

Make Sure You Understand

The last few weeks I have been writing articles about, and discussing on my radio show, the latest updates, provisions and changes to retirement accounts. When going over complex topics such as these changes, people can get confused and become unsure about what to do. As you can imagine, I have received several questions the last few weeks from our readers and listeners wanting some clarity. Since specific questions and answers can go a long way to help people better understand these changes, rules and provisions, we are devoting this week's article and radio show to answering some of your specific questions.

"Hi Pat, I have a question. I just turned 71 and have money in traditional IRAs that I am not currently using. I'm afraid of rising tax rates in the future and want to start doing Roth conversions. Can I take my required minimum distribution and convert that to a Roth IRA?"

I am sorry, but contrary to popular belief, IRS rules state that you cannot convert your required minimum distribution (RMD) to a Roth IRA. You can only convert amounts above and beyond your RMD amount each year. This may be an issue if it puts you into a higher tax bracket. There are, however, other tax-free accounts that can accept RMD amounts.

"Hello. I am not able to make a Roth IRA contribution because of income limits. However, I heard that I can make a non-deductible IRA contribution and then convert that to a Roth IRA to get around that rule. Is this true?"

Yes and no. You can do this, but you have to be aware of the pro-rata rule. Under the pro-rata tax rule, all of your non-Roth IRAs are considered one IRA for tax purposes. So when doing a Roth conversion that includes after-tax amounts, you must include the balances in all IRA accounts, not just the account being converted. So you have to be very careful or you could end up with a huge tax bill.

Join me this week on the ***It's Your Money Show***. We will be answering more important questions regarding retirement planning from our readers and listeners. The show airs on WMEQ (880 AM) on Thursday morning at 7:30 and Saturday morning at 9:00, as well as on WWIB (103.7 FM) on Wednesday evening at 7:30 and Saturday evening at 5:30. You can also obtain this information and receive independent advice for your specific situation by contacting me at **(715) 835-6022** or **info@KeyStoneCV.com**, or through our website, **www.KeyStoneCV.com**.

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