

Singer Wealth



Use Roth IRAs to Maximize Retirement Income

Imagine that you are trying to accumulate wealth for your future retirement. It's approaching April 15th and your CPA calls to remind you to make an IRA contribution to get a tax deduction.

Unfortunately, the limit on IRA contributions is only \$7000, or \$8000 if you are over 50 years old. Is it better to get a tax deduction today or forget the tax deduction and contribute to a Roth IRA to get tax free income? The math is clear.

A Roth IRA will give you the most after tax retirement income. If you contribute the same amount to a Roth IRA and a traditional IRA and you make identical investments, you will have the same amount of money in both accounts when you are ready to retire. However, depending on your tax bracket, you will have 20-40% more income depending on prevailing tax rates than you will from the traditional IRA.

But what about the tax deduction that comes with the traditional IRA? If you are in the 24% tax bracket you will have a tax deduction of \$1680 on \$7000. Many people will not necessarily add that tax deduction to their investment accounts. However, if they did those funds would not grow tax free and they will not produce tax free income like a Roth will.

Therefore, the math is clear, if you want more money for retirement, the Roth IRA is the obvious choice. What about those who have already accumulated a large traditional IRA? The math is the same. If you use non-qualified assets to pay the taxes due on conversion, you will increase your after-tax retirement income if your investments appreciate in your Roth IRA.

Another factor to consider is the tax bracket of your beneficiaries. If your beneficiaries are in a higher tax bracket than you because they make more money or they reside in a state with state income taxes, converting your IRA to a Roth IRA could save them a lot of money in income taxes when they inherit it from you.

Have you heard about our Vision Quest Process? Watch the video below to learn more!

Singer Wealth

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We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

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