Hawthorne & Co.
Certified Public Accountants

YEAR-END TAX PLANNING MOVES FOR INDIVIDUALS

Converting your Traditional-IRA to Roth IRA

If you believe a Roth IRA is better than a traditional IRA, consider converting traditional-IRA money invested in any beaten-down stocks (or mutual funds) into a Roth IRA in 2020 if eligible to do so. Keep in mind, however, that such a conversion will increase your AGI for 2020, and possibly reduce tax breaks geared to AGI (or modified AGI). You can also consider making an “in-plan” Roth conversion. Amounts held in your traditional IRA may be converted to a Roth IRA. The “conversion” of a traditional IRA to a Roth IRA is treated as a distribution from the traditional IRA to the Roth IRA, and will result in taxable income (except to the extent of after-tax contributions made to your traditional IRA). The same may be done for amounts that you may hold in a SEP IRA or a SIMPLE IRA. If your employer plan permits and has a “qualified Roth contribution program,” you may direct an “in-plan” conversion of taxable amounts in your employer plan to a designated Roth account in the same plan. Like the conversion of the traditional IRA to a Roth IRA, this conversion will result in a taxable distribution to you for the taxable amounts that are converted.