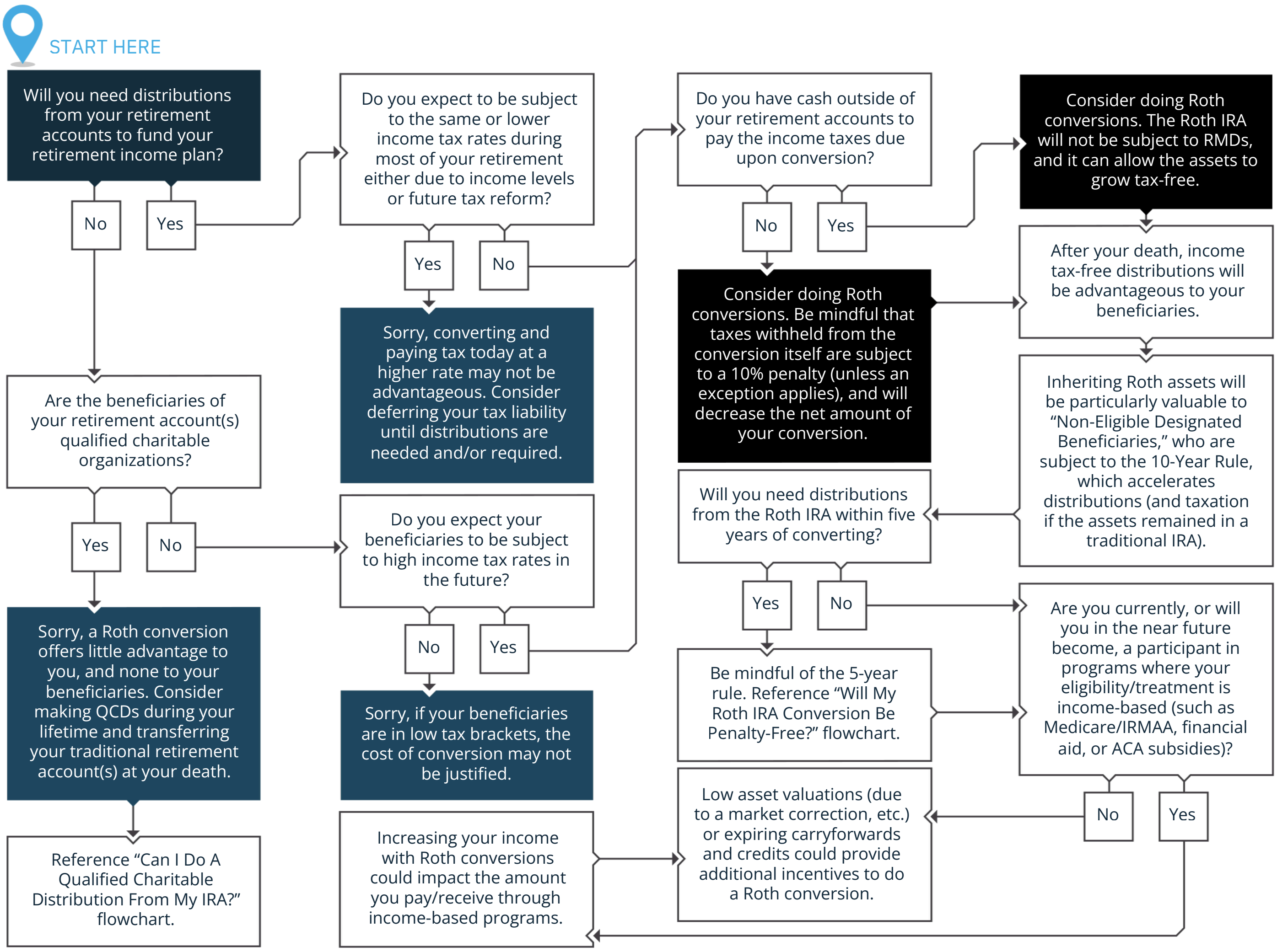
The decision should be reviewed carefully because it can affect your tax bill, retirement income plan, Medicare premiums, cash flow, required minimum distributions, and legacy goals.

Before converting, take time to ask:
What problem am I trying to solve, and does a Roth conversion help address it within my broader plan?

That question can lead to a more thoughtful conversation and a more coordinated retirement strategy.

Should You Consider A Roth Conversion?

This flowchart addresses some of the major decision points to help guide individuals through the conversation.



HAVE QUESTIONS ABOUT ROTH CONVERSION PLANNING?

Schedule an introductory conversation with Hilltop Wealth & Tax Solutions to discuss whether Roth conversion planning may be worth reviewing in the context of your retirement income, tax, investment, and legacy goals.

START THE CONVERSATION

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