

No RMD from my IRA Required – Should I Convert to Roth?

by Annie Fischer

On March 27, the massive “Coronavirus Aid, Relief, and Economic Security Act,” or the “CARES Act,” was signed into law. The CARES Act includes a waiver of required minimum distributions (RMDs) for 2020. This waiver applies to company savings plans and IRAs, including both traditional and Roth inherited IRAs.

Since RMDs are waived, you can go ahead with a rollover or conversion without any concern about taking your 2020 RMD first, because there is no RMD to take.

This is really good news. This is a great opportunity for a Roth conversion. In 2020, you can convert some or all of your Traditional IRA to a Roth IRA without having to take the RMD first. Now all that money (which would be taxed anyway) is available for conversion.

If you do not need your 2020 RMD, you may still want to take it anyway and convert it to a Roth IRA. Sure, there will be a tax bill now, but the trade-off is tax-free earnings when the market recovers.

If you do not need all of your 2020 RMD, it still may make sense for you to take some of it either tax-free or taxed in the low bracket. Also, many do not consider how significant your taxes may go up when the first spouse dies, so any time you take money and have it taxed in the low bracket it could be saving you tax in the future.

Call us today to look at your specific situation and determine what strategy is best for you.

Thanks,

Annie

****Converting from a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first time home purchase (up to a \$10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.**

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