



## Backdoor Roth

### Why contribute to a Roth IRA?

You will not owe income tax when you take a qualified distribution from a Roth IRA. No matter how much you take as a distribution. No matter how much profit your IRA has earned. Hence, making profitable investments inside a Roth IRA can be an excellent idea. As always, the Roth five-year rule applies.

### Not everyone is eligible to make contributions to a Roth IRA.

Some people earn above the cap set by Congress. For example, if you are married filing jointly and have an Adjusted Gross Income (AGI) that exceeds \$228,000, you may not directly contribute to a Roth IRA.

**Yet, everyone who has a Traditional IRA may convert part or all their Traditional IRA to a Roth IRA. Here is how:**

1. Open a Traditional IRA.
2. Contribute to the Traditional IRA.
3. Do not take a deduction on your income tax for the contribution. Instead, complete IRS Form 8606. This is an easy form to complete. It informs the IRS you made an IRA contribution and you did not take the deduction.
4. Do not invest the funds in your new IRA. Instead, instruct your IRA company to complete a Roth conversion. Remember, Roth conversions are allowed no matter your income level. Since you never took a tax deduction on the original contribution, there will be no income tax on the dollar for dollar Roth conversation.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS and other taxing authorities, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties that may be imposed on any taxpayer or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.