

Retirement Blueprint

Episode 16

Roth Conversions: The Window Most People Miss

Transcript

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Roth conversions might be the single most powerful tax strategy available to everyday Americans.

Done correctly, they can save thousands—even millions—of dollars in lifetime taxes.

Done incorrectly, they can trigger huge tax bills, higher Medicare premiums, and worse outcomes than doing nothing at all.

Roth conversions are not always good—and they're not always bad.

They're simply a tool.

And like any tool, the impact comes down to when and how you use it.

So today, we're breaking down exactly when Roth conversions make sense—and when they absolutely don't.

Most people think Roth conversions are about tax brackets.

But that's only part of the story.

A Roth conversion isn't about what you pay this year.

It's about what you avoid paying over the next 20, 30, or even 40 years.

Roth conversions affect your future RMDs, your Social Security taxation, your Medicare premiums, your retirement income—and even your legacy strategy.

They're not about tax savings.

They're about tax control.

Here's what we're going to cover:

When Roth conversions make perfect sense

When they're a bad idea

How to identify your conversion window

And the biggest mistakes to avoid

Plus, we'll walk through a real-life example of a couple who reduced their lifetime taxes by over \$300,000.

Let's get into it.

When Roth conversions make sense

1. During low-income years

This often happens after you retire—but before you claim Social Security or start taking RMDs.

Your income drops, and a tax opportunity appears.

2. When markets are down

You're converting at a lower value.

When the market recovers inside the Roth, that growth is completely tax-free.

3. When you want tax-free income in retirement

Roth withdrawals don't increase your taxable income.

They don't impact Medicare premiums or Social Security taxation.

4. When you want to leave tax-free assets to your heirs

A Roth IRA is one of the most valuable assets you can pass on.

When Roth conversions are a bad idea

1. When conversions push you into Medicare IRMAA surcharges

A small misstep can cost thousands in additional premiums.

2. When they increase how much your Social Security is taxed

Many people overlook the ripple effect on their benefits.

3. When you need the money soon

Converted funds must stay in the Roth for five years before earnings can be withdrawn tax-free.

4. When future tax rates are likely to be lower

There's no reason to pay more tax today if you can pay less later.

The Roth conversion window

Most people have a “golden window” for Roth conversions.

It's typically the period after retirement—but before claiming Social Security and before RMDs begin.

Sometimes this window lasts just two or three years.

Other times, it can extend over a decade.

The goal is simple:

Shift money from “forever taxed” to “never taxed”—while your tax rate is low.

Common mistakes to avoid

Converting too much in one year

→ This can push you into unnecessarily high tax brackets.

Ignoring Medicare thresholds

→ Conversions can increase premiums for an entire year.

Converting without a withdrawal strategy

→ Roth conversions should be part of a long-term income plan—not a guess.

Paying taxes from the IRA itself

→ This reduces the effectiveness of the conversion.

A real-life example

Steve and Ellen were in their early 60s, recently retired, and worried about future taxes.

They said, “We’ve done a great job saving—but everything is in pre-tax accounts. It feels like we’re sitting on a tax bomb.”

And they were.

They had \$2.1 million in traditional IRAs, \$200,000 in Roth accounts, and almost no tax diversification.

When we projected their RMDs at age 73, their income spiked dramatically.

That meant higher tax brackets, higher Medicare premiums, more Social Security taxation, and less control over their retirement income.

We built a structured five-year Roth conversion strategy during their low-income retirement years.

By the end of the plan, we reduced their lifetime tax bill by over \$300,000—and significantly improved the stability of their retirement income.

Ellen said, “I had no idea timing mattered this much.”

It does.

In many cases, it matters more than anything else.

Final takeaway

Roth conversions aren’t about reducing taxes today.

They’re about increasing flexibility tomorrow.

Flexibility in income withdrawals

Flexibility in healthcare costs

Flexibility in legacy planning

Roth money gives you options.

And options create confidence.

The right Roth conversion strategy is like a chess match.

It requires thinking several moves ahead.

Don't guess.

Don't rush.

And definitely don't convert blindly.

But with the right strategy, timing, and plan, a Roth conversion can become one of the most impactful financial decisions you'll ever make.

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