



Should I Consider a Roth Conversion?

A *Roth conversion* involves transferring funds from a traditional retirement account—such as a 401(k), 403(b), or individual retirement account (IRA) funded with pre-tax dollars—into a Roth IRA.

Why would someone consider a Roth conversion? The biggest benefit lies in the tax treatment of the converted funds. Once the funds are in the Roth IRA, future growth of those assets is tax-free. Withdrawals in retirement are also tax-free, assuming they meet certain criteria. As with any strategy, there are important considerations to keep in mind.

When you convert funds to a Roth IRA, the amount converted is taxable income in that tax year. For example, if you convert \$100,000 from a traditional IRA to a Roth IRA, that \$100,000 will be added to your taxable income in the conversion year.

Converting large amounts can result in a significant tax bill and may push you into a higher tax bracket. Even so, using retirement funds to pay taxes may make sense for those looking to convert large IRAs to reduce their future required minimum distributions (RMDs).

The timing of your Roth conversion matters too. Generally, it's a good idea to convert when your income is lower—for example, after you've retired and before you begin drawing Social Security. You may also choose to convert over the course of several years to spread out the tax impacts. But if you can get comfortable with these considerations, a Roth conversion can provide you with benefits beyond tax-free growth and withdrawals. Some of these benefits are:

- Tax diversification. Having both traditional and Roth accounts allows you to manage your tax liability in retirement. For example, if your income in a given year is higher than expected, you can withdraw from the Roth IRA without increasing your taxable income.

- No RMDs. Traditional IRAs and 401(k)s require you to begin taking RMDs at age 73. Roth IRAs have no RMD requirement during your lifetime. With a Roth account, you have more control over your retirement withdrawals and can leave the funds to grow for your heirs.
- Benefits for heirs. Roth IRAs can be passed on to beneficiaries, who can inherit the account income tax-free. This means your heirs can enjoy the tax-free growth and withdrawals if the Roth IRA has been held for five years or more—a significant advantage, especially if your beneficiaries are in a higher tax bracket.

As always, you should consult your tax and financial advisors and consider your unique situation and goals.

Legal Notice

This material is intended to be informational only and does not constitute legal, accounting, or tax advice. Please consult the appropriate legal, accounting, or tax advisor if you require such advice. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes. It may not apply to all investors or all situations and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The information and statistics in this report are from sources believed to be reliable but are not guaranteed by CAPTRUST Financial Advisors to be accurate or complete. All publication rights reserved. None of the material in this publication may be reproduced in any form without the express written permission of CAPTRUST: 919.870.6822.

© 2026 CAPTRUST Financial Advisors
