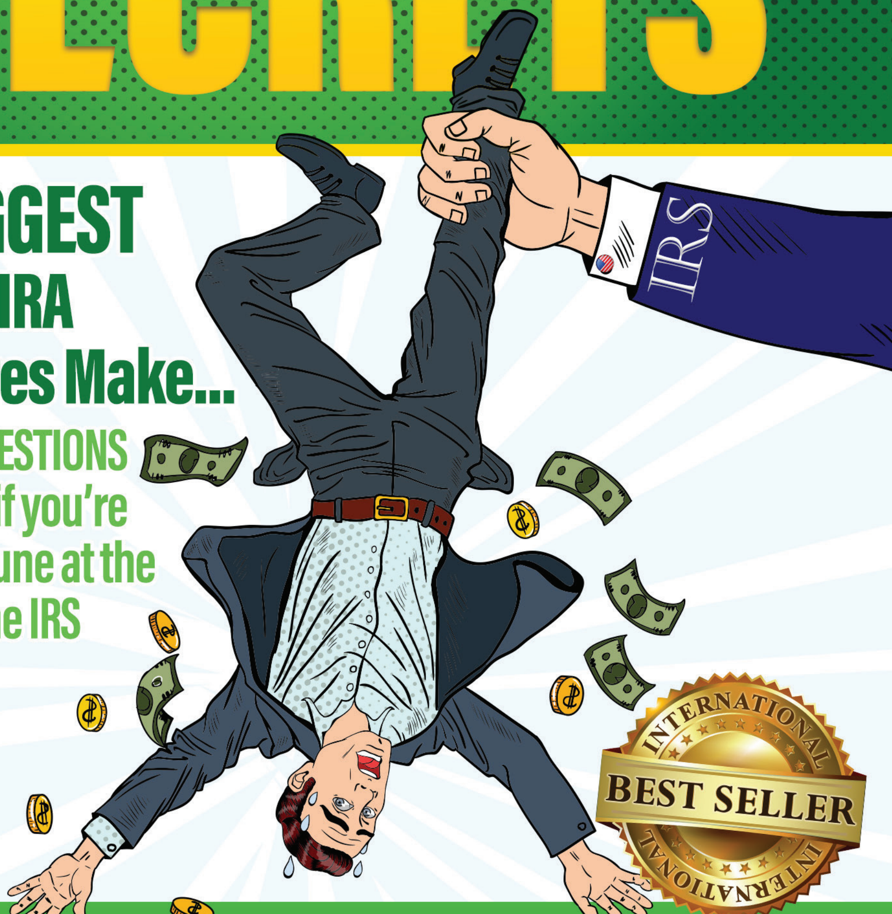
ROTH CONVERSION SECRETS

The 5 BIGGEST Mistakes IRA Millionaires Make...

and SEVEN QUESTIONS to determine if you're leaving a fortune at the doorstep of the IRS



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CRAIG WEAR, CFP®

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ACKNOWLEDGMENTS

THE FIRST BOOK I WROTE about the specialized subject of Roth conversions and their use in planning retirement was born from the changes in the tax codes back in 2017. That historic change served as a catalyst for me to begin sounding the bell that a great window of opportunity had opened for many to take advantage of historical low tax rates.

One of my primary goals in writing the first, and now the follow-up, is to provide education to those who truly want to get the most out of their life savings and are willing to think outside the box. Armed with the uncommon knowledge of this subject, you will be ready to create an equally uncommon financial outcome.

While writing the first book proved to be a monumental task; this one flowed easily from my experiences of having spoken to hundreds of people who struggle to 'get it right' when it comes to developing a plan to convert their affairs from taxable to tax-free.

I have several people that came alongside me to make this happen. First, a handful of friends that took the time to review the nearly completed drafts and provided valuable feedback. The input of John, Sandi, Pat, and Scott allowed me to hone the message and make it simpler to read and understand. I am grateful for their friendship and honest comments.

I'm also reminded of how much easier it is to create positive things to help others when my own environment is relatively free of conflict - and full of love. It is a huge blessing to have two grown sons, Mason, and Dawson, who are living lives of contentment and rich blessing. They have women who they adore, and who reciprocate that love back to them. It's a rich life to live when your kids live in happiness and joy.

And lastly, to the two true loves of my life. To my wife, Pam, for her undying love, encouragement, and support. She's been my rock and cheerleader for almost forty years and inspires me to be at my best so she can live a life with as much joy as she brings to me. Without her belief in me, many great things in our life would never have come to fruition. I know no other person with as much compassion for others, patience, and faith. And to Christ, my ultimate source of inspiration and hope for an amazing future. I am constantly amazed by the grace he extends despite my 'missing the mark' daily, and the hope that we can have by accepting that grace. My relationship with Him serves as my compass, helping me to find my way in this world.

INTRODUCTION

WHEN WE MAKE A DECISION to really investigate and study an issue, regardless of the subject, we are rewarded with insight and truths that the less committed will rarely get to see. I really enjoy designing and building furniture as a hobby. I'm still quite the amateur, but the continual quest for knowledge from others who are much more experienced has resulted in honing my skills. Those skills produce results that I get great satisfaction from and that I get to share with my family and friends.

From building a bedroom set out of reclaimed barnwood, I learned that sixty-five-year-old white oak presents a real challenge when trying to cut decorative curves. The wood has become so dense from exposure to the elements that it's difficult to turn in the band saw. But if you change the design just a bit, you can still wind up with a beautiful set of furniture.

I built a drop leaf table with breadboard ends for my sister. Her request for an ebony stain was almost offensive to me because I thought it would ruin the natural beauty of the grains in the oak wood I was using. But after application of the dark stain, and several hand-rubbed coats of wax, it proved to be a beautiful finish.

Speaking of finishes, it was a burly maple with walnut bookcase for my son where I accidently discovered a finishing technique that gives a silky-smooth feel to the final product. A mixture of mineral spirits and clear stain applied with four hundred grit sandpaper, and then immediately wiped with a cotton rag, will leave the surface feeling really nice.

And it was a desk for my other son that taught me that cedar is not a great surface for a desk. It's much too soft of a wood for that kind of project. While he appreciated and enjoyed the piece, it was a step in my education that made me better on the next project.

For those reading this who have little interest in making furniture or even turning on a table saw, the lessons that I learned from the hundreds of projects have little significance to you. But we each have our own 'thing' we enjoy, and our 'thing' is where we spend our time and attention - and money. I'll wager that you have your own interests that motivate you and give you a sense of personal accomplishment and enjoyment.

But for those reading this book that do enjoy working with wood, you'll understand the thousands of 'little things' that are picked up from just the experience of designing, planning, and building a complicated project.

And so it is with money and financial subjects. When it comes to the subject of Roth conversion strategies, most DIYers and professional advisors only commit a casual interest in the subject. But when you study it and spend time with the concepts, it reveals some amazing benefits - if you develop a solid conversion strategy. The thousands of 'at bats' that my team and myself have had through consulting with others have given us a unique set of experiences. You'll see in the following pages, that those have forged truths that are not of the common financial institutions script.

Our clients are not necessarily wealthy, but for the most part they are what I call 'IRA Millionaires'. They've saved well and kept their lifestyle within their means. They will receive Social Security retirement benefits, perhaps a monthly pension from work, and a few will even have investment income to help with living expenses. After retirement they will discover that very little of their IRA savings will be used for lifestyle over the remainder of their lives.

> *"On average, the result of developing their 'best strategy' has produced an estimated tax avoidance of over $2 million for each of those families."*

My desire behind writing this book is to help you break down the false beliefs and opinions you may have regarding this topic. The fears around paying taxes today are likely costing you well over one million dollars of unnecessary taxes to be paid over the remainder of your life, especially if you are an IRA Millionaire.

The financial media is full of so much misinformation, faulty opinions, and old paradigms. You can read ten headlines about the future, or about most any financial topic and get ten different opinions about the 'best' course of action. Even for me, someone who has spent several decades in the industry, it can be very confusing. In addition, so much financial advice is offered in a self-serving way to further the desire of the financial firm to win your business and earn commissions and ongoing fees.

When the subject of converting your IRA to a Roth IRA is looked at in the media, the reader gets a certain 'spin'. If the information comes from a source that we trust for other things, we presume that it is accurate. That information, if read repeatedly, becomes truth – or assumed truth.

Most often, here's what I hear from people who've considered Roth conversions and then backed away from initiating a plan:

> *"My 'advisor' (CPA or Investment Manager) told me that I just need to convert to the top of my tax bracket each year. They said it's not worth it to pay any higher tax."*

> *"I've developed my own spreadsheets and it looks like conversions aren't going to be worth it to me because all my other income will make conversions too expensive."*

Nancy lives in Wisconsin. When she called us the first time, she couldn't believe we were actually recommending what she had questioned her CPA about over five years ago; right after the tax rates were lowered by the Tax Cut and Jobs Act of 2017.

At the time, the CPA told her that it didn't make sense for her to convert any more than just enough to get to the top of her current low tax bracket. She disagreed with the CPA, but the CPA won the argument, and she lost the opportunity to get conversions finished before required minimum distributions began.

She was seventy at the time of our call, with over one million still in IRAs. Although it cost her hundreds of thousands of lost tax savings, she still was able to avoid almost one million in taxes by implementing a much more aggressive strategy. And the cherry on top is that her net worth actually is projected to be higher than if she had not converted her IRA, in just six years. But I do recall how ticked off she was that she followed the advice of the CPA without asking him to prove his point to her.

There really is a lot of emotion around the Roth conversion topic. And it's hard to know whether the info is accurate because most often the rationale is based on the opinion of an advisor, or the lack of experience from a DIY spreadsheet creator.

To complicate matters more, most insurance or financial firms don't allow their advisors to give 'tax advice'. And they deem Roth conversion as tax advice instead of a crucial component of a solid financial planning strategy. So, their training and continuing education produces only summary statements and fundamental principles that cannot apply to your specific real-life situation.

In the pages that follow I will reveal the five most costly mistakes that most people make when doing Roth conversions, especially the IRA Millionaires. And because the conversion discussion has so many variables that really deserve very personal investigation, I'm also going to provide you with seven critical questions. The answer to these questions will help you determine if you're a good candidate for conversions. If you are a good candidate, it means that you're likely leaving a fortune sitting at the doorstep of the U.S. Treasury.

Predictable Objections

CPAs serve a vital role for many of us. I'm grateful for a long healthy relationship with the firm that takes care of the tax preparation for my personal and business life. But CPAs aren't usually planners. They don't hold themselves out to the public for that role; yet we trust them and presume we can go to them with most any financial question.

I don't believe that is their intended role. Their business is more focused on reporting last year and we reward them when they 'save us money' on this year's return. They provide valuable big picture strategies that can be very helpful.

Most CPAs we've engaged with have initially disagreed with our philosophy in the Roth conversion subject field. But when presented with the facts – quantitative proof – they have all come around to believing that there is much more than meets the eye.

The financial media and general community seem to rely on a handful of rules of thumb that create limitations that are simply not true. The result of the repeated misstatement of facts can be seen by the handful of predictable objections we've heard over the years:

> *"You should never convert from an IRA if you will go into a higher tax bracket."*

> *"You should not convert if it causes your Medicare premiums to increase."*

"You should not convert if you are going to be in a lower tax bracket in the future."

"You should not convert if you are currently in a high tax bracket."

Our team of CFP®s disproves each of these limiting beliefs every single day of the week as we work with clients to help them find their optimal retirement and tax solutions. To be clear, there are situations where the above statements 'could' be accurate, but they are the tiny minority - not the majority.

The IRA Millionaire

As stated, most of the people we work for are what I call 'IRA Millionaires'. They've saved well and are going to experience a very certain set of negative consequences in the future. Most of the institutional paradigms about IRAs will subject the owner to unnecessary cost and taxation once required minimum distributions begin in their lives.

The IRA Millionaire has an opportunity to change the outcome by embracing a new way of thinking about their taxes. By opening their field of vision from this year's income tax return to taxes over their lifetime, they'll recognize incredible avoidance of taxes and other costs.

What's the problem for the IRA Millionaire? Well, when you've saved well, but exclusively within a tax deferred retirement plan, every decision you make for the rest of your life is dependent on how much tax you'll pay. In addition, saving excessively this way also subjects you to whatever legislative decisions are thrust upon citizens. If you had a variety of sources of income with less income tax due on them (or absolutely none), I think we'd agree that would be a very good situation.

We find that we need to re-educate the IRA Millionaire about the positives and negatives of moving from a tax-deferred future into a tax-free future. And I like to reiterate that you don't have to buy financial products to accomplish this. There is a future section in the book that discusses a variety of investment guidelines as you initiate the process but converting is a product-neutral event.

The ideas in this book can easily apply to folks that are not the IRA Millionaire level of saving, but it does require a bit more homework to determine the real benefits. For you, the IRA Millionaire, it's really a no-brainer that Roth conversion will be of huge benefit to your - or your heirs. If you're already in your late seventies, there is still a ton of savings, but the savings will probably be mostly for your heirs, not you.

As an early disclaimer, I'd like you to know that our financial planning firm does not sell financial products, nor do we manage client investment portfolios. We only provide education and consulting services. The remainder of the book is devoted to breaking down the paradigms and false beliefs that IRA Millionaires and their advisors may be carrying based on inaccurate counsel or just general media pollution on this subject. My hope is that these pages motivate you to stop kicking tires on initiating the conversion of your IRAs to a Roth. But more importantly, one of my objectives is to help you to not make the mistakes that we see so many others make.

The fact that you're reading this book would indicate that you are at least open to the possibility that what you've been told before may not be the best advice. My intent is not to discredit anyone that you've worked with, but instead to provide solid proof that there may actually be a huge amount of benefit that others have overlooked.

Why Another Book

In this book, I'm providing in-depth discussion of the information that is not widely discussed or known about so that it can be sought after. Putting the future in these terms allows us to accurately assess if you have a future tax problem and create a framework from which to work to find quantifiable solutions. The solutions will prompt you to dismiss limiting opinions or paradigms.

If you are an IRA Millionaire, the odds that you are a good candidate for converting your IRAs to Roth IRAs is enormous. But you should be able to measure the costs and benefits and not rely on opinions or beliefs of me, an existing advisor you may have, or of some national financial guru.

If you are not a good candidate for accelerated Roth conversions you should be able to measure the projected benefits, not just 'trust' a resource. Make sense?

CHAPTER 1: BEFORE WE DIVE IN

WHERE DO WE LEARN ABOUT money and planning for our financial futures? Most of us learn from the "school of hard knocks." If you apply for enough credit cards, you will quickly learn the hard lessons they teach. After you buy a few vehicles, you'll learn the art of finding the right one and negotiating a fair deal. Buy a home or two, and you'll understand the mortgage process. But how do you learn to plan for retirement if you only do it one time?

"Retirement is New to Every Retiree"

My career as a financial advisor began in the depths of the economic woes of the 1980s. In addition to the basic licenses required to be in the business, I immediately went to work on the two-year curriculum to earn the right to use the marks of Certified Financial Planner®. My finance degree coupled with the professional accreditation were my ticket to begin my practical real-life education. Although I sold my thirty-plus year-old financial planning practice many years ago; I began as an independent advisor and remain one today.

Because I've always had my own firm, my experiences were not influenced by a large sales organization. Instead, the tutors I've had on this subject have been the thousands of people who have allowed me to walk with them along their path into retirement. Through this process, I've learned what works and what doesn't. What I propose to do in the following pages is to share the knowledge I've gained from working with these wonderful people.

The specific focus in this book has to do with the enormous and avoidable cost of excessive income taxation that comes from "too much of a good thing."

Saving for retirement inside of a 401k or IRA is a great practice to engage in early and consistently. However, just like many things in life, doing so in excess can cause hundreds of thousands, even millions of dollars of income taxes over the saver's lifetime. It sounds far-fetched, but it's true, and I've provided several samples throughout the book to illustrate this.

The Root of the Problem

At the core of this very real financial problem is the cost that will be paid by unsuspecting IRA account owners. The costs are varied and apply to most everyone we've spoken with – to a greater or lesser degree. My first book, *Paying the Piper*, is devoted to identifying those problems and providing different strategies to address them.

For now, I'll say that the root of the problem for most Americans is the amount of future Required Minimum Distributions (RMDs). These are taxable distributions from your tax-deferred retirement accounts. They create forced taxable income into your life once you reach age 72. There is currently a proposal in Congress that, if passed into law, would delay these to age 73, and perhaps even as far as age 75 by 2032. As I'll reveal later, this presents a great opportunity to accelerate Roth conversion strategy.

Mis-Information Overload

Over the last few years, I've seen an interesting phenomenon exhibited. Most Americans now have heard about saving taxes through converting their IRAs to Roth IRAs, but there remains a huge amount of misinformation and misunderstanding that keeps people from making decisions that will let them avoid taxes in the six and seven figure range.

When I began this journey of spreading this message on a national basis, I was called everything from a 'snake oil salesman' to a 'fraud'. Most people couldn't believe my claim that there are millions of dollars of taxes to be saved. Frankly, they have been polluted by the institutional messages about Roth conversion that are void of reality for most people.

In addition, there have been two pieces of legislation passed that impact the subject, and a third is pending at this writing.

My prior book, *Paying the Piper,* was an Amazon Bestseller in several categories. The goal of that book was to educate folks about the amazing opportunity that can exist through strategic accelerated conversion of IRA funds to Roth IRAs. This book is primarily devoted to breaking down the false paradigms about Roth conversions and income taxes that are in the thinking of most Americans. I've also come to realize that you want and need more specific information about several of the nuances of 'doing' the conversions.

In this book, I hope to inspire you to act and equip you with enough information to understand why this presents such a life changing opportunity at such a pivotal time in American history.

If you know the right questions to ask and can recognize the optimal answer to those questions, there's a good chance you can eliminate excessive taxation from your future.

Financial subjects can get pretty boring very easily, so I've tried to weave in illustrations and analogies from the lives of people I've interviewed and counseled over the years. Read on to discover more about the lessons I have learned so you can have a better future yourself.

Here's a very practical example from the lives of real clients we worked for:

Average 'Chuck and Kathy' - IRA Millionaires

I'd like to present a summary of the financial situation that is most common among these IRA Millionaire clients by way of a real-life sample. You will likely be different; more assets, different age, different income needs, etc…

Focus on the message of the illustration rather than the details of their financial life for now. A future chapter provides plenty of detail of their case and shows how we came to the optimal strategy.

Chuck and Kathy came to us after recently retiring. They knew they had plenty saved but had bumped into some of our educational content and realized that there was a missing element to their long term retirement plan. They didn't have a game plan for handling the onslaught of taxes once RMDs begin.

The Facts:

Chuck and Kathy
Age - Middle 60s
Retirement savings in IRAs and all tax-deferred accounts - roughly $1,500,000.

They can comfortably live off of Social Security and monthly pensions, with some investment income also coming into the household. They believe they will seldom need to dip into the IRAs for expenses. Maybe a car or a nice trip every so often, but not regularly or in large amounts.

They both have parents who lived into their late 80's. So they asked us to assume that they were going to live to age 90.

The Outcome:

When you closely examine the lifetime impact on all factors, you can see that for the typical IRA Millionaire, there is tremendous savings. You'll also notice that most of the paradigms are quickly dismissed - when you get the right strategy.

The table below shows a few of the alternatives that our average 'Chuck and Kathy' have before them.

The 'No Conversion' column displays projected values for the more relevant data points under the assumption that they make no changes.

The 'Current Tax Bracket' column offers the same data but based on conversion of their IRA to a Roth up to the top of their current marginal tax bracket, and nothing more.

The 'Optimal Strategy' column is the same data assuming that they implement the strategy that gives them the optimal tax avoidance and resulting tax adjusted net worth. I'll spend more time later discussing the value of focusing more on net worth outcomes than tax savings. But they do go hand in hand.

	No Conversion	Current Tax Bracket	Optimal Strategy
Total Projected RMDs	$3,494,200	$1,306,369	$ 38,181
Total Projected Lifetime Taxes	$1,456,660	$1,235,520	$ 540,283
Total Projected Tax to Heirs	$ 894,515	$656,625	$ 26,064
Total Projected Medicare Premiums	$ 367,301	$ 280,110	$ 232,360
Total Tax Avoidance	None	$ 459,029	$1,784,828

Total Projected RMDs - summation of projected required minimum distributions over their lifetime(s).

Total Projected Lifetime Taxes - summation of projected annual income taxes over their lifetime(s).

Total Projected Tax to Heirs - projection of the tax that will be owed by the heirs at the time of inheritance of the remaining IRA balances.

Total Projected Medicare Premiums - summation of projected Medicare premiums over their lifetime(s).

Total Tax Avoidance - projection of total taxes avoided by implementing the strategy referenced in the column heading.

Conclusions:

As you can tell, if Roth conversions are done properly, the IRA Millionaire can reap some pretty amazing benefits. And even for those that are not in the '7 figure' group, there are significant savings for most.

In future sections I'll break down the reasons that cause most people to shy away from enjoying more of a tax-free retirement as the result of Roth conversions. And I'll provide a deep dive into the analysis so you can see the details.

CHAPTER 2: EXPERIENCES

Deacon's CD

ONE OF THE MANY SHORTCOMINGS of our education system is that real personal finance is not taught. You can graduate from a respected business school with a degree in finance and many hours of economics but never learn how to balance a personal checkbook. You don't learn the perils of credit cards or debt in general, and you certainly don't learn much about the world of saving for retirement.

Most savers just pile away the money and seemingly put off the question of what to do with it until they absolutely can't. Our institutions, educational and financial, have spent billions of dollars in non-personalized formulaic advice and corporate sales pitches. At the end of the day, it's all about shareholder value and monthly sales leaderboards. It is difficult for the man or woman dispensing advice to remain neutral in that environment.

One Sunday, while walking through the church hallway, one of the older men (bear in mind that "older" means something totally different to me today), a "Mr. Deacon," approached me and said he'd heard that I'd made the transition into the "financial business." He asked if I had any ideas for something to do with a jumbo CD he had maturing. Two thoughts occurred to me immediately: "Yes, of course," and "Wow, $100,000 to invest!"

If you're "of a certain age," you'll recall what was going on for much of the 1980s in our country. This was the mid-1980s in the Houston area, and the economy was in really bad shape. We were in the heart of the oil and gas industry, and people were afraid of losing their jobs, houses, and businesses. Interest rates were soaring, and fear was in most headlines.

You can imagine that as a starving newbie, I was excited to get to meet with Mr. Deacon at the appointed time later that week. Back in the day, it was a common thing to take your office to a client's home. I am sure I showed up promptly, and I remember his home was a simple and comfortable nest. Family pictures and symbols of their faith generously accented the end tables and walls, speaking to the kind of salt-of-the-earth people they were. I don't recall anything about the home that was trying to show off—or "put on the dog," as we say here in the South.

As I was invited in to take a seat at the kitchen table, Mr. Deacon asked his gracious wife to offer me some iced tea. He then disappeared through the living room and into the hallway, where I watched him reach up and pull down the attic ladder that was folded up and hidden into the hallway ceiling. I recall seeing the light in the attic turn on, and up he went, returning quickly to the kitchen with a large file box in tow.

He dug into the box and pulled out one of the manila file folders toward the front of the box. With the file open and turned around for me to see, he showed me his tax return from 1957. From what I remember, he made an income of $2,530 that year. My memory could certainly be off, but I clearly remember that in 1980-something dollars it didn't seem like much money. This dear friend then proceeded to waltz me through the box, hitting high points and low points of his life. Kids were born, second jobs were secured, more kids were born, and his wife went to work to help make ends meet. Layoffs occurred, economies ebbed and flowed, but somehow, he was able to save a jumbo CD.

It was obvious that he was trying to make a point, but I had no clue why he was so painstakingly revealing a tax return showing that their gross income was about $70,000. With the precision of a well-seasoned surgeon, he turned to me and shared why he had just taken me on this trip down memory lane.

"Craig, you're a solid young man. I appreciate your family and believe that you're an honest person or you wouldn't be here tonight," he said. "But you're awfully young and, well, frankly, you don't have any idea of what it took for Mrs. and I to save this money. We have several of these jumbo CDs, and they represent a whole lot of struggle, work, and sacrifice over the last thirty-plus years. So, when I tell you I want something that is safe to put our money in, I want you to know that this isn't just money to us. It's the result of a lot of life." Then, satisfied that he'd made his point, he looked me in the eye and said, "So, what do you have?"

He had taken the long way home, but he had certainly made his point. This incident from decades ago, which I can recall with such clarity, made quite an impact on my life and on the respect that I tried to show every person who came into my financial planning practice. This encounter may not always be on my mind, but it frequently returns to remind me of the incredible responsibility of those in my industry.

My recommendation to him that evening was a tax-free municipal bond investment. Income tax rates were very high, making the tax- free nature of the interest income he received very attractive for many years. The bonds were insured against default, and he received income payments from them for years – totally free of income taxes.

Sadly, not everyone accepts and stewards this responsibility. But when you know the right questions to ask of a potential adviser, it is not too difficult to figure out if you're getting warmer in your journey to find the right one. My own experience in closed-door meetings, continued education, and due diligence conferences has shown me that most of these "right kind" of advisors are genuinely interested in helping others. We have our own quirks, but I'm greatly encouraged by the character and ethics of the men and women of our industry. I'm also mortified by the lack of respect for your life and life's savings by those in the wrong part of the industry.

The evening with Mr. Deacon taught me that saving money is much harder than making money. It also taught me that for most families, every dollar saved represents some significant sacrifice, and that sacrifice, and diligence are to be respected. Over the years, I've been reminded that something so significant deserves an equal measure of assessment as to whether we are doing all that we can to maximize the ultimate benefits and rewards.

Saturday Morning Live

Many of the experiences I'll share with you came as a direct result of the people I spoke with on live talk radio every Saturday morning. Gosh, it was exhilarating! For just over five years, I was in one of the largest radio markets in the United States, on the air, listening to the concerns and questions of people from every walk of life. I'd do a short bit, take a break, and come back and take questions.

The show was called Clear Direction for Retirement, but we covered almost everything you're not supposed to talk about: money, religion, and politics. But it was incredibly rewarding to be able to reach so many people and help them straighten out their thinking about the real questions surrounding money and retirement. There's just so much misinformation and sales garbage out there in the financial world.

One caller asked the very common question of 'how much money does it take to retire?' If you stop and think about it, the answer really depends on many factors; how much are you going to spend, what do you want to assume about rising prices over your lifetime, what other sources of income will you have, what rate of return will you assume for your investments, and of course, what rate of income tax will you pay. There is no simple answer to that question. I always tried to get people to think about the implications of their assumptions. While I couldn't give the caller a specific bottom line answer, I did convince them of the need to do more involved planning on something as important as their retirement.

I've hosted and spoken at numerous business conferences over the years, speaking to thousands at a time, but the radio microphone and headphones were intimidating.

Fortunately, I had just the right guy across from me doing production. I recognized him as a longtime radio personality and asked him for a few tips. His advice was awesome. It went something like this:

Him: So you're in the financial business, right?

Me: Yessir. Financial advisor.

Him: Well, my experience is that most financial advisors have a pretty hefty ego and love to be the smartest guy in whatever room they're in.

Me: Okay...?

Him: My point is that talk radio is about building relationships with your listeners. You just need to be you. If you kid around, kid around. If you're serious, then don't try to kid around. The people will either like you or not. There's not much you can do about it. They'll see right through the phony and change the channel. If they like you, they'll listen and call. If they don't, well, you won't be on the radio long.

That was the best advice anyone could have given me. I'm sure glad I wasn't the smartest guy in that room... I relaxed and just "did me." The show lasted for 260 weeks, and we had a blast helping people cull through all the smoke screens and sales pitches to see the real issues in their financial lives.

I remember one of my early calls, where a lady (we'll call her, Anne) called in asking about whether she should take a loan from her 401k to pay off her $50, 000 of credit card debt. Learning to ask the right questions goes a very long way to helping someone with a problem. After asking a few questions I learned that she had sixteen credit cards. Conventional wisdom would say to cut up all but one or two for emergencies and stop using them as a first step. Her 'twist' was that she had every single credit card number memorized, with expiration date and CVS codes!

Her issue wasn't in her credit cards, was it? She had a bigger problem than paying them off; she had a serious spending problem. Anne ultimately came into the office where we devised a snowball payoff plan that would let her 'earn' her way out of debt more quickly. We kept the 401k in-tact and referred her to a family therapist for some help in other ways. With hard work and diligence, she and her husband worked through all of the issues. Situations like these are gratifying when you get to see other people improve their lives and their future because of a seed of advice that they acted on – and succeeded!

And then there were the calls from know-it-alls who only called to let the world know how much they knew about a particular subject. Most often they would take a contrary position just to mix it up a bit. So, we had some fun with it and let them have their five minutes of fame, and in the process used the contrary position to solidify our own. Always respecting the people who called in, hoping that all the other listeners would find a thread of assistance to help them with their own questions.

There are so many mistakes that well-intended, hard-working savers make, all the while believing they are doing exactly what they should.

Building a Specialized Team

After I wrote the first book about Roth conversions, *Paying the Piper*, I began spreading the word via social media advertising. My thought was to continue to travel full time in the motorcoach, help a few people with this dilemma every month and maybe pick up a few bucks to help pay for fuel and fun.

The response was overwhelming and immediate. People either vehemently disagreed with the philosophy, (relying on their limiting beliefs and financial misinformation), or they embraced it as exactly what they'd sort of knew to be true but didn't know how to pursue.

So for more than a year, I spent a lot of time taking phone calls, explaining why conversions work for most people, and developing custom plans as I had done for more than a decade before I wrote the book.

It became apparent that I really needed a more efficient method for analysis and evaluation of the possible opportunities that were available for the clients I was consulting with. I hired software developers to take the overly simplistic spreadsheets to a totally different level of sophistication.

In addition to doubling down on the amount of detail we analyzed for each client, we made the deliverables easy for the average guy or gal to understand. So many people just wanted the answer to the question; not so much 'how the watch was made'. Out of realization that we work for all types of folks we developed tools that did both; allowed for much more information and presented the bottom line simply. And we did this in an interactive environment so that we could optimize the ultimate strategy for any person who allowed us to do so.

Not being the guy who took to retirement too well, I decided to push the accelerator pedal a bit and began scaling the amount of people we could help save taxes and plan for the future. This meant that I needed to find men and women that were great planners and could interface with people to explain concepts and guide them to better decisions.

I won't bore you with the long process of finding the 'right' fit. But suffice it to say that I kissed a few frogs before we figured out how to hire quality Certified Financial Planners® who really do understand their role in the lives of the people we now consult. We were shocked and amazed at how many CFP®s knew very little about planning; they were the typical financial salesperson whose focus in life was gathering more assets on which to charge annual fees.

Scaling this simple business model has been a stark reminder of the shortcomings of the financial industry. Too many salespeople and not enough true advisors. And it has made me value the men and women on our team that interface with hundreds of people every year.

At this writing, well before publication, the strategies we've designed for our clients have projected tax avoidance of well over $500 million…! That really fires me up! I can't wait for the day I can announce over $1 billion and then $1 trillion in savings for American families.

CHAPTER 3: YOUR 401K WASN'T A MISTAKE

SO WHERE DID YOU SAVE for your retirement? If you worked in corporate America, you saved through your 401k. If you're a teacher, you saved for retirement within your 403b or similar "retirement" plan. If you were self- employed, you probably saved through a Simplified Employee Pension IRA (SEP/IRA) or a pension plan.

Given how it's advertised, it would be easy to assume that you can only save money for retirement within a 401k or similar plan. It's as though the "holy" resting spot for all things retirement *must be* inside of the tax "advantaged" savings vehicle available to you. You may be the exception, but an overwhelming majority of the people I've met with in my financial planning practice had hardly any money saved outside of these plans. From what I've seen, most retirees or soon-to-be retirees couldn't pay for a new car or an expensive vacation without reaching into their retirement plan.

The Allure of Company Matching

How much of your own contributions to your company plan has been matched by your company?

Now, I'm not going to throw rocks at that—I'll take free money any day of the week. The issue is that oftentimes, the fact that there is matching causes the participant to put more in than they normally would. That's a double-edged sword; you have more money saved, but you've also increased your future tax liability significantly.

A great couple come to mind who had saved well but were unaware of the tax traps that were waiting on them. Darrin and Eve came into the office one week; they were IRA Millionaires. Eve had retired early, and Darrin had worked for a variety of firms over the years. For many of the last ten years, Darrin had been contributing the maximum amount allowed to his 401k. They had paid down their debt, put kids through college, and were enjoying a comfortable lifestyle that didn't command a lot of his salary. So, the "responsible" thing to do with the excess was to put every possible cent into the company retirement plan—or so they thought. It was eye-opening to them when we showed them the excessive tax they were going to pay over their remaining lifetimes.

We showed them how to divert much of the extra into strategies that built their readily available funds and stop some of the increase in future tax bills that they were unaware of. They simply stopped making as big of 401k contributions in favor of socking away reserves to be used at a later point in retirement.

Catch-Up Provisions

I'm quite sure there is no way I could ever count the number of times I've sat across from someone we were trying to help who proudly announced that they were "saving the maximum, including the 'catch- up' amount."

For savers who are over the age of 50, the IRS allows for additional contributions to their retirement plans above the normal limits. Currently, the "catch-up" amount is $6,000. While I appreciate their desire and commitment to save, they've revealed that not only are they probably in for a tax storm later, but it's gonna be a doozie, as we say down South.

When we do the math and projections, eight out of ten times, this unsuspecting "super-saver" has developed an obese 401k account that is only going to cause a lot of tax pain in the future. Congress is currently considering legislation that would strengthen the role of a Roth in company retirement plans by allowing catch-up contributions to go directly to a Roth alternative within the plan.

Saving well is never a mistake. Sometimes people read what I write or hear what I put in my 'What's Next' retirement podcast and draw the conclusion that I think they made a mistake by saving inside their 401k.

That is not accurate. Based on the tax structures during most of your working career, you probably saved at a tax rate greater than today.

Something Changed

The Tax Cut and Jobs Act of 2017 slashed income tax rates to the lowest levels in over fifty years. If there was any oversight on the part of the financial community and individual savers, it was that they didn't change their stance on how and where to save.

But when you've become addicted to the drug of tax-deferral it is nearly impossible to shift your mindset quickly. The thought of paying taxes up front flies in the face of almost every piece of marketing produced by brokers, custodians, investment managers and insurance companies. I've been called many things in my social media ads by people who truly think/thought that there was a scam at hand.

What is truly unfortunate is the payment of unnecessary taxes over the rest of your life, and leaving our heirs with an enormous tax bill when they inherit your IRA. But you can escape all of this when you learn the myths and investigate the misinformation that abounds. The rest of this book will attempt to show you how much sense it makes for most people to convert - aggressively - from an IRA to a Roth.

Stay with me, I know you have doubts and questions; they have been hard wired into your psyche over decades.

-But doesn't it make sense on a very fundamental level that when tax rates changed so dramatically that you should also have changed your tax strategy? -

In my view, that's water under the bridge. Let's move forward with explanation and knowledge that allows you to confidently make the switch while there is still time.

You see, the Tax Cut Jobs Act of 2017 is scheduled to expire at the end of 2025 - that's just a few years. However, part of what's being volleyed in Congress would cause those fifty-year-low rates to expire much sooner. If that happens, it does NOT mean you have missed your chance. I'll show you in later pages that future tax rates are not the lone determining factor for implementing a Roth conversion strategy.

Before we get into the nitty-gritty, I feel compelled to clear the air of a few basics just to make sure we're all on the same page. Keep reading as I lay the foundation for a good understanding when we get to the cool stuff.

CHAPTER 4: A FEW ESSENTIALS

THE LANGUAGE OF CONVERSIONS CAN be a bit confusing and overwhelming for the IRA Millionaire. Learning a few essentials will really help make sense of the subject. And I believe it will give you assurance that there are a zillion reasons why you should fully investigate the potential upside for you.

Conversion vs Contribution

There is a huge difference between Roth 'contributions' and Roth 'conversions'.

A contribution is the act of taking after tax earnings and putting it into a Roth IRA account. There are limitations based on your income, and once you no longer have earned income, you cannot contribute to your Roth account.

A conversion is the act of taking tax-deferred (IRA, 401k, etc…) investment funds and putting them into a Roth IRA account. The result of that act is a taxable event. You must pay income taxes, federal and state (if applicable) on the entire amount that you converted.

When you convert, you don't usually have to sell an investment, nor does it only occur out of cash in your IRA account. For example, if you want to convert $100,000 from your IRA you can simply convert shares of investments. If you had shares of ABC Stock that you wanted to convert, you'd request X-number of shares of ABC Stock to be converted.

You'd go to sleep one night with the ABC shares in your IRA and wake up the next morning with the same amount of shares of ABC being in your Roth IRA. Your custodian will send a tax statement next year indicating that the full value of the shares you converted were taxable. Of course, you'll want to make sure that you make the appropriate estimated tax payment along the way.

If you own annuities within your IRA, they can be a little tricky to convert to a Roth. While the insurance industry is catching up to the idea of conversions, most of the existing contracts have plenty of limitations that have to be understood before you actually convert.

I recall Gene and Sherri were big proponents of annuities in their life. Over one-half of their retirement had been invested in deferred annuities that had income benefits as their primary long-term benefit. They had four different contracts that totaled over $600,000. A couple of them were still in the surrender period which meant that surrendering them could incur some hefty charges.

After reviewing the individual contracts and calling each of the insurance companies, we came up with a plan that fit nicely in with the conversion plan for three of the contracts. The determination was made that they would just hold on to the fourth and let it do its job….albeit a taxable income stream. Each of the other annuities were ultimately converted over a few years. So now, when the income stream is activated, it will all be tax-free income inside the Roth.

In addition to the usual surrender fees, most insurance companies won't allow you to convert a partial amount of the annuity contract. For most, you'll have to convert all or none. This may be okay and fit nicely into your game plan, but often, the entire value of the annuity doesn't match the optimal game plan. So you have to be pretty diligent to figure out what to do with the annuities.

Bonus point: If you want annuities in your future, I'd strongly suggest that they be purchased as Roth IRAs. The growth and income are going to be totally tax free. No distribution requirements, and no taxes…ever.

Paying Taxes from Your IRA

Taxes are due every time you request a conversion of assets to a Roth. You'll want to check with your tax preparer or CPA about the amount and timing of your estimated payments.

Generally, it's best to submit tax payments at the time the conversion is completed by your custodian. But working with a good CPA usually translates to a schedule for estimated payments based on all of your other taxable income for the year.

How to pay the taxes? The most efficient bucket to pull tax money from is usually the non-retirement funds, non-qualified accounts. A brokerage account, money market, savings, etc…

But what do you do if you have pretty much all your savings in the IRA? Well, contrary to most of the mainstream advice, it does work out just fine to pay the taxes from within the IRA. Most of our IRA Millionaire clients have saved almost exclusively within their 401k, then rolled it out to a self-directed IRA. So, for them to convert, they have to use funds inside the IRA to pay the taxes.

It's not ideal, but they still save a ton of money as a net result. It is most certainly best to use after-tax savings/investments to pay the taxes. But as I've said, if you do not have those resources outside of your IRA, it can still be a good financial decision to use funds from the IRA. The exception to this would be for someone who is already distributing a significant amount of funds from their IRA for living expenses. We have seen some instances where the combination of the distributions for living expenses AND taxes creates a worse scenario. So, just be careful to do a full analysis before proceeding.

The Five-Year Rule(s)

What about this five-year rule? Well, there are actually two different five-year rules within the IRS tax codes.

The rule that consumes most people's thought process and keeps them from beginning conversions is the rule that says you cannot take a distribution from a Roth IRA for five years. This rule applies to contributions that you make to a Roth, not conversions.

I'm not going to include a comprehensive discussion about all of the exceptions and nuances to the IRS codes, and there are a few. But what applies to most people is as follows:

If you are over age 59 ½ when you do a conversion from your IRA to Roth, the IRS allows you to distribute 100% of the amount you converted - without penalty. Think about it; you've already paid tax on that money. So why shouldn't you have access…?

The gains, or earnings, on those converted funds do have the five-year holding restriction. You cannot distribute the gains or earnings for five years. If you do, you pay tax on the amount more than the converted amounts. Also, CPAs have told us that the IRS takes the view that your converted dollars come out first, then the earnings.

This means that if you happen to convert $300,000 this year, you have five years in which to distribute $300,000 totally free of tax or penalty. If you distribute $325,000 within five years (taking account for possible gains), you will have to pay tax on the excess $25,000. This sum is added to all of your other taxable income, and you pay tax on it at ordinary income tax rates.

Required Minimum Distributions

The biggest contributor to unnecessary taxes over your lifetime will be the annual required minimum distributions (RMDs). In subsequent sections, I'll take a deep dive into exactly why they are so detrimental to your tax situation and to your future net worth.

For now, I'd like to just open the subject of RMDs by showing you that they are not static; they will likely increase dramatically in dollar amount over time. And this is where the problems begin.

The concept of RMDs is that you have enjoyed the benefits of tax-deferred growth for decades, but there must come a day of reckoning where you are forced to pay the piper his due. In this case, the piper is the U.S. Treasury. The goal of the tax code is for you to live to the presumed mortality age and have withdrawn every penny of your IRA - and paid tax on it.

The IRS publishes a table (below) that gives a reference based on your attained age as of December 31. Looking across from your age you see a number, 'distribution period'. That number is used by dividing it into your total IRA balances (per person, not family). The result is the required minimum distribution for that year.

Of note is that the math subjects you to greater and greater taxable distributions each year. You'll notice that the 'Percent' of the total that must be distributed begins at 3.91% and increases each year as you age. Within just seven years, the percentage you must distribute will increase to 4.72%, which is a 20% increase in the actual taxable required distribution. And within ten years of your first RMD, the distribution amount increases almost 50%.

If the balance holds steady, the distributions increase as you age. If the balance of your IRA increases over time, the distribution period remains the same, but the resulting RMDs get large - very large for the IRA Millionaire.

Example: If you had an IRA worth $1.5 million right before RMD age, and it grows by an average of 5% annually….

	Ending Value	RMD Amount
Age 72	$1,527,891	$58,594
Age 77	$1,634,751	$76,347

From the above table you can see that the actual projected RMD grew 30% ($58,594 to $76,347), while the published Distribution Period table only increased by the 20% mentioned above. This shows you the impact of real-life gains on your required taxable distributions.

Here is the IRS published Distribution Period table, with the Percent calculated for you to see the impact. I'm presenting the table below through age 90. If you live longer, the table keeps going…

AGE	DISTRIBUTION PERIOD	PERCENTAGE
72	25.6	3.91%
73	24.7	4.05%
74	23.8	4.20%
75	22.9	4.37%
76	22	4.55%
77	21.2	4.72%
78	20.3	4.93%
79	19.5	5.13%
80	18.7	5.35%
81	17.9	5.59%
82	17.1	5.85%
83	16.3	6.13%
84	15.5	6.45%
85	14.8	6.76%
86	14.1	7.09%
87	13.4	7.46%
88	12.7	7.87%
89	12	8.33%
90	11.4	8.77%

The Medicare Premium Excuse

Another subject that keeps many people from converting has to do with the way that ‘some’ Medicare coverage premiums may increase as you affect Roth conversions if you are deemed in the 'high income' group.

Medicare premiums for Parts B and D are based on the Medicare enrollee's income. The calculation is completed annually and looks back two years to determine what your premiums will be for the next year. If your income is more than the base amount 'allowed', you'll pay an added surcharge for those coverages.

The Income-Related Monthly Adjusted Amount (IRMAA) is the technical name to describe the added premium, adjustment, that results. There are a few things to know about the possibility of the added premiums:

- Impact is only when you are enrolled in Medicare Parts B and D
- Medicare Part B and D are funded from premiums paid by enrollees, not general revenues to Medicare or Social Security
- Premium is calculated from your income tax returns two years back and recalculated annually
- The data point that determines your premiums is 'Modified Adjusted Gross Income *for healthcare*'.

Many DIYers and advisors are reluctant to convert enough from their IRAs to take them into a higher threshold. As you can see, the higher your income, the higher the added premiums.

I'll speak to the correct strategy in a future section, and I think the examination we will do will open your eyes to why the 'reluctance' is going to cost more premium than from doing the conversions.

Below is the IRMAA table for 2022.

Individual	Joint	Monthly Premium
$91,000 or less	$182,000 or less	$170.10
> $91,000 – $114,000	> $182,000 – $228,000	$238.10
> $114,000 – $142,000	> $228,000 -$284,000	$340.20
> $142,000 – $170,000	> $284,000 – $340,000	$442.30
> $170,000 – $500,000	> $340,000 – $750,000	$544.30
Greater than $500,000	Greater than $750,000	$578.30

Okay, now that we have a bit of a framework to build on, let's dig into the most common mistakes that we see CPAs, other advisors, and DIYers make when attempting to construct an optimal Roth conversion strategy.

How old are you?

Age is important in at least two ways.

If you are under age 59.5, age becomes really important to the conversion decision when you do not have funds outside of your

IRA with which to pay taxes. One of the reasons for this is that if you are under 59.5 and must pull funds from your IRA/401k to pay taxes, you'll be hit with the 10% penalty on top of the taxes. In most every instance we've looked at, the penalty makes a big dent in your real benefits.

If you are in a very low tax bracket, the 10% penalty may not take so much from your IRA balance to negate the benefits. It could be worth doing the math and projections to figure it out.

On the other end of the age spectrum conversions have their own limitations. If you are well into your 70s, the tax avoidance that you'll recognize during a normal lifespan probably won't be enough to make up for the taxes paid to do the conversion. The exception to this is if one of the spouses is several years younger and believed to live a normal life expectancy. Then, it is most definitely worth doing the conversions for the ultimate benefit of the remaining spouse. (Be sure to review the Widow/ers trap content.)

The real benefit of converting when you are in your 70s is to get ahead of the income taxes that would presumably have to be taken from your IRA by your heirs when they receive the funds. Don't underestimate how large these are going to be. The 'tax to heirs' part of the calculation of total tax avoidance is often as much as the tax you'll avoid during your own lifetime. So, the savings can be enormous.

How much is in your IRA/401k?

I've written in other pages about this element but wanted to restate here in a more obvious place.

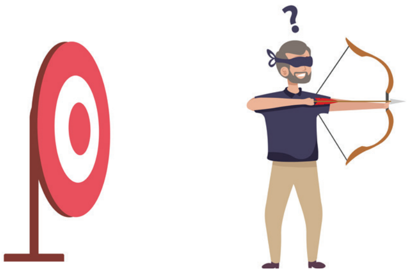
We primarily serve the IRA Millionaire client. Not because we are snooty or disrespectful of persons from every socio-economic status, but because of the massive amount of taxes that we can help those families avoid. The other reason is that we know with great certainty that we can provide those benefits because their Required Minimum Distributions are going to cause problems.

When your balances in your pre-tax accounts are more modest (maybe under $500,000 total) there are still some big benefits if the RMDs from those accounts will cause the same kind of problems. However, for folks with these modest balances 'accelerated conversions' may not make sense. These people might be best served following the traditional advice of simply converting to the top of their current tax bracket.

I have to warn you that we've seen many situations where converting at the top of your current tax bracket can actually leave you with a lower net worth at life expectancy AND having paid more income tax than if you had done no conversion at all.

So, while I'm offering the guide, you simply must do the math to get it right.

CHAPTER 5: MOST EXPENSIVE ROTH CONVERSION MISTAKES



Why would anyone knowingly pay more tax than their fair share?

This section of the book is going to reveal the most expensive mistakes that I've watched others make when developing a Roth conversion strategy.

First of all, these mistakes do not apply to everyone, but if you are an IRA Millionaire and are between 59- and 72-years young they will most likely apply to your life. And the mistakes will cost you a lot. You'll pay an unnecessary amount of taxes over the remainder of your lifetime, your spouse's lifetime, and your heirs.

See if these next two statements resonate with you:

> *"We don't want to convert our IRAs because we'd go into a higher tax bracket."*

> *"If I convert very much of my IRA, my Medicare premiums are going to increase."*

While I understand the logic of these two statements, these are at the core of the most common mistakes. The math proves these to be shortsighted and costly opinions, not facts, at least for the IRA Millionaire. And if that is you, they are setting you up for a lifetime of unnecessary taxation and you're just setting yourself up for a 'domino effect' of taxes and costs in the future.

I understand the material I'm about to share with you is met by many DIYers and advisors with great skepticism. In a future section I'll share a real-life client example that proves each of these mistakes. As you are reviewing the following, try not to let your opinions and paradigms get in the way to discovering truth. And the truth I'll present is not 'my truth', but truth presented with the quantitative data to back it up.

The problems all begin with your eventual required minimum distributions (RMDs) that your one million-plus IRAs are going to be throwing off one day.

Let me explain....

Domino #1: Your IRAs are going to produce at least twice the amount of taxable income through required distributions as the balance of your IRA accounts when you're 65 years old.

So, if you have $1.2 million in your IRAs, your RMDs will likely be $2.5 - $3 million dollars over your lifetime. When you 'avoid' tax now on the smaller amount (your IRA balance), you only delay the tax to be applied to a much greater amount of money (huge RMDs over your lifetime).

Many people tell me that the issue is simply 'pay tax now or later - it's all the same'. This is incorrect on many levels. What many have never considered is that the ending 'after tax' values of your IRAs would be the same whether you pay taxes now or later; I'll show you the math in a few pages.

The mistake that many DIYers and advisors make is to tax the current account for the conversion but fail to tax the much larger ending values later.

They excuse it away by many counts, but at the end of the day taxes will be paid. Either by you or by your heirs. In many cases we've evaluated, the IRS becomes an almost equal heir with your kids (heirs) if you do not convert.

The really big difference is that avoiding the tax now causes other costs and taxes for the rest of your life that could be avoided. Like this….

Domino #2: If you shy away from developing and implementing a conversion game plan now, it is probable that your RMDs will cause additional problems.

Unfortunately, you won't realize it until it's too late to catch up.

Imagine that your IRA is $2 million. At age 72 your first year RMD will be approximately $80,000 (and it increases each year unless you're taking large distributions).

Now imagine this added $80k being included in your tax return. It most likely will cause 85% of your Social Security to be taxed, where it may not have been taxed at all the year before. Add this 'new' tax to the tax from RMDs and you have a real doozy each year.

Just the mere fact that you have an RMD may actually cause a huge amount of additional taxable income each year.

The exceptions are:

a) Your income is already so high that your Social Security is already going to be taxed, or

b) Your RMDs are so small that they will not impact the tax on your Social Security. Hence the focus on the IRA Millionaires in this book.

Domino #3: Because your taxable income is now, at age 72+, much higher than when you only had Social Security, your Medicare premiums are likely to increase.

Medicare parts B and D are determined by your income. It doesn't dawn on many people that the 'train' is coming down the tracks. But when you step back and take a longer view you can see many reasons to get off the tracks.

These are just the basics. There are so many more tangible costs, like the taxation on every distribution for a car, travel, or entertainment, for many.

And there are the qualitative factors that have more to do with what you 'won't enjoy' for your retirement years because every decision holds a tax-cost from the IRA.

It's not the fact that there is tax that keeps people from enjoying their savings, it's the hesitancy to pay the tax - even though they have plenty of money.

Now I'd like to break down some of the above to help you better understand it and hopefully apply it to your own financial life.

When Conversion MAY NOT Make Sense

Before we cover the biggest mistakes made when people do Roth conversions, I thought I'd share when conversions may NOT make sense.

There are four situations in which not doing conversions may be the best course of action. I have discovered that it's super easy for folks to default to the 'not me' defense for converting their IRAs. Most of the time they are simply wrong, and their reasons are based on old paradigms. Or it's also likely that they have not been shown the 'entire' story for Roth conversions.

In addition, since I wrote my first book, there has become an overabundance of financial firms marketing 'Roth Conversions' these days. Most of the firm's advertising for Roth conversions use the ad as a tool to get you to switch advisors.

Their ultimate objective is to sell you insurance products or to convince you that they are the right firm for you to pay tens of thousands of dollars each year to manage your investments.

I have focused on Roth conversions for nearly thirteen years and can tell you that there are definitely good reasons which indicate that you should probably NOT do Roth conversions. Before you buy fancy insurance products or change advisors, I'd like to share these reasons that probably lead to the conclusion that you are not a good candidate for conversions.

NOTE: There are many variables that factor into the decision of whether you are a good candidate, so please accept that I'm distilling down the complicated and could be missing unknown variables that are unique to your situation. But most of the excuses for not converting are simply misinformation.

Reason #1: When not to convert.
Age – if everyone in your household is in their mid-70s or older, you're probably not a good candidate to begin converting funds from your IRA to a Roth unless you clearly understand where the benefits will fall.

The biggest benefits that IRA Millionaires receive from doing accelerated Roth conversions is the avoidance, or dramatic reduction of Required Minimum Distributions. When you are already well into your 70s, the benefits of paying the taxes sooner are hard to make up during your lifetime.

So when you begin conversions well into your 70's, you're primarily trying to insure that your heirs won't get stuck with a big tax bill and/or that you're trying to make sure that the US Treasury is out of the line of inheritance.

Reason #2: When not to convert.
Age – the other direction…If you're under age 59 ½ and don't have any funds outside of your IRA, you're probably also not a good candidate, yet, to convert.

When you convert from your IRA/401k, you must pay taxes to get the funds over to a Roth. If you're under 59 ½, you need to have funds outside of your IRA from which to pay the taxes. Over age 59 ½ it works out just fine to pay tax from within the IRA, but it's always best to have outside resources. If all your savings is in your IRAs, don't be discouraged in the least, conversion can still work for you.

Reason #3: When not to convert.

If you have a modest IRA balance, you probably won't benefit much from doing conversions. I can't put a number on 'modest' because there are other factors. But if the required minimum distributions from the account are going to be small, and remain small during your life, the avoidance of tax will be minimal.

See the section on the Seven Questions for more clarity on this.

If you're in a low tax bracket (10-12%) and always will be, including when RMDs begin, converting at a higher bracket probably doesn't make sense.

Reason #4: When not to convert.

If you have a large amount of your IRA balances in annuities with surrender charges or other illiquid investments, you're probably not a good candidate for accelerated or large conversions.

This is especially true if the individual annuity contracts you own are really large. Life insurance companies do allow for these to be converted, but you normally must convert the entire balance, and you must have funds outside of the annuity to pay taxes with. If you do have large annuities that are IRAs, check with your insurance company and inquire about their company policies regarding converting those contracts.

Converting these large policies would mean that you must surrender the investment/annuity and suffer a hefty fee or loss of value to do the conversion.

Many people falsely believe that there are many more reasons not to convert. These beliefs and opinions are the key to these biggest mistakes. They keep many people from converting and avoiding a million dollars – or more – of income taxes over their lifetimes.

If you are NOT in the circumstances included in the Four Reasons above, then you will definitely want to consider the biggest mistakes that we see DIYers and advisors make when approaching the Roth conversion decision.

Mistake #1: Top of Your Current Tax Bracket

If your current thoughts about converting your IRAs to Roth IRAs include the notion of 'staying in your current tax bracket', you're likely subjecting yourself to millions of dollars of unnecessary taxes in the future.

Reading the mainstream financial media will provide plenty of corroborating advice that you should only convert enough from your IRA to keep you within your current income tax bracket… but it's usually wrong.

Your existing investment advisor or financial advisor may have even given you their opinion that you should stay within your current tax bracket…and if you're an IRA Millionaire, that opinion is probably wrong.

And most CPAs we've worked with have this same limiting notion...until they see the entire picture that we like to present for our clients.

While it is possible that your optimal strategy is to stay within your current bracket, **it simply doesn't work** for the overwhelming majority of cases for IRA Millionaires.

The primary reason why staying within your current marginal tax bracket is the most expensive mistake you can make when doing Roth conversions is that it doesn't allow you to reduce the balance of your IRA quickly enough to get the big tax savings.

Let me explain:

For a married couple in their mid-60s with IRA balances of $1,200,000, their TOTAL required minimum distributions (RMDs) over their combined lifetimes can easily exceed $3,000,000. (I'm assuming a modest 5% rate of return on investments.)

Example One:

At a 5% rate of return, the $1.2mm IRA will gain $60,000 in a year.

When you convert from the IRA, the amount you convert is taxable income that year.

Let's assume that you are in the 22% marginal tax bracket in 2022, and that your taxable income before any conversions is $98,000.

	Single Tax Filer	Married Filing Jointly
Taxable Income	$41,776 – $89,075	$83,550 – $178,150

If you file a joint tax return and convert a whopping $80,000 to get to the top of your current bracket, can you see how you're likely to only reduce your IRA balance by $20,000?

($1,200,000 + $60,000 gain in your IRA - $80,000 conversion = $1,180,000)

Example Two:

If your taxable income was lower and you converted a whopping $100,000 to get to the top of your current bracket, can you see how you're likely to only reduce your IRA balance by $40,000?

($1,200,000 + $60,000 earnings - $100,000 conversion = $1,160,000)

The Worst Game Plan?

One of the more prevalent comments among people we consult is that they have been maxing out the top of their current bracket, but it's just not getting the job done. The RMDs are still there and causing more income tax on their Social Security, and in some cases, their Medicare premiums are now starting to increase.

Both of these symptoms were the very reason they chose to stay in their current tax bracket; so they would not experience these. That only works for a short time; then the Piper comes for his due.

But, the financial media tells you that's precisely how to do Roth conversions in the best way. And most every online Roth conversion calculator stops at your current tax bracket. Most every CPA we've ever encountered stops at the top of the current bracket...until they see the work product that our in-house technology produces.

When you begin RMDs, that required amount is the result of two elements: your age, and the balance of your account. As we saw in the previous section about RMDs, as you get one year older the distribution factor increases the amount you have to distribute. And if you don't reduce or eliminate the IRA balance, your RMDs continue to increase.

The marginal tax bracket yields YOU the greatest amount of tax avoidance over your lifetime while also maximizing your tax adjusted net worth.

The side benefits of this optimal strategy are usually that our clients save tens of thousands of Medicare premiums. In addition, most wind up with a greater tax adjusted net worth down the road and place themselves in the position of having most of their net worth in tax-free Roth accounts.

NOTE: We have seen cases in which converting at the existing marginal bracket subjects the client to HIGHER taxes over their life than if they'd have done absolutely nothing. More likely, converting at the current tax bracket will yield hundreds of thousands LESS tax savings than moving to one of the higher brackets.

Lastly, we have worked for many very high-income clients who also had large IRA balances. They have been told, or mistakenly believe, that they are at too high of a tax bracket to benefit from conversions. I do not recall a single high income-high IRA balance client who didn't see huge tax savings from an aggressive conversion strategy. And usually, their net worth skyrockets a bit later down the road because of having converted all the IRA.

Mistake #2: The Medicare Threshold Mistake

It's possible that your Medicare premiums will increase while you're converting your IRAs to Roth IRAs. Another huge mistake we watch people make is to lower the amount they are willing to convert because they want to avoid an increase in the Income-Related Monthly Adjusted Amount (IRMAA) Medicare premium surcharges (refer to the prior chapter regarding how the IRMAA calculation works).

This is one misunderstood element that is given too much weight in the conversion calculation. If you don't know how much you'll save long term from your conversion strategy, it's really easy to get hung up on the short-term cost.

Many people we speak with, who are aware of the old gal ('IRMAA'), are afraid to get on her bad side. They don't want to do Roth conversions out of fear of the added premiums 'she' will dish out.

But here's the deal....if you shy away from her now, you will pay a much bigger price in the future. And if you are a good candidate for doing Roth conversions, especially the IRA Millionaires, you cannot afford to ignore her now.

If your IRA grows to say, $2 million, at your first required minimum distribution, that RMD will be approximately $80,000. Referring to the prior section about IRMAA threshold charges, you can see that you're going to be negatively impacted. So by not converting the $2 million now, you're subjecting yourself to a lifetime of IRMAA charges.

Remember that by taking the bold step to convert sooner, you will pay higher IRMAA surcharges, but only while you're doing the conversions. When those are completed and the two-year look-back occurs, your Medicare parts B and D will go right back to the minimum amounts.

Who won't be impacted by IRMAA?

If your income sources, IRA distributions, and RMDs are small enough that you won't exceed the threshold, then you probably won't be impacted by IRMAA thresholds.

And if your income without RMDs is ALWAYS going to be above the top threshold, then the thresholds become insignificant.

Mistake #3: The Social Security 'Stop' Mistake

The third big mistake is likened to the others and born out of a desire to avoid a perceived short-term pain.

Many people shy away from larger Roth conversions because they don't want this year's Social Security retirement benefits to be taxed. If you aren't aware, the IRS says that your Social Security retirement benefits aren't taxed - as long as your income is smaller.

Each January, you will receive a *Social Security Benefit Statement* (Form SSA-1099) showing the amount of benefits you received in the previous year. This *Benefit Statement* can be used when you complete your federal income tax return to find out if your benefits are subject to tax.

The first calculation you must do is to find your 'combined income'.

Your adjusted gross income
+ Nontaxable interest
+ ½ of your Social Security benefits
= Your "*combined income*"

You can actually pay tax on up to 85% of your Social Security benefits if your income is too high. Stopping short of doing larger Roth conversions seems like a prudent move, but like the other mistakes, if you have larger IRA balances, it's a recipe for paying taxes on your Social Security for the rest of your life, and that of your spouse.

If you:

- **file a federal tax return as an "individual"** and your *combined income* is
  - ¤ between $25,000 and $34,000, you may have to pay income tax on up to 50% of your benefits.
  - ¤ more than $34,000, up to 85% of your benefits may be taxable.
- **file a joint return**, and you and your spouse have a *combined income* that is
  - ¤ between $32,000 and $44,000, you may have to pay income tax on up to 50% of your benefits.
  - ¤ more than $44,000, up to 85% of your benefits may be taxable.
- **are married and file a separate tax return**, you probably will pay taxes on your benefits.

After analyzing thousands of financial scenarios for other people, it has become crystal clear that the huge long-term benefits of Roth conversions can only be accomplished by willfully accepting large incomes from the conversions for a few years. It's the short-term pain one must endure to get to the other side. But the outcome is bliss, a virtually tax-free future.

Stopping short, because of 'this year' too high tax leaves you subject to higher total taxes for your lifetime and that of your spouse.

Don't let the probability of taxation of Social Security benefits deter you. The short-term pain is often an insignificant cost relative to the enormous possible benefits of highly accelerated Roth conversions.

Mistake #4: Making the IRS a Significant Heir

How would you like to leave more of your IRA to the IRS than you leave to any of your individual heirs?

Maybe you don't really care how much your heirs receive once you're gone. Cool…I get that. But don't forget, that by NOT planning to minimize the IRS' due, you default to that federal agency receiving a large amount.

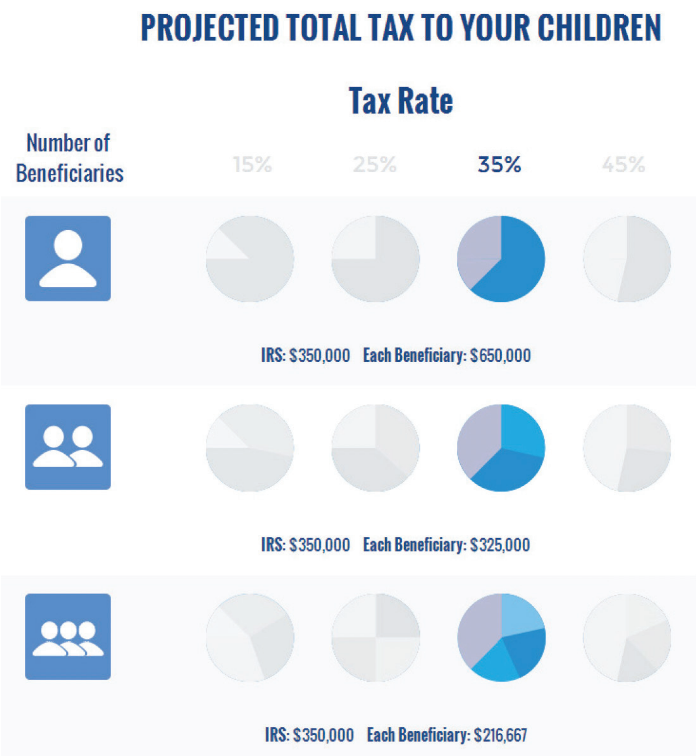
Before I confuse you, let me clarify that I'm talking about the taxable income that still exists within your IRA to WHOMEVER is the beneficiary. At this writing, the estate tax laws will allow most families to avoid tax because of the size of the estate.

As the image below illustrates, it is quite possible that the IRS will receive more than any of your heirs receives. The illustration is at the 35% marginal income tax bracket using an assumption that whatever amounts you leave to your heirs is going to bump them up into a much higher tax bracket.

The heirs do have the option of not taking it all out, but they do have to get it out and pay taxes within ten years. And there is legislation in the works that could make them take it out evenly over ten years - not wait until year ten to do that.

Regardless, the least amount of tax your heirs would pay may likely be if they took it sooner rather than later. 'Later' allows the funds to grow and compound to even higher amounts.

Your heirs will look back one day and wish that you would have planned a little better. And while I'm not too concerned about leaving my kids a pile of money, the LEAST FAVORITE beneficiary is the U.S. Treasury.



Mistake #5: The Charitable Oversight

Many people forget that they might not want to give all their money to their heirs. They may have charities that are going to receive annual gifts, or other gifts at their passing.

If you are so inclined, charitable giving should also be addressed and considered when developing your Roth conversion strategy.

When you are at least 70 ½ years old and gift from your IRA, under current tax code, you can do so up to $100,000 and not be taxed. There are a few caveats, the biggest of which is that the gift has to be sent by the IRA custodian directly to the charity.

Think about what that means; you can make substantial gifts directly from the IRA and not pay tax like you will when you convert to a Roth.

There's a calculation process that one must go through to figure out the extent of donations and their impact on future RMDs and your ending savings balances. So if you are charitably inclined, these should be a part of your Roth conversion strategy.

In addition, if you are a really big giver to charity, you should also consider the impact of using a donor advised fund. When using this tool, you can make a huge donation this year and take the full deduction. This keeps you from paying tax on a conversion. Be aware, however, the money is no longer yours. You do get to 'direct' which charity it goes to every year, but it is not yours, nor is it available to your heirs.

CHAPTER 6: SEVEN DEFINING QUESTIONS

SEVEN QUESTIONS CAN BE ANSWERED to help you determine how you can approach your strategy to converting your IRA to a Roth. Considering these and talking with your advisors about them will help create the framework from which you can begin to decide if and how you want to take action.

These questions get quickly to the root of the primary questions that should be discussed with your spouse and asked by your advisors.

Question #1: What do you believe will happen to income tax rates in the future?

There is another common misconception floating around out there that portrays Roth conversions as something as simple as whether you'll pay a higher rate of tax today or tomorrow. In the prior sections I've attempted to prove that the other 'dominos are far more relevant than your future tax rate.

Hence, the clients we've worked with see huge tax savings regardless of whether tax rates increase or decrease. But there is some value in considering the impact of possible tax increases as a motivation for choosing a faster conversion timeline.

We are at fifty-year lows in the rate of income taxes that we pay in America. The Tax Cut Jobs Act of 2017 is set to expire at the end of 2025, leading us to higher taxes. In addition, at the time of my writing, Congress is considering bills that would accelerate the higher tax rates.

Obviously, the lower the rates when you convert, the less tax you'll pay to get the funds converted.

Question #2: How much of your future income will you need from investment or savings accounts?

If you are currently distributing a significant percentage of your IRA on which to pay for living expenses, you'll want to do the calculations for conversion very carefully. If you have a significant amount of savings in non-IRA accounts, it'll be much better to use those funds first for a variety of reasons. But if all your savings is in your IRA and taxes have to be paid from that IRA also, then it becomes really important to fully investigate the possible long-term outcomes.

Question #3: Over your lifetime, and that of your spouse, how much taxable income will your required minimum distributions (RMDs) cause on your tax returns?

This is a key question that is at the root of every conversion decision. If your IRA balances are more modest, leading to smaller RMDs, the long-term tax impact may not be as significant. Remember, these RMDs are the problem. The domino effect of the other taxes and costs that are caused by the RMDs need to be fully calculated, projected, and included in your long-term tax planning.

For the consummate IRA Millionaire, these RMDs are always a huge problem. I've written earlier that the amount of the RMDs over your lifetime (if you're still in your 60s) can easily be 2.5 - 3X the actual amount of your existing IRA.

Question #4: What impact will those RMDs have on the taxability of your Social Security income?

Like the earlier question, a litmus for the extent of conversions you should consider is the impact on the taxability of Social Security retirement income as described in the prior sections.

Again, if the RMDs are more modest because of a more modest IRA balance, you may not be a good candidate for accelerated conversions. It may be a good indicator of 'same tax bracket' conversions, but there are no givens; you simply must do the calculations to make sure you'll get the end result and not take a hit to net worth for having done the conversions.

Question #5: What will be the added cost of Medicare Part B and D premiums because of these RMDs?

Are you getting the point here? It is your future RMDs that will become the problem. Or at least they are the result of the problem; having too much of your net worth in tax deferred accounts.

Recall that it is the RMD amounts, added to all your other taxable income, that create the possible higher Medicare surcharges.

Question #6: What are your priorities for your heirs and charity beneficiaries, and how do these impact your tax strategy?

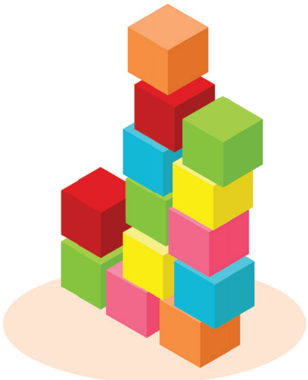
This is very often overlooked when developing a conversion plan. As has already been said in an earlier section, if you have charitable intent currently, or in the future, it is advisable to develop the giving plan alongside the Roth conversion plan. The charitable strategies and tools can save hundreds of thousands of tax dollars if done correctly.

Question #7: Will you have a more secure retirement by converting some, or all your IRAs to Roths?

We often think in black and white when it comes to Roth conversions. But it actually may not be best for you to convert 100% of your IRA. As has been reiterated over and over, the problem stems from the RMDs that flow from the large IRA.

There actually may very well be a 'gray' area for you. You may not need to convert all the IRA. But again, the answer to this comes down to math. Are you better off converting 100% of it? Meaning, can you maximize your tax adjusted net worth by converting all, or most, or some? Good questions…

CHAPTER 7: ELEMENTS OF A SOLID ROTH CONVERSION STRATEGY



AS YOU'LL SEE, THERE'S QUITE a bit involved when the goal is to prove the optimal conversion strategy. Many a DIYer have thrown up their hands when trying to make their spreadsheets adapt to the world of changing variables. The next section consists of a few 'real life' examples of typical cases that we've worked on. I hope to throw open the curtain to show you what's involved with the proper development of your Roth conversion strategy.

Every online calculator tool that I've seen or have been told about by clients has built-in assumptions that limit their inclusion of anything other than a 'your current tax bracket' analysis. You'll easily see in the next section of sample client cases that there is often a huge chasm of tax money between 'good' and 'best' strategy. The 'good' is normally the current bracket or lower, and the 'best' is usually a much higher tax bracket than the average IRA Millionaire would expect to be optimal.

However you decide to come to the conclusion of the optimal strategy for your future, please keep in mind that a thorough and complete retirement projection and tax analysis should PRECEDE any decision you make to move forward. Through the tools we've developed, we often see that the 'good' scenario causes more tax than if the IRA holder had done nothing in conversion.

What's the Objective?

So what is the objective of the 'optimal' conversion strategy? While we love to talk about the huge amount of income tax that can be avoided, the optimum strategy is really about both, minimizing the tax liability and maximizing tax adjusted net worth. To focus only on taxes can easily lead you down a boastful road that causes a lower net worth later.

If you get it right, you'll get both - minimum taxation and maximum net worth. Bingo!

The optimal strategy:

- is **not** the one that keeps you away from the Medicare IRMAA thresholds.
- is **not** the one that keeps you below the subsidy levels for Affordable Care Act (ACA) benefits.
- is **not** the one that makes sure that you don't pay more tax on your Social Security benefits over the next few years.

After almost fifteen years of specializing in the Roth conversion subject I can almost guarantee you that the optimal strategy will cause short term higher Medicare premiums, tax on Social Security benefits and the loss of ACA subsidies. It's absolutely true that the 'sweet spot' for most of the folks we've worked with is the place in which you minimize taxes and maximize net worth in the future. This frequently means that you must pay a bit more in tax before it gets better. And when it improves because there is small or non-existent RMDs, you'll be really glad that you did what you needed to do for the breakthrough.

The breakthrough is evidenced by almost no tax on your Social Security benefits (for many), the lowest Medicare premium threshold, and a host of tax-free benefits.

What are the elements of a solid conversion plan?

These are the components that must be included in your evaluation of the optimal conversion strategy:

Your 'No Conversion' projections of income, income tax, Medicare premiums, and net worth as a baseline for evaluation.

Inclusion of charitable or family gifts that are important to you.

A thorough evaluation of each of the following at every marginal tax bracket:

- Projections of total income each year,
- Projections of required minimum distributions over your lifetime and that of your beneficiary spouse,
- Projections of resulting income taxes,

- Projected tax savings for each possible scenario
- Projections of tax-adjusted net worth for each possible scenario

Then, to get it 'right' you must OPTIMIZE...

Once you have the necessary information for each possible scenario, it then comes down to discarding those that do not produce as great of impact as the others.

You'll also take into consideration any charitable gifts that will be made over your lifetime or at your death. There are currently special rules regarding making donations from within your IRA that are significant tax preferences. In addition, donor advised fund contributions can provide some significant tax savings if you are charitable minded.

What we've discovered is that there is usually one tax bracket strategy that generates the highest tax adjusted net worth. Usually, that strategy will also display the highest projected tax avoidance, but not always.

When you're developing a conversion strategy you will quickly realize that there is an enormous amount of tax savings, particularly for the IRA Millionaire. You can quickly get sucked into the vortex of excitement over saving so much money that it is easy to forget the ultimate goal - maximize net worth and maximize your future tax flexibility.

Hopefully this section reinforced, or convinced you, that doing Roth conversions correctly requires a lot more data than a simply myopic 'convert to the top of your tax bracket' mindset.

Furthermore, to get the most out of your retirement savings, everything needs to be incorporated in the plan; including the potential for charitable gifts.

Now I'd like to share a few real-life examples of clients we've worked with. The names and some of the details have been changed to protect their privacy, but the situations are all very typical of the clients we help. I hope that seeing these will further encourage you to evaluate your own strategy.

WARNING: It would be a fool's journey for you to attempt to mimic the game plans of the people presented here. Just because they are of similar age and assets does not even hint that you should do what they did. There are personal and financial details left out of each of these examples that make it impossible for you to just do what they did. I've adapted each scenario for privacy and for ease of educating the reader on the topics presented.

CHAPTER 8: SAMPLE OF A CONVERSION DONE WELL

Meet 'Mr. and Mrs. Samples'

I'D LIKE TO SHOW YOU a sample of a conversion scenario that we often use. This was a real-life case of real clients, for privacy, we'll just call them the 'Samples'. The risk in showing this is that you may assume that because a few of the elements of their financial life are like yours, that you should do the same thing as we recommended for them.

In reality, there are details of their life that are left out that will be different than yours - and have an impact on the final recommendations.

Chuck and Kathy Sample are stereotypical 'IRA Millionaires'. They are in their 60s and just retired.

They believe they have good genetics and asked that we plan to age 90.

We used a modest 5% projected average annual return on their investment accounts and built in a 2.5% inflation rate for their usual expenses. Medical expenses were inflated at 5%.

Here's where they were starting from:

All that we're illustrating below are their Total (Financial) Assets.

Current Tax Diversification

Description	Chuck	Kathy	Total
Qualified Investments			
Chuck's 401k	$1,103,320	$0	$1,103,320
Kathy's 401k	$0	$270,000	$270,000
Total Qualified Investments	**$1,103,320**	**$270,000**	**$1,373,320**
Total Assets	**$1,103,320**	**$270,000**	**$1,373,320**

In order to find your optimal conversion strategy, you have to first revisit your overall retirement financial plan. You'll recall the earlier section where I detailed the elements of a good conversion strategy. A Roth conversion strategy needs to leave you no worse off, and hopefully much better off financially for having executed it. I've determined that each of the elements I listed are critical to you being able to properly evaluate the best course of action.

Here's a snapshot of what the first fifteen years would look like for them if they did NOT do any conversion. The objective is to develop a 'baseline' from which you can compare to other scenarios.

I'd like you to especially notice a few of the columns in the table on the next page.

Planned Distribution - This represents the amount of scheduled distributions from their IRAs. In their case this was totally due to required minimum distributions (RMDs). You'll see $0 for their first few years, and then all of a sudden there is a huge amount of added taxable income because of the large IRAs, via the RMDs.

Tax Payment - This column is the projected total income tax (state and federal) that would be owed based on their tax filing status and all their combined income sources and expenses.

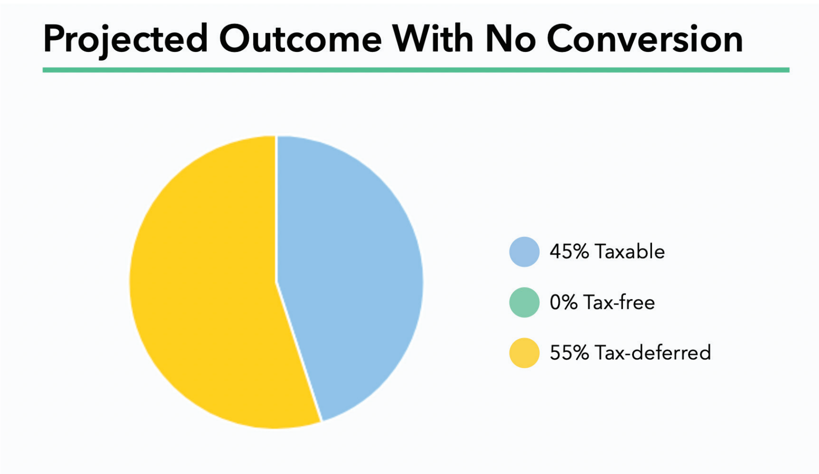
Net flows - this is the projected net amount of excess, or needed, cash flow in order to meet their financial objectives. In The Sample's case, you'll see that they are pretty typical, in that they'll have a huge amount of excess cash. While that's not bad, it is all taxable in their case - and not needed for lifestyle.

Cash Flow Summary – Years 1 thru 15

Year	Age	Income Inflows	Planned Distribution	Total Inflows	Expenses	Tax Payment	Total Outflows	Spend Unsaved Cash Flows	Net Flows
2022	68/67	$69,755	$0	$69,755	$71,311	$0	$71,311	$0	($1,557)
2023	69/68	$74,013	$0	$74,013	$73,151	$0	$73,151	$863	$0
2024	70/69	$75,862	$0	$75,862	$75,038	$0	$75,038	$825	$0
2025	71/70	$77,759	$0	$77,759	$76,974	$0	$76,974	$785	$0
2026	72/71	$79,702	$57,357	$137,059	$78,960	$12,728	$91,688	$0	$45,372
2027	73/72	$81,696	$77,262	$158,958	$80,997	$22,765	$103,762	$0	$55,196
2028	74/73	$83,737	$84,490	$168,227	$83,088	$25,718	$108,806	$0	$59,421
2029	75/74	$85,831	$92,166	$177,997	$85,233	$28,903	$114,136	$0	$63,861
2030	76/75	$87,978	$100,466	$188,443	$87,433	$32,389	$119,822	$0	$68,622
2031	77/76	$90,176	$109,121	$199,297	$89,690	$36,099	$125,790	$0	$73,507
2032	78/77	$92,430	$118,850	$211,280	$92,006	$40,608	$132,615	$0	$78,665
2033	79/78	$94,741	$129,545	$224,286	$97,054	$45,708	$142,761	$0	$81,525
2034	80/79	$97,111	$141,203	$238,314	$99,572	$51,270	$150,842	$0	$87,472
2035	81/80	$99,537	$153,252	$252,789	$102,155	$57,645	$159,801	$0	$92,989
2036	82/81	$102,027	$166,882	$268,909	$109,228	$64,873	$174,102	$0	$94,807

One of the little talked about challenges with the IRA Millionaire future is that all of the 'excess' required minimum distributions wind up in after-tax accounts. Those accounts become very large on their own and add to the tax problems each year.

In the case of The Samples, here's a picture of what their financial balance sheet would look like if they did nothing with the large IRAs.



Notice that we projected that 45% of their future net worth would be in 'Taxable' accounts (after-tax accounts that generate taxable interest, dividends, and gains). Notice that none of their savings would be in the Tax-free bucket.

When we summarize all the most important data, we find that they were going to be subject to huge taxes because of the large Required Minimum Distributions ($3,494,200).

I think each of the data points is labeled in a way that is self-explanatory, except for the 'Income' element. This is simply the cumulative of their fixed forms of income (Social Security retirement benefits).

$2,281,426
INCOME

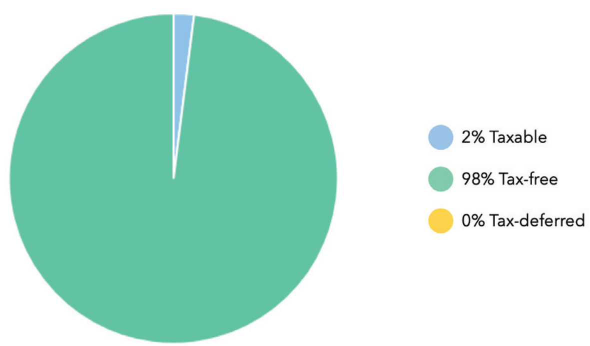
$3,494,200
REQUIRED MIN. DIST.

$1,456,660 LIFETIME TAX
+ $894,515 TAX DUE FROM HEIRS*
$2,351,175 PROJECTED TOTAL TAX*
*at horizon age of 90

With the above information, you can now evaluate each different tax bracket outcome and see 'apples to apples' comparisons. This makes the decisions of whether to convert, and how, much easier to make.

Optimal Outcome: The optimal outcome for the Samples changed the composition of their future net worth significantly.

Projected Balances – End of Plan



The optimal strategy for them involves seven years of conversions from their IRAs, at a higher tax bracket than they are currently in.

You'll see in the summary below that there is significant savings to them; both, during their lifetimes and for their heirs. The optimal strategy is projected to help them avoid almost $1.8 million…! Not too shabby, eh?

$ Funds totally migrated by 2028 through 7 conversions. $

$2,281,426
INCOME

$38,181
REQUIRED MIN. DIST.

$540,283 LIFETIME TAX
$26,064 TAX DUE FROM HEIRS*
$1,784,828 ESTIMATED TAX SAVINGS*
*at end of plan in year 2028

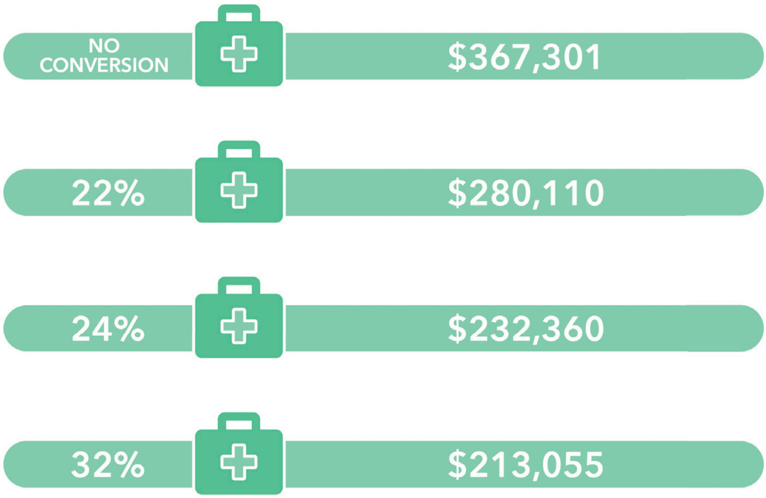
This optimal strategy will require distributing between $200,000 and $300,000 in each of the next seven years. Since they do not have significant savings outside of their IRAs/401ks, all of the income taxes due from the conversion are assumed to be paid from within the IRAs.

So in this table we see larger distributions and smaller conversions. The difference is the taxes paid and any lifestyle shortfall that needs to be supplemented from their IRA accounts.

Conversion Amounts

Year	Age	Distribution Amount	Conversion Amount
2022	68/67	$309,472	$223,868
2023	69/68	$305,816	$222,850
2024	70/69	$304,291	$210,088
2025	71/70	$302,989	$208,299
2026	72/71	$213,159	$119,492
2027	73/72	$211,180	$119,011
2028	74/73	$221,250	$137,341

And one more picture; you'll notice that they will also save a huge amount of Medicare premiums by implementing the conversion game plan.



Bear in mind that all of this is accomplished, for most of the IRA Millionaires we've worked for, with little to no decrease in their 'after tax net worth'. And in the majority of cases, their net worth actually increases over their lifetime.

As has been explained, there is almost always a huge financial difference between a 'good' strategy and the 'best' strategy. I've summarized the various outcomes that were analyzed for the Samples.

The column titled, 'No Conversion' lists the pertinent financial info in the event that they do nothing. If they decide it's 'too expensive', or 'they don't want to pay more in Medicare premiums'.

The next column, 'Current Tax Bracket' shows the results if they were to take the common advice and just stay in the comfort zone of their current tax bracket. They only convert up to the top of their current tax bracket.

The last column, 'Optimal Strategy', illustrates the stark difference between following customary advice regarding conversions and truly finding your best possible outcome.

In their case, the difference was $1.3 million of avoided taxes. Their net worth projections are not presented, but in a relatively short time they'll see their tax adjusted net worth also increase compared to doing nothing at all.

	No Conversion	Current Tax Bracket	Optimal Strate
tal Projected RMDs	$3,494,200	$1,306,369	$ 38,181
tal Projected Lifetime Taxes	$1,456,660	$1,235,520	$ 540,283
tal Projected Tax to Heirs	$ 894,515	$656,625	$ 26,064
tal Projected Medicare Premiums	$ 367,301	$ 280,110	$ 232,360
tal Tax Avoidance	**None**	**$ 459,029**	**$1,784,828**

CHAPTER 9: INVESTMENTS AND ROTH IRAS

AFTER YOU'VE MADE THE DECISION to begin doing Roth conversions, and after the hard work has been completed to know exactly what your game plan should be - it will occur to you that there are many more questions about the mechanics of implementing your plan.

This section should reduce some of the unknowns that are the cause for much potential stress when you get started.

I am frequently asked what kind of investments are inside of a Roth. First, a Roth is just a financial 'bucket'. It is a unique bucket in that everything that it earns is totally free of taxes. But aside from that, this bucket can hold any investment that a regular IRA can hold.

The Roth isn't THE investment, it is a type of account at a custodian (Vanguard, Fidelity, etc…) in which you can buy and sell investments.

You can use a traditional style of Roth account at a custodian that only allows you to hold financial assets like stocks, ETFs, mutual funds, bonds, etc… But many of our clients also use custodians that allow them to invest in physical real estate; rent houses, renovation flips, apartment buildings, notes receivable, and other non-traditional investment assets. A simple search for 'IRA Roth IRA Real Estate' will produce several alternatives for you to investigate.

So there is nothing mysterious about investing in a Roth IRA. Whatever your risk tolerance and objectives for growth, you can accomplish in a Roth just like in an IRA. However, there are a few 'pro tips' I'll share in this section about how to manage the investment composition as you make the switch from IRA to Roth through the conversion process.

Roth Contribution vs. Roth Conversion

People frequently tell me they are already contributing the max to their Roth IRA, implying that they see no real benefit in converting funds. You should always use money in a way that gives you the greatest benefit, so let's take a quick look at the differences between the two by way of a simple example.

You have two options: make a Roth contribution or convert the equivalent amount from a tax- deferred account and pay the tax. If you make the Roth contribution, you deposit $6,000 of cash and your resulting benefit is an additional $6,000 in your Roth growing tax-free for your life.

But what if you chose to use the $6,000 to pay the tax on converting some of your existing IRA or 401k funds? If you are in the 22% tax bracket, this would mean you could convert $27,272 this year!

In one case, you have $6,000 in your Roth: in the other, a whopping $27,272. Heck of a deal!

Roth Contribution	$6,000
Tax Bracket	22%
Conversion Equivalent	$27,272

Now, use the same line of logic when considering a large annual contribution to your company's Roth 401k. Many Americans have orphaned 401k accounts from previous employers or have rolled that prior 401k into an IRA. All those funds are also causing the problems we've discussed in the tax traps.

Recall that the contribution limits for a company Roth 401k are as much as $25,000 if you are over age 50 and utilize the catch-up provisions. If you assume that every dollar is taxed at the next highest tax bracket for the same out-of-pocket expense as contributing to the Roth 401k, you'd be able to convert $104,000! Instead of putting funds into the Roth account, use them to pay taxes on converting existing TAXABLE funds. The impact is that you'll have roughly four times the amount in a better tax position for the rest of your life.

Which is better? Using $25,000 to contribute to a Roth 401k or converting $104,166 to a totally tax-free status using the same

$25,000? You may want to work with your advisor to help you choose the best option for you.

Roth 401k Contribution	$25,000
Tax Bracket	24%
Conversion Equivalent ($25,000 / 0.24)	$104,166

Remember, these decisions need to be made with the benefit of a broader view of your current finances and the impact these conversions may have on your long-term balances and income needs after paying the taxes.

The Conversion Process

After you've done one Roth conversion (presumably the right way) you'll realize that it's very simple. In fact, the custodians have so many rules and so much responsibility, that it's going to be really hard for you to mess up the conversion transaction. As long as you clearly state your intentions, it'll be fine. The custodian representative will pretty much walk you through the process.

That being said, it's not impossible to make a mistake. Usually the mistake occurs because you and the rep at the custodian aren't communicating well. I recall one client who intended to convert $300,000 of a particular stock, and instead, the custodian distributed the stock directly to them instead of moving it to the Roth. When they make a mistake, it's like turning a huge warship to get them to make the corrections.

When you effect a conversion, all you're really doing is transferring assets (cash, securities or property) from the IRA directly to the Roth. One day your ABC Stock is in your IRA, and the next morning it is in the Roth. And don't forget that you've just initiated a taxable transaction. Refer back to the 'A Few Essentials' section for more about how to handle the taxes.

If you'll be very precise in your instructions and ask them to repeat back to you exactly what they think you want - before they actually push the button to make it happen - you should be just fine. But again, be very clear with what you want. And before you request your first conversion distribution, you'll need to have a Roth IRA account open at the custodian of your choice.

If you are doing a conversion into a Roth that is at the same custodian that holds your IRA, it's super simple. In fact, because I've seen royal mess ups happen when trying to go from an IRA at one custodian to a Roth at another custodian, I usually suggest that you do the conversion at the same custodian and then transfer the Roth assets to the new custodian in a separate transaction. Doing it this way creates a very solid paper trail if you are ever audited and provides less opportunity for error at the custodians sending and receiving the assets.

Many custodian's online portals allow you to initiate the conversions there, too. If you're not 100% sure of what you're doing, I'd suggest you speak to a representative to make clear what you plan on accomplishing.

In any case, set up a Roth first. Then, it should go something like this once they have your IRA account up on the screen in front of them:

You: "I want to do a Roth conversion from this IRA account ending in '4567', into my Roth account ending in '1234'.

Rep: 'How much do you want to convert today, and which assets are we converting?'

You: "You should see that there is a money market account that has $125,321. I'd like to convert $100,000 (or whatever your conversion amount is going to be today.

You: "I will take care of the taxes from a separate account."

OR

You: "Please withhold an additional $23,000 (whatever you've determined will be the taxes) from the money market for taxes."

Rep: They should simply repeat what you want to do, and then they'll read you a required statement making sure that you understand that this is a taxable transaction.

You are not limited to just moving money market funds for the conversion. This was a simple example to show you how the conversation should go, but more than likely you'll be asking them to move a variety of investment shares that will approximate the amount that you want to convert.

Just be clear what you want and be clear how you want the taxes handled. They've done this hundreds of times.

Investment Portfolios in Transition

Now comes the sticky part. This is the part of the subject matter that I've not seen ANYONE comment on. So hang on…it might get a little technical, but I promise to try to keep it so that you can get a lot of value from this section of the book.

Once you've decided to do conversions, and you've done the hard work of determining how much you're going to convert, you'll be faced with the reality of figuring out how to 'manage' the accounts and investment holdings that you have.

Your investment manager will most likely suggest that a proportionate amount of each security be moved from the IRA to the Roth. Of course they would; that makes their job really simple. But that probably isn't in your best interest.

In this section I'll address the following:

Which investments should I convert first?

When should I convert for optimal tax savings and investment performance?

How do I maintain my preferred investment allocation while I'm doing conversions?

I'll present my own investment guidelines for minimizing taxes and maximizing growth potential as you convert your IRA to a Roth. Following are four principles that I adhere to when counseling clients about what to do with their investments and accounts during the conversion period.

Four Transition Investment Principles

Principle 1

Don't change the risk just because you are converting.

It's easy to not see the forest for the trees on this one. In your journey of beginning conversions, you'll be tempted to just do the conversions and will lose sight of the bigger picture.

So whatever your investment mix or philosophy, don't abandon the risk tolerance during your conversion period.

If you are currently at an 80% stock / 20% bond allocation, don't change it.

If you are currently at a 60% stock / 40% bond allocation, don't change it.

Hopefully you've chosen that allocation mix because it meets your longer term needs and your willingness to accept, or not, risk.

Principle 2

If it's going to grow, you want it to grow in the Roth.

I'm sure you're already aware that all of the potential growth and income that occurs within your Roth will be totally free of income taxes - forever. That truth should have a significant impact on which investments go into the Roth first as you make the switch.

Any of the 'growth' assets that you leave in the IRA will just incur additional taxes when you convert in the later stages of your conversion game plan.

For example:

$1 million in your IRA

- Assume 6% growth = $60,000 THIS year
- $60,000 will ultimately be converted & taxed at some point
- 24% marginal tax = $15,000 of additional tax

The longer the growth assets are in the IRA, growing, the more tax there will be to pay later. Now, the good news is that you gained in value. So I'm not advocating 'not' to get growth.

The message here is to put priority on which assets come out of the IRA and into the Roth first.

Principle 3

Manage the transition of your investments to minimize tax and maximize gains.

As I've just written, gains in IRA will just subject you to incremental tax later. On the other side of that statement is this: if safe investments are in the Roth too soon, you'll drag down the potential TOTAL growth of your net worth.

REMEMBER: Don't change your overall risk! If your portfolio strategy is very safe, then that's okay, it's meeting your needs.

Sample Case

Here's a simple example of a four-year conversion game plan to show you what I mean.

$1 million in IRA

Assuming an optimized four-year conversion strategy.

Assume you convert $250,000 each year.

Taxes are paid from other accounts, not the IRA.

60% Stocks / 40% Bonds investment allocation.

If you have a firm that manages your investments, they will likely not want to do what I'm about to show you. It takes some 'work' for the advisor to keep up with compared to moving pro rata shares of each investment each year.

For this $1 million example, using this investment guideline allows an extra $100,000 of stocks to move into your Roth for each of the first three years of the conversion.

So, doing it the pro rata way, means that you're foregoing whatever the gains (maybe losses) would have been on the three, one hundred thousand amounts that went more quickly to the Roth.

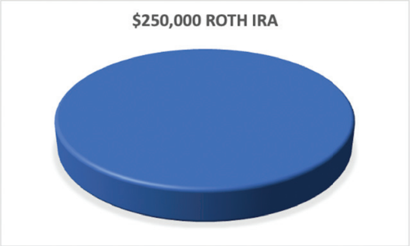
The Starting Point

So, you begin with $600,000 in stocks and $400,000 in bonds.

Year One

Convert the most aggressive first, remember? Year one conversion amount is $250,000 which will come from the stocks/growth investments.

The result is this:



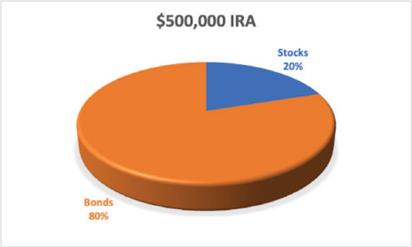
You're left with $350,000 in stocks and still have $400,000 in bonds. We are moving the growth first and leaving the more conservative.

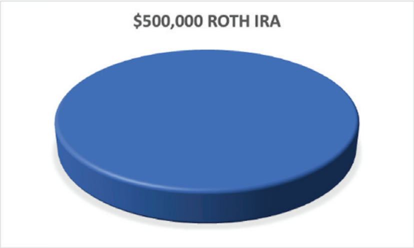
Notice that the original IRA is now 53% bonds and 47% stocks. And the Roth is 100% stocks. But the total allocation is still exactly what it was before you began the conversions.

*Growth of investments is not being added in for simplicity of illustration.
60/40 Split maintained **in total** throughout the conversion period.

Year Two

You'll convert an additional $250,000.





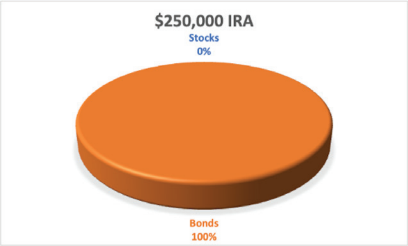
You're left with $100,000 in stocks and still have the same $400,000 in bonds. In reality, the financial market gains or losses will impact these remaining balances.

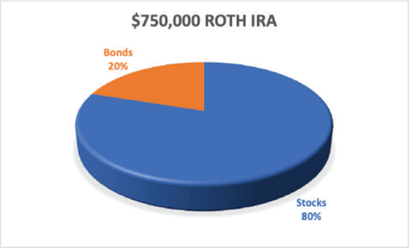
Because of their tendency to provide growth there is usually more left in the stocks than I'm presenting in this simple example. However, during 2020-2022 we've seen that the stock balances were significantly lower than projected. For most clients, we stuck with the game plan and were able to convert the same amount of shares (which have declined in value) but at a lower cost. In a few cases, we recalculated the optimal strategy and decided to further accelerate the conversion amounts.

You must be careful not to get too enamored with the tax savings. As I've said previously, every decision needs to be one that holds steady your tax adjusted net worth or increases it. We've seen many scenarios that saved more tax but lowered the client's net worth.

Year Three

Again, you'll convert an additional $250,000. This will be accomplished by converting $100,000 from remaining stocks and finishing off with your first conversion of the bonds of $150,000 to round out the annual conversion amount.

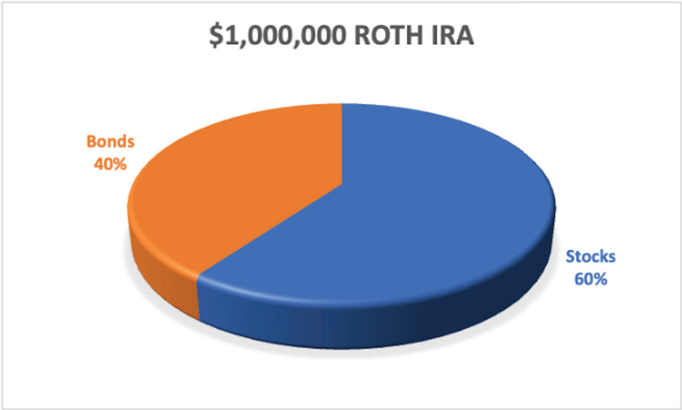




So at the end of year three you have just $250,000 remaining in your IRA, and it is all the remaining bonds.

Year Four

Okay, the last conversion of $250,000 takes it home.



Notice that you still have the same overall allocation through each year.

Principle 4

Timing matters.

'Timing' a market dip is almost impossible, but when a dip occurs, **have your plan** and be ready to act. And this principle is not one that I will claim any sort of crystal ball. I'll just give you the questions you should consider each year as you determine when to actually pull the trigger on your conversion.

Question: Where do you want growth to occur this year, IRA or Roth?

Well, if you had a pretty good sense that the markets were going to do what they usually do, you'd want the growth in the Roth (as has already been covered).

Question: Should you do the conversion ASAP or 'dollar cost' over to the Roth throughout the year?

Unless you believe that the stock markets are going to perform poorly, you'd want to just get the conversion completed at the beginning of the year; maybe leaving a small amount for end of the year fine tuning of your tax situation.

If the markets are overly volatile and you think that there may be a continued downturn, you'd want to wait to do conversions, or do amounts throughout the year. If you did choose this game plan of watching and acting accordingly, don't forget to pile in the conversion amount if/when there is a big downturn in the market. That's what you were waiting for, in some regard.

Question: When will you pay the taxes on the converted amount?

Regardless of your timing of actually doing the conversion amounts, you need a good understanding of when taxes are due. There are safe harbor rules that dictate how much needs to be paid in, (especially after your first year of conversion) and there are individual tax circumstances that also dictate when you should make the estimated payments. If you are not working with a CPA, I like to suggest that you default to always making the estimated payment at the same time that you do the conversion.

CHAPTER 10: WHAT NEXT?

MY HOPE IN PUTTING MY experience in writing is that you'll have information that motivates you to do something about the enormous amount of taxes that are hidden just under the surface of your next IRA/401k statement. The ideas I've outlined are not complicated, but you are advised to seek credible and experienced counselors who understand income tax strategy and financial planning projections.

DIY and Spreadsheets

Tom is one of many of our clients who first went down the road of 'I'll figure this out myself'. He's a sharp engineer who has worked with numbers his entire career and has done very well. He left our first meeting armed with 'great information' and ready to take on the project himself because he didn't like the price of the consulting service we offered.

I never try to strongarm or browbeat folks to do it our way, but the results are predictable. I've seen it over and over again. We show respect, and we explain the 'good, better, best' concept that I've shown you and try to help them understand how much time they're going to invest.

One of my favorite quotes explains why we don't try too hard to talk people into doing what we think is best.

> *"A man convinced against his will, is of the same opinion still."*

Two years later, Tom came back to us having converted a few hundred thousand dollars, but with the same set of problems he was going to try to solve by himself. Of course I wouldn't tell him, but he lost the advantage of several hundred thousand dollars of savings, had he gotten it right the first time.

The sad part of this familiar story, however, is that most who go it alone, do not come back. They're retirement will be just fine, and they may never know what they left sitting on the doorstep of the IRS. They did 'something', and probably are content with that because they'll never know what could have been.

If you are a DIYer, I applaud your independence and courage, but I have seen only a handful of DIY spreadsheets that have truly garnered all of the benefits in store. Please don't let your ego get the best of you with that last statement; it was not offered as a challenge. A wise person knows when it's time to pull in someone with more experience and tools than themself. The difference between a 'good' strategy and the 'optimal', for an IRA Millionaire, can be hundreds of thousands of dollars - or more.

We built a small cabin a few years ago in an RV resort in which we own property. I was given the alternative of saving a huge amount of money by doing much of the work myself. Although I'm not a blue-chip handyman, I can learn - and I have friends who are experienced with such things, who could have come in and helped out. I'll admit to considering it, but after the project got started, I realized very quickly that the different trades certainly knew what they were doing.

The little cabin turned out much better than it would have if I chose the cheaper route, and my wife and I had fewer 'discussions'...

Beverly is one who really impressed me, though. Very sharp lady with a background in finance and accounting. She hopped on our first call to learn more and to vette our consulting service. She had her own spreadsheets, and they were the best I've seen. At the end of the discussion, she decided to engage us and benefit from our vast experience and tools. When I asked why she was coming into the family of clients, she said something very astute that I haven't forgotten. She said, "I see the fee that I'll pay you as an insurance policy against the possibility that I missed something small." "The way I see it," she said, "even if you find nothing I could have done better, I will have peace of mind that I did everything possible to maximize my financial situation." Wow! Just wow. (And yes, we were able to greatly improve on one element that she was not even aware of.)

So whether you connect with our firm, or you find someone who can demonstrate that they provide all of the necessary data and evaluations laid out in this book, please do yourself a favor and work with someone who isn't doing this for the first time.

I've scattered many real-life situations throughout the pages of this book to illustrate how simple it is to greatly improve your tax situation, and therefore your personal lifestyle - for the rest of your life. My experiences with many clients has shown me how little is really understood about this very impactful part of your financial life and future.

While reading a book about how to position yourself for a better future it's really easy to forget the hopes and dreams that you desire as a result of the benefits of the information presented. What do you really want for your future? My experiences have taught me that paying some taxes now can have the result of a much higher tax-free income stream for the remainder of your life. But if you do nothing with the information presented, you will continue to own the problem.

If I had a nickel for every person over 72 that has lamented how they'd wished they would have read this book ten years ago, well, I'd have a lot of nickels. Do yourself a favor and learn from the mistakes made from those who have gone before you. Once your RMDs begin, the impact that you can have pales in comparison to that which can be made by acting now.

From what we know now, you may have until the end of this year to solve this, but Congress is currently entertaining a bill that would accelerate that to the end of this year. Many of us have a strong belief that income tax rates will not be lower than they are now for decades. For those who can benefit from these strategies, my experience and my analysis of hundreds of clients' situations demonstrate that people's financial lives will be better for having implemented these strategies—even if tax rates do not increase. The purpose of undertaking this writing project was to sound the alert so that the good people of the land can help themselves while they may.

If you do not act before the current tax rates change, you will remain firmly in the grasp of income taxes for the rest of your life. Furthermore, you will leave a legacy of an income tax burden to your heirs.

CPAs and Financial Planners

Why don't most CPAs lead their clients to do aggressive conversions?

The best answer comes from the mouth of a CPA that we work with. In a podcast that we did together, he says the biggest reason is that the CPA's focus is always on last year's events, not ten or twenty years out. And they are seen by the client as adding value, justifying their fees, by the amount of taxes they save the client this year.

Roth conversion strategies are a financial planning exercise.

Why don't most financial planners guide their clients to do aggressive conversions?

So, if this is a financial planning exercise, why don't financial planners do this for clients? Some do, most don't. But most of the group that does have just recently started jumping on the bandwagon. And they are beginning the long learning curve to really understand the concepts and how they fit together in a retirement plan for the client. They first must unlearn all that the industry has fed them about conversions; and that takes a while.

Having spent nearly four complete decades in the industry, I have a unique perspective on financial planners. Here are the reasons they are late to the party:

1. They don't get compensated for doing this, so it is out of daily focus. Most people do what they get paid to do; whether it's the job or the business. The primary activities that make them money are the things that naturally are made priorities. They're human. Many in this group don't really care to learn what they need to provide you with the level of detail necessary. They're happy doing what they've always done.

2. Others don't care about the compensation, but they don't really understand it at a level that they need to that inspires them to get on the phone and call every client to discuss. And when they don't grasp the big picture, they default to the easy to consume tools.

   Those tools generally fall into two categories:

   a) They are designed with the faulty paradigms we've discussed that preclude the planner from seeing the bigger truth.
   b) Or, they are merely sales tools that enable the planner to generate commissions from the sale of

life insurance, annuities, or add to their incoming fees for investment management.

3. The regulatory environment for planners doesn't encourage 'tax planning'. The compliance people and attorneys that work for financial institutions do not want their planners (financial advisors, brokers) diving into the tax world. Even if they carry a Certified Financial Planner™ or other acceptable accreditation, they don't want the perceived liability of their employee offering that kind of advice.

   Even the continuing education curriculum that is available to those of us who are accredited do not offer meaningful insights.

So here is the chasm; you need this kind of advice, but your CPA nor your financial advisor offer it. The industry has room for improvement in this regard. But you have THIS book and the RESOURCES I've listed in the final chapter.

So keep going in your quest for your ultimate outcome. Just because your advisor hasn't seen the light, doesn't mean that you must subject yourself to a lifetime of unnecessary taxation.

But sometimes they 'wing it'.

I can't tell you how many times people call and talk to our specially trained and seasoned CFP®s and become convinced that they need to get on board the Roth conversion-tax-saving train. But then, they go back to their own advisor (financial or CPA) and, only then, does the advisor tell them that they can help them with the conversion plans.

This is a huge game of 'CYA' by the advisor, let me tell you.

Here's what's wrong with this:

Reason 1.

If the advisor 'could' do that for their client, WHY DIDN'T THEY already? They've probably *already* cost their client hundreds of thousands of wasted tax avoidance and Medicare premiums because they were not paying attention sooner.

What else are they NOT doing that they supposedly 'could'? I'd be firing that advisor, period. I have seen that game from the inside of the fishbowl way too many times. It is arrogance, and disingenuous, in my opinion. (See number 5 below)

Reason 2.

Now the advisor has suddenly found 'religion', with little or no experience in this area, and just because they say so the already duped client is going to trust them to get it right....? Really....?

The advisor is taking advantage of the standing relationship.

Reason 3.

The newly energized advisor may have decades of experience in investments or general financial planning, but they obviously have not specialized in the tax and conversion area (or they would have already done this for the client).

They have NO TOOLS to validate their opinions, or poor tools at the best. Online calculators or first-attempt spreadsheets is likely what they'll use. Maybe a software that is designed to sell life insurance and annuities, but certainly not a forensic look into what's best for the client.

I know this because it's the very reason we have invested in proprietary software that ensures we get the optimal outcome for our clients. There are many moving parts to finding the optimal strategy.

Reason 4.

The client believes them and will go along with it to save a few bucks. The sad part of this story is that they'll get 'a plan' and assume it's 'the best plan' with absolutely ZERO CONTEXT of what the optimal plan could have done for them.

The client will never know how much better it might have been, potentially leaving well over $1,000,000 sitting on the doorstep of the IRS. That's really sad.

Can you imagine how frustrating it is for our CFP®s, who specialize in this, to see the potential that could have happened for a client only to have that potential wasted because another professional couldn't admit that they can't do everything...?

Imagine if you needed brain surgery, but your family physician was threatened by the presence of a surgeon, so he/she tells you 'oh, we can do that right here'....bad outcome.

Someday I hope it will be commonplace for the advisor community to provide this level of help.

If your advisor wants to give it a go, and you are willing to be the guinea pig, then you should at least insist on ALL the elements that I described in the earlier section of this book. The only way to know the best strategy is to compare with the lesser beneficial strategies. And the specific data is the only way to truly know what's best.

Online Calculators and FREE Services

I find it absurd that I feel compelled to even address these alternatives to a comprehensive evaluation, but it amazes me how many people resort to online calculators and 'free' (or cheap) conversion evaluation services. If you want to take a simple personality test, run a mortgage calculation, or see how much your savings will grow in twenty years, then online and cheap are reasonable alternatives.

But if you are the IRA Millionaire, you'll leave six or seven figures of wasted taxes at the door of the US Treasury because of trusting in a wholesale service. And if your own advisor or national firm suddenly decides they have a 'department' for that; RUN!! If they knew what they were doing, they'd be doing it every day for their clients, and you would not have had to inquire about it. They won't have the experience and they won't have the tools.

I won't name the national firms, but the biggest in the country are resources that our clients have turned to for help. At the current time, they simply don't get it. Their process stops at the top of whatever your current tax bracket is, and I've already educated you about what a tragedy that becomes.

CHAPTER 11: ABOUT THE AUTHOR

AFTER A THIRTY-TWO-YEAR CAREER AS an independent financial adviser, I sold my comprehensive financial planning practice and have focused my experiences and efforts toward alerting savers to the large tax obligations that are built into their retirement accounts. This birthed my first book, *Paying the Piper*, in 2019, which quickly became a #1 Bestseller on Amazon in several different categories. I am grateful that others found such value.

Since the birth of that book, I have developed a consulting practice that offers fee-for-service financial consulting and the development of retirement plans and custom Roth conversion plans for people across America. At the time of publication of this book, the conversion strategies that my team and I have developed for clients have logged a projected tax avoidance by their clients of over $500,000,000. Yes, five hundred million dollars - and increasing every week!

The firm that I own, Q3 Advisors, is a fiduciary with a unique business strategy. Our advisors do not sell any financial products, nor do we manage client portfolios. Q3 Advisors focuses on developing retirement game plans and custom Roth conversion plans for our clients. Our advisors must be seasoned CFP®s to come on board and display a desire and aptitude for planning - not investing or selling products. They are trained on conversion concepts and provided with the tools to quickly see the difference between what we do, and conventional conversion and retirement planning advice.

Q3 Advisors has become the premiere Roth conversion firm in America, educating millions of savers about the opportunities that exist with conversions and the mistakes that many make when attempting to design their own strategies.

I appreciate the time commitment you made toward consuming the information presented here in this book. Please reach out through any of the resources presented in the next chapter if you want some assistance with developing your own strategy.

RESOURCES

CRAIG WEAR

Primary Education & Information Website

www.CraigWear.com

Craig's 'What's Next for Retirement' Podcast

https://craigwear.com/whatsnext

ROTHOLOGY

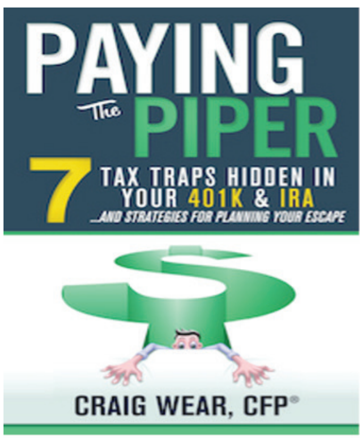
Free Seminar

https://info.craigwear.com/savetaxeslp-2

Q3 ADVISORS

Q3Advisors Website:

www.Q3Adv.com



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