

A WORKSHOP FOR FEDERAL
EMPLOYEES

Understanding Roth Conversions

Why a plan beats a portfolio

CREATED BY

CLU **CAMPBELL** & associates
Financial Services Redefined



THE SOCIETY FOR FINANCIAL AWARENESS

DC METROPOLITAN CHAPTER

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What is a *Roth Conversion*?

A transfer from a pre-tax retirement account into a Roth account — you pay the tax now in exchange for tax-free growth forever after.

FROM A PRE-TAX ACCOUNT

Defined-Contribution Plans

401(k) / 403(b) / TSP

Traditional IRA

Including SEP IRAs and Simple IRAs

Employer-Sponsored Plans

Pre-tax dollars never previously taxed

CONVERT

taxable event

TO A ROTH ACCOUNT

Roth IRA

— or —

Roth TSP / Roth 401(k)

Tax-free growth. No RMDs on Roth IRA.

The Benefits of a *Roth Conversion*

Six reasons clients move pre-tax dollars into Roth — paying tax once today rather than indefinitely on every withdrawal.

01

TAX-FREE

Growth

Every dollar of earnings inside a Roth grows free of federal income tax — for life.

02

TAX-FREE

Wealth Transfer

Roth assets pass to heirs income-tax free (estate/state taxes may still apply).

03

REDUCE

Your RMDs

Roth IRA has no required minimum distributions, which can shrink your future taxable income.

04

NO RMDs

on Roth IRA

You decide when (or whether) to withdraw — RMDs no longer dictate your tax bill.

05

LOWER

Retirement Taxes

Roth withdrawals don't count toward MAGI — protecting Social Security taxation and Medicare premiums.

06

HEDGE

Legislative Risk

Pay tax under today's known rates rather than rolling the dice on future Washington.

The 6 Rules to a *Roth Conversion*

Two big freedoms first: there's no ceiling on how much you can convert, and no age that forces you to stop.

RULE NO. 01

01

No Dollar Limit

There is no cap on how much you can convert in a single year. You can move \$10,000 — or \$1 million — depending on the tax-bracket strategy that fits your plan.

RULE NO. 02

02

No Age Limit

You can convert at 35, 65, or 85. Conversions are not bound by the contribution age rules — only by whether the math works in your overall plan.

A Little *More on the Rules*

Conversions are once-a-year per individual — and if you're under 59½, the taxes must come from outside the retirement account.

RULE NO. 03

03

Once a Year

You can do one Roth conversion per year, per individual. A married couple can each do one. The amount can be any size — but the count is one.

RULE NO. 04

04

Pay the Tax Outside

If you're under 59½, the tax on the conversion must be paid from non-retirement funds. Best practice regardless of age — keeping more in the Roth is the whole point.

The 5-Year Rule

Two clocks live inside this rule. Contributions all share ONE account-level clock. Each conversion gets ITS OWN.

CLOCK 01

Contribution Clock

ONE CLOCK · ACCOUNT-LEVEL

Open the account, wait five years once — done.

2026	2027	2028	2029	2030	2031 →
5-YEAR WAIT the account is qualifying					TAX-FREE FOREVER
↑ +\$8K	↑ +\$8K	↑ +\$8K	↑ +\$8K	↑ +\$8K	↑ ...all future
« FROM PAYCHECK »					

All contributions, past and future, share the same single clock.

CLOCK 02

Conversion Clock

ONE CLOCK PER CONVERSION · TRANCHE-LEVEL

Each conversion restarts a fresh five-year wait.

	2026	2027	2028	2029	2030	2031	2032	2033
CONV 2026 \$20K	5-YEAR CLOCK unlocks 2031					✓		
CONV 2027 \$25K		5-YEAR CLOCK unlocks 2032					✓	
CONV 2028 \$30K			5-YEAR CLOCK unlocks 2033					✓

A new conversion = a brand new 5-year wait.

THE KEY DIFFERENCE

Contributions share one account clock — set it once. Conversions each restart their own.

Rule 6: *TSP* → *Roth TSP*

Beginning January 28, 2026, a Traditional TSP balance can be converted to a Roth TSP — for the first time.



WHEN DOES THIS WORK?

You believe taxes will be higher in the future. Locking in today's known rates costs less than tomorrow's unknown ones.

You won't need the money for at least 10 years. Time lets the tax-free growth recover what the tax cost.

You can pay the tax from outside the TSP. TSP requires it — no withholding option on in-plan conversions.

— NEW • EFFECTIVE JANUARY 28, 2026

TSP / Roth *In-Plan Conversions*

For the first time, federal employees can convert traditional TSP dollars to Roth TSP — without rolling them out of the plan.

WHAT'S NEW

- Available in My Account on **Jan 28, 2026**
- Traditional → Roth conversion inside the TSP
- First conversion creates a Roth TSP balance (if needed)
- **Irreversible** once completed
- No stated age limit (working or retired)

KEY RULES

- **\$500** minimum per conversion
- **Up to 26** conversions / year per TSP account
- Conversion amount is taxable income that year
- **Taxes must be paid from outside the TSP** (no withholding option)

Source: Thrift Savings Plan (TSP) — Roth in-plan conversions, effective Jan 28, 2026. For education only; not tax advice.

Does a Roth Conversion *Make Sense?*

Four conditions worth checking before you commit. If even one is wrong, the math may not work in your favor.

1

Lower Tax Bracket Today

Convert when you're in a lower tax bracket than you expect to be in the future. Pay tax at today's rate, not tomorrows.

2

10-Year Time Horizon

Ideally, you won't need the converted money for 10+ years. That's the break-even point where tax-free growth pays back the upfront tax cost.

3

Pay Tax From Outside Funds

You have enough money from another source (cash, savings, non-retirement) to pay the tax on the conversion. Don't dip into the retirement account.

4

Watch the Phaseouts

A conversion adds to your income — which can affect Medicare Part B premiums, IRMAA tiers, and certain tax credits with income phaseouts.

Break-Even Point *at 4% Return*

Convert \$20,000 today, pay \$6,000 in tax. At a 4% return, it takes roughly 7 years before the Roth catches back up to where you started.

THE SETUP

Conversion Amount

\$20,000

Tax Cost (30%)

+ \$6,000

BREAK-EVEN POINT

\$26,000

YEARS TO RECOVER THE TAX



Break-Even Point *at 7% Return*

Same setup. At a 7% return, the Roth catches back up in roughly 4 years — and after that, every dollar of growth is tax-free.

THE SETUP

Conversion Amount

\$20,000

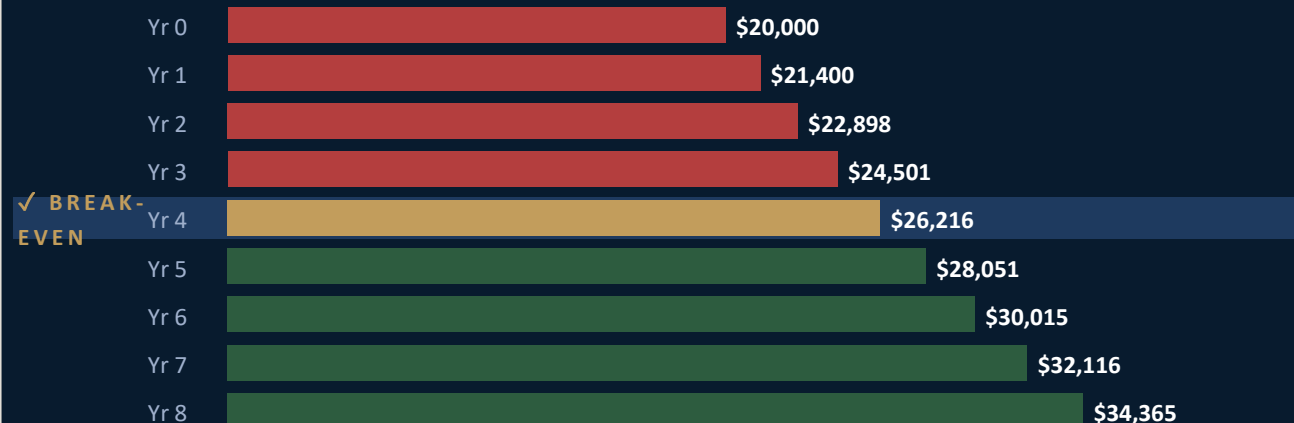
Tax Cost (30%)

+ \$6,000

BREAK-EVEN POINT

\$26,000

YEARS TO RECOVER THE TAX



The One Big Beautiful Bill Act *Changes the Math*

A Roth conversion adds to your taxable income — which can quietly push you over two new deduction phaseout thresholds.

SENIOR DEDUCTION

If you're 65 or older

Deduct

\$6,000 **\$12,000**

if single

if married

PHASEOUT RANGE

Starts at \$150,000 MAGI. Fully gone by \$250,000 MAGI.

SALT DEDUCTION

State & local tax deduction

New cap

Up to

\$40,000

in state/local tax deductions

PHASEOUT RANGE

Begins at \$500,000 MAGI. Shrinks to \$10,000 by \$600,000.

MODEL CAREFULLY

Around the \$150K, \$250K, \$500K, and \$600K income thresholds — and just before or after age 65.

Contributions *vs.* Conversions

Two different motions, two different sets of rules. Mixing them up is the most common mistake.

01

CONTRIBUTIONS

Deposits you make.

Money moving from your paycheck or savings into a Roth IRA or Roth TSP. Annual dollar limits apply, and Roth IRA contributions phase out at higher incomes.

02

CONVERSIONS

Transfers you make.

Dollars moving from a taxable account into a tax-free Roth account. No dollar cap, no income limit — but the converted amount is taxable income that year.

One puts new money in. The other moves money already there from one tax bucket to another.

Roth TSP *vs. Roth IRA*

Same word in the name — very different rules underneath.

	ROTH TSP <i>Inside the federal plan</i>	ROTH IRA <i>Held outside the plan</i>
Required Minimum Distributions	No	No
Income Limit for Contributions	No	Yes
Annual Maximum Contribution	\$24,500	\$7,500
Catch-Up Provision (50+)	\$7,500	\$1,100
Total Potential Annual	\$32,000	\$8,600

ROTH IRA INCOME PHASE-OUTS Single/HoH \$153K–\$168K AGI Married Jointly \$242K–\$252K AGI

The Four-Year *Super Catch-Up*

Ages 60, 61, 62, and 63 unlock a higher catch-up limit — a narrow window worth knowing about.

STANDARD CATCH-UP

\$7,500

Ages 50–59 and 64+

AGES 60, 61, 62 & 63 “SUPER CATCH-UP”

\$11,250

Per year — for four years only

EFFECTIVE

Calendar years beginning after December 31, 2024

APPLICABLE PLANS

TSP, 401(k), 403(b)

WHO IT HELPS

Workers in their early 60s catching up

Catch-Up Contributions: *New Rules*

A new wrinkle for high-earning federal employees age 50+ — phased in starting 2026.

01

NEW RULE

Affects High Earners

Designed to limit pre-tax catch-up contributions for higher-income participants.

02

ELIGIBILITY

Age 50+ over \$150K

Applies to those eligible for catch-up (age 50+ by year-end) earning more than \$150,000.

03

INDEXED

Threshold Adjusts

The \$150,000 “Roth catch-up wage threshold” adjusts annually by CPI.

04

TIMING

Implement Now

TSP implements the rule in 2026. Other 401(k) plans not required until 2027.

How the *\$150K Threshold Is Measured*

Four specifics most people miss — and one carve-out for CSRS employees.

01 FICA Wages

The 2026 catch-up rule uses your \$150,000 FICA wages from your 2025 W-2, Box 3.

02 Individuals Only

Income threshold applies to the individual — not combined spousal income.

03 Only Sponsoring Employer

Only wages from the employer sponsoring the 401(k) or TSP are counted.

04 CSRS Employees Excluded

CSRS (non-offset) employees aren't subject to this rule — they lack FICA income.

Back Door Roth = *Conversion*

When your income is too high to contribute directly, this two-step path gets you there anyway.

INCOME PHASE-OUT

Your AGI exceeds the Roth IRA contribution limit — direct contributions are blocked.

STEP 01

Traditional IRA

\$7,000

non-deductible contribution

NEXT DAY



STEP 02

Roth IRA

\$7,000

tax-free growth forever

WHY IT WORKS

Traditional IRA contributions have no income limit. Conversions also have no income limit. Combine the two and you've effectively contributed to a Roth.

Watch the pro-rata rule: if you hold any pre-tax IRA balances, part of the conversion becomes taxable.

What Makes *More Sense?*

Same \$7,000 out of pocket. Two very different Roth balances on the other side.

Which would you rather have in your Roth?

OPTION A · BACKDOOR ROTH

Contribute \$7,000, convert next day



= \$7,000

in your Roth IRA

OPTION B · PAY THE TAX TO CONVERT

Use \$7,000 as tax — convert \$23,000



= \$23,000

in your Roth IRA

THE LEVERAGE

Same \$7,000 out of pocket — 3.3× the Roth balance, growing tax-free for life.

Does a Roth Conversion *Make Sense for You?*

Six questions to work through — together they form your financial anatomy.

01 Target Retirement Income

What income do you actually need to live on in retirement?

02 Retirement Projections

Where do today's assets and savings land you in 10, 20, 30 years?

03 Higher, Same, or Lower Bracket

Which tax bracket will you retire into compared to today?

04 Tax Bracket & Medicare Part B

Conversions can push you into a higher Medicare premium tier.

05 Your View of Future Taxes

Do you think tax rates will be higher or lower 10 years from now?

06 Verify on a Financial Model

Numbers on paper. Not sales hype — proof in your own scenario.

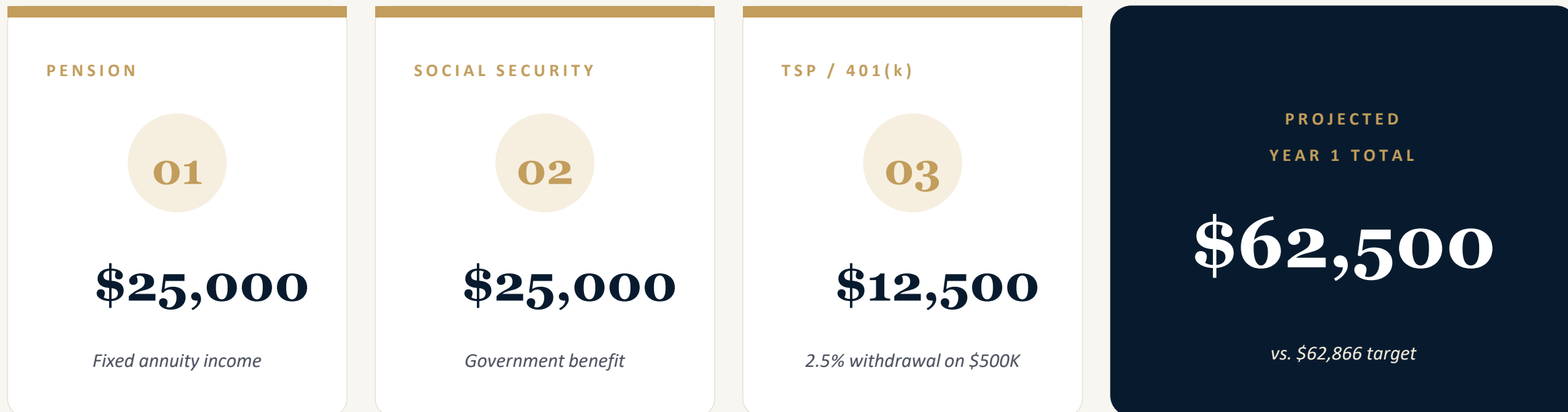
Understanding Your *Target Retirement Income*

Start with what comes in, subtract everything that goes out — what's left is the income your retirement plan has to replace.

TOTAL GROSS INCOME	\$107,000
LESS PAYMENTS	
TSP / 401(k)	\$24,500
IRA	\$6,500
Social Security	\$6,634
Savings	—
Mortgage	—
College	—
Credit Cards	—
Debts	\$6,500
Tax Equivalent	—
Non / Qualified IRA	—
Roth	—
TOTAL PAYMENTS	– \$44,134
TARGET RETIREMENT INCOME	\$62,866

Quantify Your *Retirement Income*

Three-legged stool: Pension, Social Security, Savings & Investments. Project each one onto the same year.



Project the same income across multiple years — does the stool stay level as withdrawal rates climb?

Compare *and Analyze*

Three outcomes when projected income meets the target — and each one changes the conversion math.

OUTCOME



GAP

Less income in retirement than today

You need every dollar working harder.
Conversions may be too costly upfront.

OUTCOME



SAME

Matching your current lifestyle

Modest conversions may smooth out RMDs and
Medicare premiums later.

OUTCOME



SURPLUS

More income in retirement than today

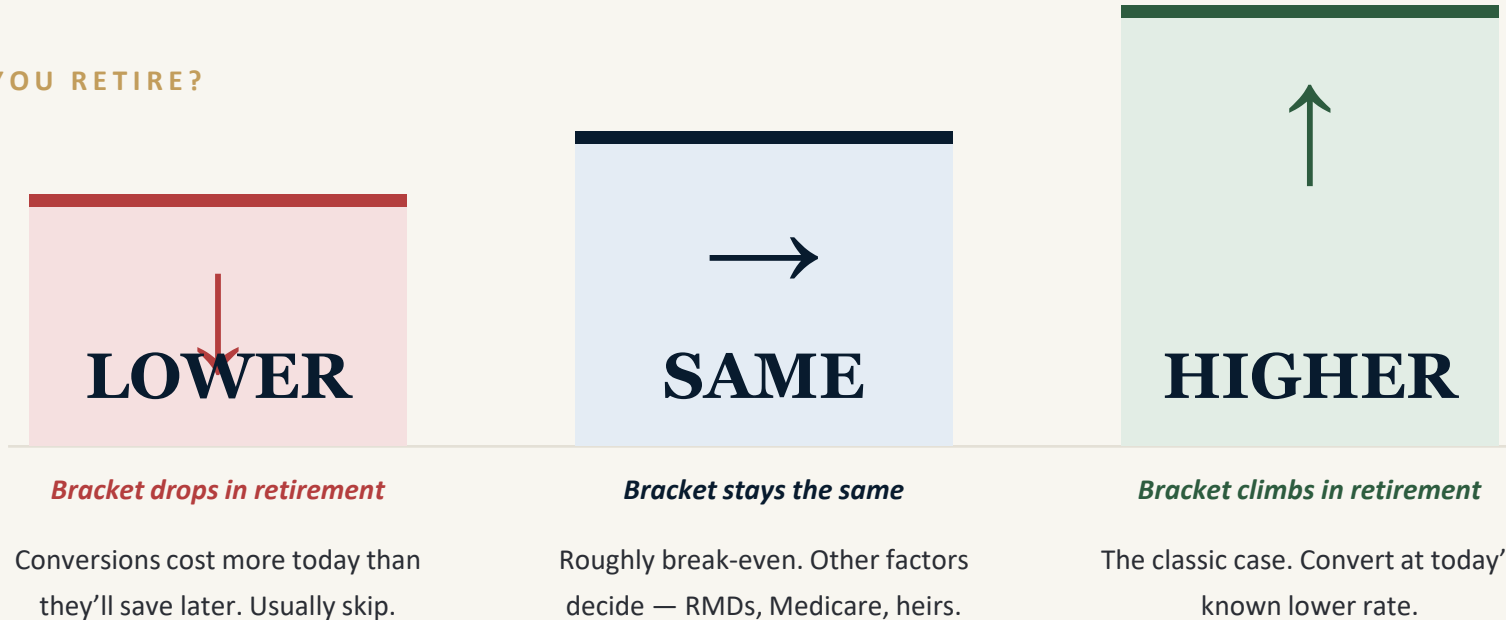
Strong case for conversions — your bracket
isn't dropping. Lock in today's rates.

Your *Tax Picture in Retirement*

The conversion question hinges on one prediction — where will your bracket be when you stop earning?

WILL YOU BE IN A...

...TAX BRACKET WHEN YOU RETIRE?



IRS *Form 1040*

Conversions land on one specific line. Knowing exactly where helps you see how a conversion ripples through everything else.

FORM 1040 — U.S. INDIVIDUAL INCOME TAX RETURN		
1	Wages, salaries, tips	\$ 85,000
2b	Taxable interest	\$ 312
4b	IRA distributions	\$ 6,500
5b	Pensions and annuities	\$ 25,000
6b	Social Security (taxable)	\$ 8,500
7	Capital gain or (loss)	\$ 0
15	Taxable Income	\$183,000



LINE 15

Taxable Income

A Roth conversion adds directly to this line. It moves your bracket, your Medicare premium, and your deduction phaseouts — all in one step.

What's Your *Marginal Rate*?

If Line 15 says \$183,000, you're paying 24% on the next dollar of income — including conversions.

RATE	SINGLE FILERS	MARRIED, JOINT	HEAD OF HOUSEHOLD
10%	\$0 – \$11,925	\$0 – \$23,850	\$0 – \$17,000
12%	\$11,925 – \$48,475	\$23,850 – \$96,950	\$17,000 – \$64,850
22%	\$48,475 – \$103,350	\$96,950 – \$206,700	\$64,850 – \$103,350
24%	\$103,350 – \$197,300	\$206,700 – \$394,600	\$103,350 – \$197,300
32%	\$197,300 – \$250,525	\$394,600 – \$501,050	\$197,300 – \$250,500
35%	\$250,525 – \$626,350	\$501,050 – \$751,600	\$250,500 – \$626,350
37%	\$626,351+	\$751,601+	\$626,351+

Line 15 of \$183,000 lands in the 24% bracket — every additional dollar of conversion is taxed at 24% until you cross into 32%.

The Four Steps *Stacked Up*

Each step answers one question — together they tell you whether converting helps or hurts.

01

Target Income

\$62,866

The floor your retirement plan has to clear.

02

Project Income

\$62,500

What today's pension, SS, and savings actually deliver.

03

Compare

Gap of \$366

The shortfall (or surplus) drives the conversion case.

04

Tax Picture

24% today

Convert at the lower of today's or tomorrow's rate.

A Conversion Can *Move Your Premium*

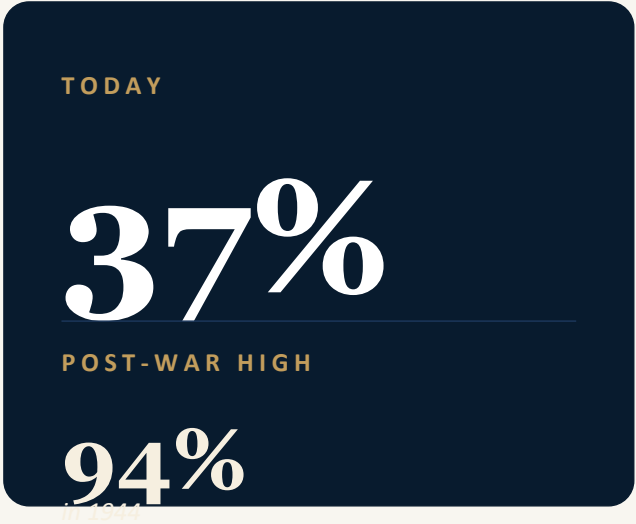
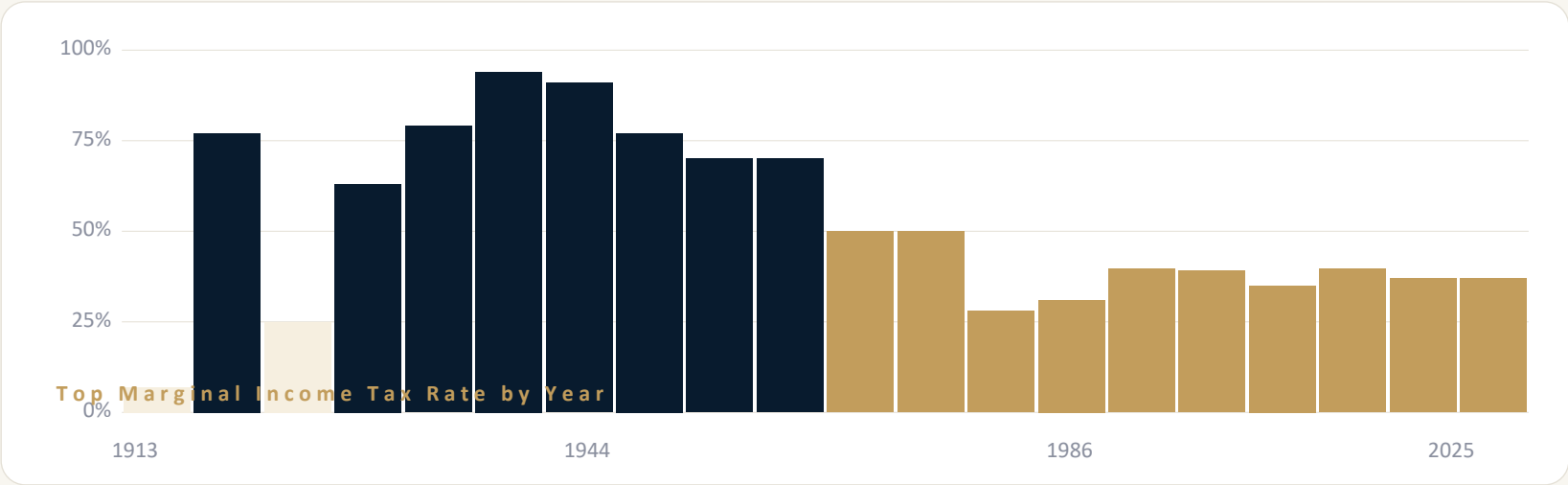
Medicare looks at your income from two years ago. Cross a tier with a conversion and your monthly premium climbs.

SINGLE	MARRIED FILING JOINT	MARRIED FILING SEPARATE	2026 PART B / MO
\$109,000 or less	\$218,000 or less	\$109,000 or less	\$202.90
\$109,001 – \$137,000	\$218,001 – \$274,000	N/A	\$284.10
\$137,001 – \$171,000	\$274,001 – \$342,000	N/A	\$405.80
\$171,001 – \$205,000	\$342,001 – \$410,000	N/A	\$527.50
\$205,001 – \$499,000	\$410,001 – \$749,999	\$109,001 – \$390,999	\$649.20
\$500,000+	\$750,000+	\$391,000+	\$689.90

Yearly income reference: your 2024 MAGI sets your 2026 premium tier.

Where Do You Think *Taxes Are Going?*

The top marginal rate has ranged from 7% to 94%. Today's 37% sits near the bottom third of that history.

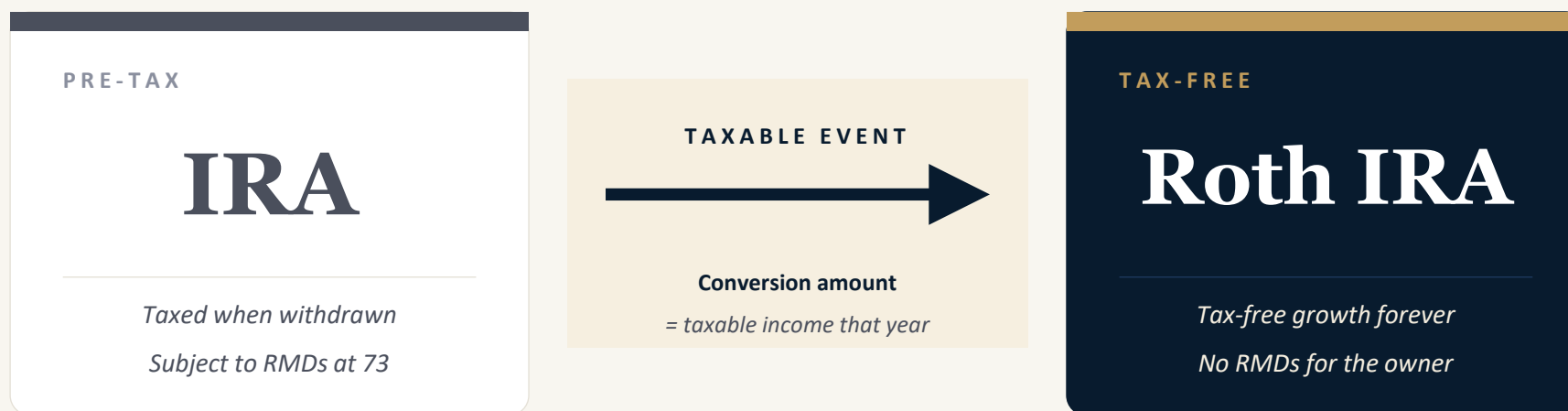


Your opinion of where rates are heading is the single biggest input into the conversion decision.

Source: Tax Policy Center historical highest marginal rates.

Roth Conversion *Solutions*

On a financial model, a conversion is a deliberate ‘taxable event’ that moves money from one bucket to another — nothing leaves your balance sheet.



The model doesn't guess. It runs the conversion year by year and shows you the cumulative tax bill, the Medicare effect, and the legacy balance.

Building the *Target Income*

Start with what comes in, subtract everything that goes out — what's left is the income your retirement plan has to replace.

TOTAL GROSS INCOME	\$107,000
LESS PAYMENTS	
TSP / 401(k)	\$24,500
IRA	\$6,500
Social Security	\$6,634
Savings	—
Mortgage	—
College	—
Credit Cards	—
Debts	\$6,500
Tax Equivalent	—
Non / Qualified IRA	—
Roth	—
TOTAL PAYMENTS	– \$44,134
TARGET RETIREMENT INCOME	\$62,866

WHERE THEY STAND

CREATED BY CJ CAMPBELL & ASSOCIATES | PRESENT POSITION

RMDs & Social Security *Activate*

Total Income				\$107,000		0			0			0			0		
Additional Information																	
Sue 70-100																	
Bill 70-100																	
Retirement Income Projections																	
Sue	COLA	0%	Pension	\$18,836	Sue	Regular Savings	CD's	College Savings	Rate	Future Value							
	WD	0%	Social Security	\$32,000		Savings	109,369		1%	147,412							
		0%	Tax Deferred	\$0					1%	0							
		0%	Roth	\$0					1%	0							
		4%	401k & IRA	\$38,650													
TOTAL				\$89,486		Tax Deferred	Roth	401k & IRA									
Bill	COLA	0%	Pension	\$0	Bill			IRA	603,504	4%	0						
	WD	0%	Social Security	\$32,000				roth	93,939	4%	304,680						
		0%	Tax Deferred	\$0				TSP	362,753	4%	879,550						
		0%	Roth	\$0													
		4%	IRA	\$12,562													
TOTAL				\$44,562		Tax Deferred	Roth	IRA									
0% W/D Rate from Cash Assets				\$0			roth	31,313	4%	0							
				\$0				IRA	314,061	4%	101,560						
									4%	285,878							
Total Income at year # 30 =				\$134,049	Savings Type Assets Total										1,719,080		
0.0% Target Retirement Income				\$62,866													
						Government Bonds			Corporate Bonds			BoA Trust			Rate	Future Value	
												38,783			5%	0	
															5%	0	
															5%	0	

INCOME OVERFLOW

Year 30 total income jumps to \$134,049 — more than double the target. The excess is taxable bracket creep.

Tax Bracket 2025

Reference year — the brackets that frame conversion strategy decisions made in 2025.

RATE	SINGLE FILERS	MARRIED, JOINT	HEAD OF HOUSEHOLD
10%	\$0 – \$11,600	\$0 – \$23,200	\$0 – \$16,550
12%	\$11,600 – \$47,150	\$23,200 – \$94,300	\$16,550 – \$63,100
22%	\$47,150 – \$100,525	\$94,300 – \$201,050	\$63,100 – \$100,500
24%	\$100,525 – \$191,950	\$201,050 – \$383,900	\$100,500 – \$191,950
32%	\$191,950 – \$243,725	\$383,900 – \$487,450	\$191,950 – \$243,700
35%	\$243,725 – \$609,350	\$487,450 – \$731,200	\$243,700 – \$609,350
37%	\$609,351+	\$731,201+	\$609,351+

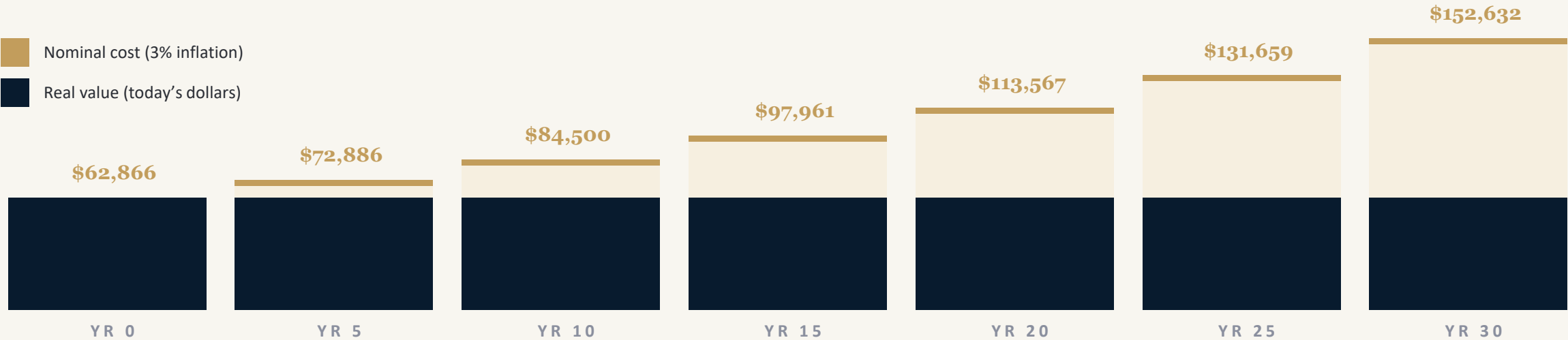
Brackets are inflation-adjusted yearly. Compare 2025 vs. 2026 to see whether converting one year vs. another moves your marginal rate.

ANCHOR YEAR

CREATED BY CJ CAMPBELL & ASSOCIATES | PRE-CONVERSION BASELINE

What *Inflation Does Behind the Scenes*

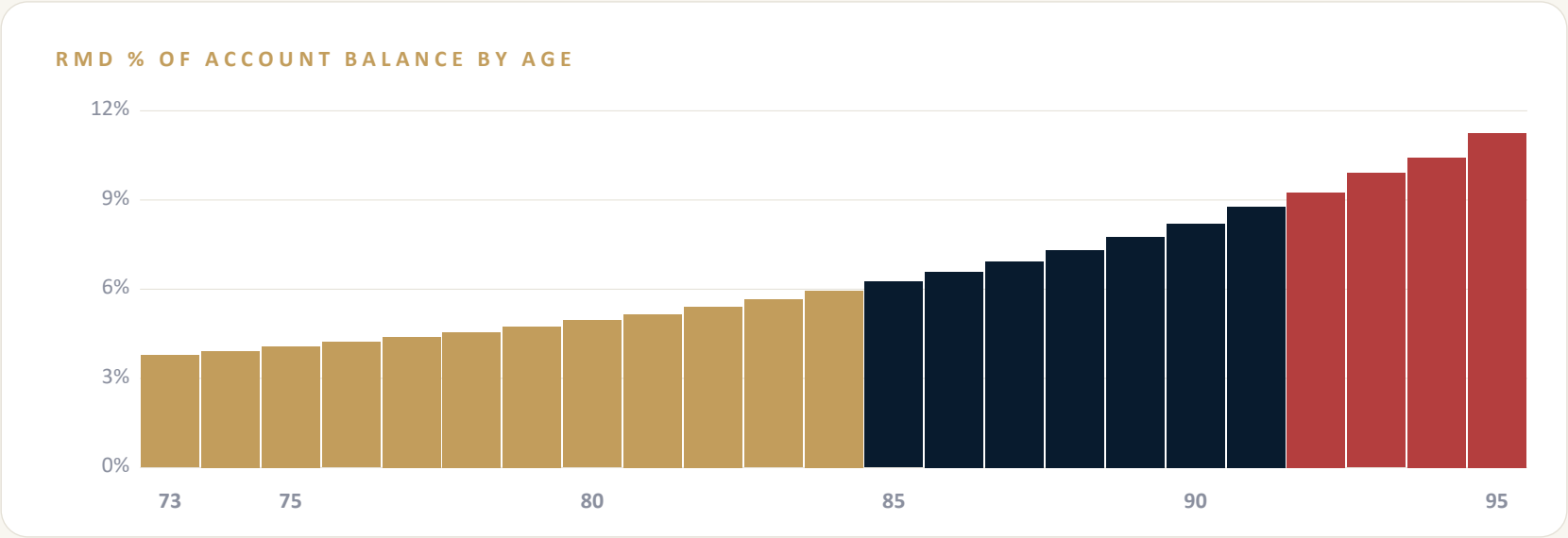
Sue & Bill’s \$62,866 target buys progressively less each year. At 3% inflation, the same lifestyle costs \$84,500 in 10 years.



A retirement plan that just barely hits target today won’t hit target in 10 years. Build the inflation cushion early.

RMDs *Compound Upward*

Starting at 3.77% at age 73 and climbing past 11% by 95 — RMDs aren’t a fixed amount, they’re a rising percentage of an aging account.



AT AGE 95

11.24%

must withdraw as taxable income

ROTH AT 95

0%

Roth IRAs have no RMDs

Assumes a 5% annual return on a \$500,000 starting balance. Roth IRAs have no RMDs during the owner’s lifetime.

Sue & Bill — *Modeling Inflation*

Retirement Income Projections				
Sue 73 to 90				
WD	3.0%	Pension	\$31,133	
COLA	3.0%	Social Security	\$52,891	
0.0%	0.0%	Tax Deferred	\$0	
0.0%	0.0%	Tax Free	\$0	
4.0%	3.1%	Tax Deductible	\$73,055	
TOTAL			\$157,079	
Bill 73 to 90				
COLA	0.0%	Pension	\$0	
WD	3.0%	Social Security	\$52,891	
0.0%	0.0%	Tax Deferred	\$0	
0.0%	0.0%	Tax Free	\$0	
4.0%	0.0%	Tax Deductible	\$14,131	
TOTAL			\$67,022	
W/D Rate from Cash Assets			\$0	
			\$0	
Total Income at year # 17 =			\$224,101	
0.0%	Target Retirement Income		\$62,866	

Sue				
Tax Deferred	Tax Free	Tax Deductible		
		RIRA 678,860	4%	0
			4%	205,831
	Roth 105,668		4%	316,718
		TSP 408,048		
Bill				
Tax Deferred	Tax Free	Tax Deductible		
	Roth 43,228		4%	0
		IRA 353,275	4%	84,204
			4%	339,881
Savings Type Assets Total				1,080,083

0	0	0
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Wealth Transfer — *Pre-Tax Retirement Accounts*

Ret. Age	To Age	Pre-Tax Accounts Initial Balance	Level B.o.Y. Withdrawals	Rate of Return (Avg. Annual)	Total of All Fees	Federal+State Income Tax %
72	100	\$1,000,000	\$0	5.00%	0.00%	24%
Age	Year	Balance B.o.Y.	Gross Withdrawal B.o.Y. ☒ RMD	Balance Net of Fees E.o.Y.	All-Inclusive Tax Liability E.o.Y.	Net of Fed+State Income Taxes
72	1	\$1,000,000	\$39,063	\$1,008,984	\$0	\$766,828
73	2	1,008,984	40,850	1,016,542	243,970	772,572
74	3	1,016,542	42,712	1,022,521	245,405	777,116
75	4	1,022,521	44,652	1,026,763	246,423	780,340
76	5	1,026,763	46,671	1,029,097	246,983	782,113
77	6	1,029,097	48,542	1,029,582	247,100	782,482
78	7	1,029,582	50,718	1,027,807	246,674	781,133
79	8	1,027,807	52,708	1,023,854	245,725	778,129
80	9	1,023,854	54,752	1,017,557	244,214	773,344
81	10	1,017,557	56,847	1,008,746	242,099	766,647
82	11	1,008,746	58,991	997,243	239,338	757,905
83	12	997,243	61,181	982,865	235,888	746,978
84	13	982,865	63,411	965,428	231,703	733,725
85	14	965,428	65,232	945,206	226,849	718,356
86	15	945,206	67,036	922,078	221,299	700,780
87	16	922,078	68,812	895,930	215,023	680,907
88	17	895,930	70,546	866,653	207,997	658,657
89	18	866,653	72,221	834,154	200,197	633,957
90	19	834,154	73,171	799,032	191,768	607,264
91	20	799,032	73,984	761,300	182,712	578,588
92	21	761,300	74,637	720,996	173,039	547,957
93	22	720,996	75,104	678,186	162,765	515,422
94	23	678,186	74,526	633,843	152,122	481,721
95	24	633,843	73,703	588,148	141,155	446,992
96	25	588,148	72,611	541,314	129,915	411,398
97	26	541,314	71,225	493,593	118,462	375,130
98	27	493,593	69,520	445,276	106,866	338,410
99	28	445,276	66,459	397,758	95,462	302,296

Pre-Tax *vs. Roth* at Inheritance

Heirs of a pre-tax account inherit a tax bill alongside the balance. Heirs of a Roth inherit tax-free assets — with one ten-year rule.

PRE-TAX INHERITED IRA

Account balance

\$1,000,000

Less federal tax (heir at 24%)

– \$240,000

NET TO HEIRS

\$760,000

INHERITED ROTH IRA

Account balance

\$1,000,000

Less federal tax

– \$0

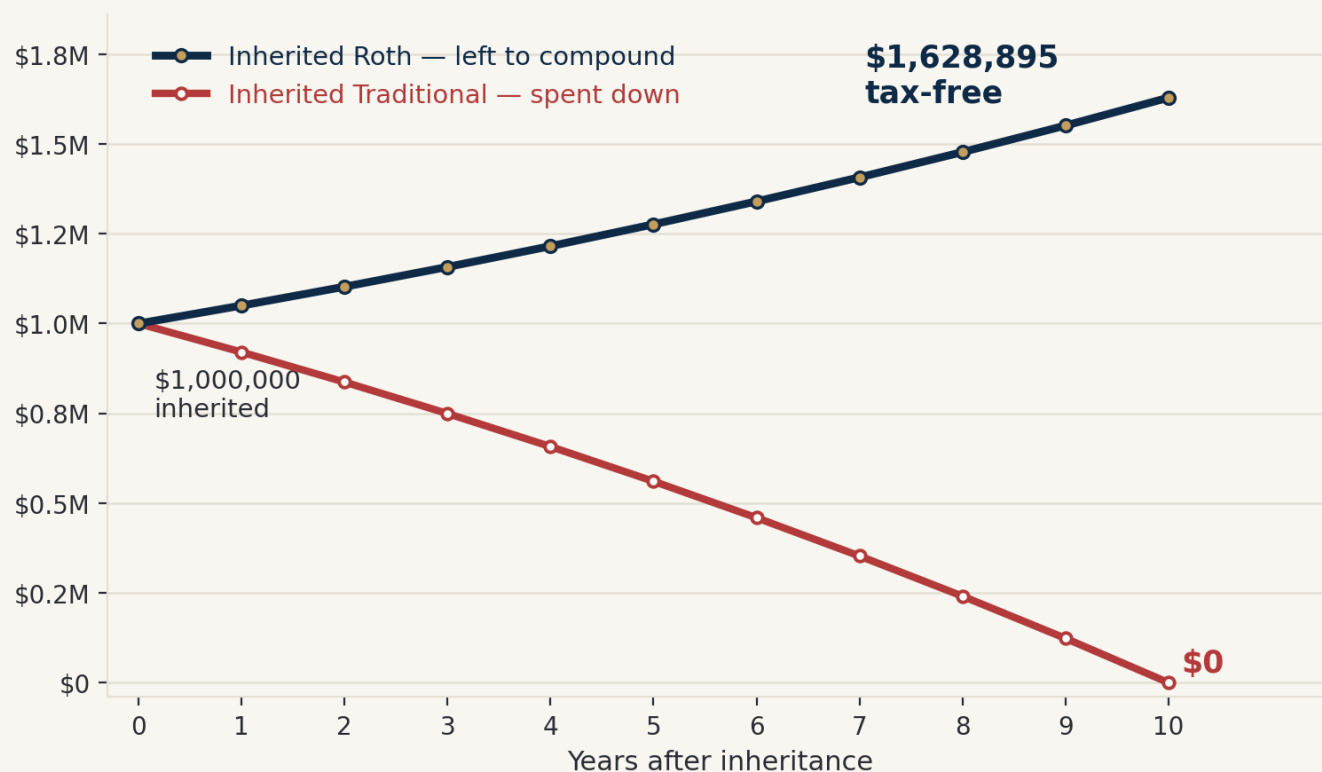
NET TO HEIRS

\$1,000,000

Both account types now require non-spouse heirs to distribute within 10 years — but only the pre-tax draw creates taxable income.

Ten Years Later — *Spend Down vs. Let It Grow*

\$1,000,000 inherited at 5% growth. The pre-tax heir draws it down over the 10-year window; the Roth heir lets it compound, then takes it all tax-free.



THE BOTTOM LINE

Traditional IRA, after spend-down & 24% tax

\$984,235 net

Roth IRA, after 10 years of growth

\$1,628,895 tax-free

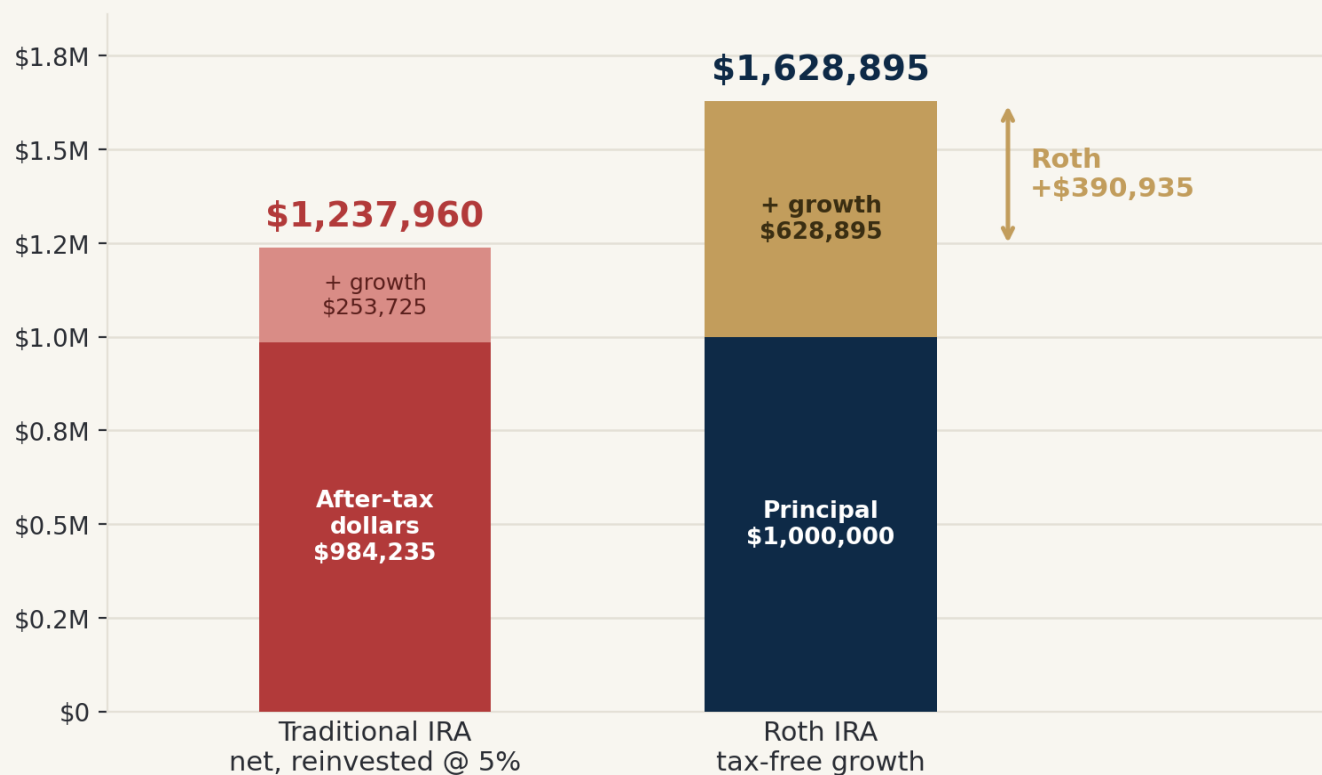
+ \$644,660

more to your heirs — about 65% more after-tax wealth

Both accounts must be emptied within 10 years — only the Roth comes out tax-free. Illustrative; assumes a 24% ordinary rate on pre-tax distributions.

Reinvest the Net — *Does It Catch the Roth?*

Each year's after-tax distribution (\$98,423) is reinvested and compounded at 5%. Even fully reinvested, the taxed pre-tax dollars don't catch the Roth.



Illustrative at a 24% rate. Reinvested dollars grow at 5% with no annual tax drag — in a taxable account that growth is itself taxed, widening the Roth's lead.

THE BOTTOM LINE

Traditional IRA, net dollars reinvested @ 5%

\$1,237,960 net

Roth IRA, after 10 years of growth

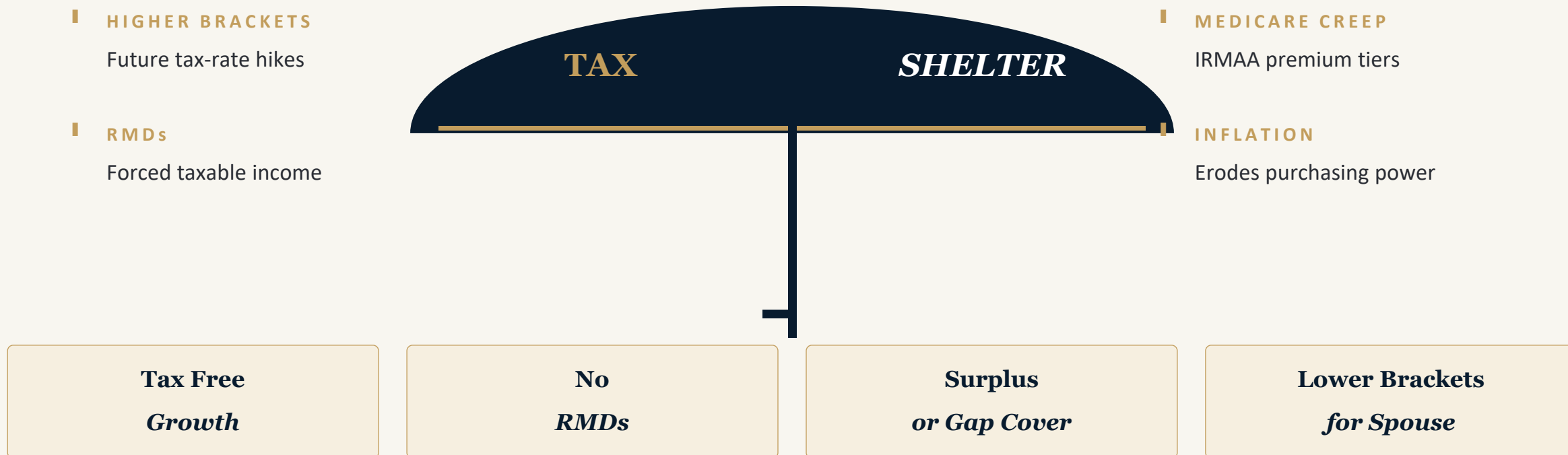
\$1,628,895 tax-free

+ \$390,935

the Roth still wins — about 32% more, even after reinvesting

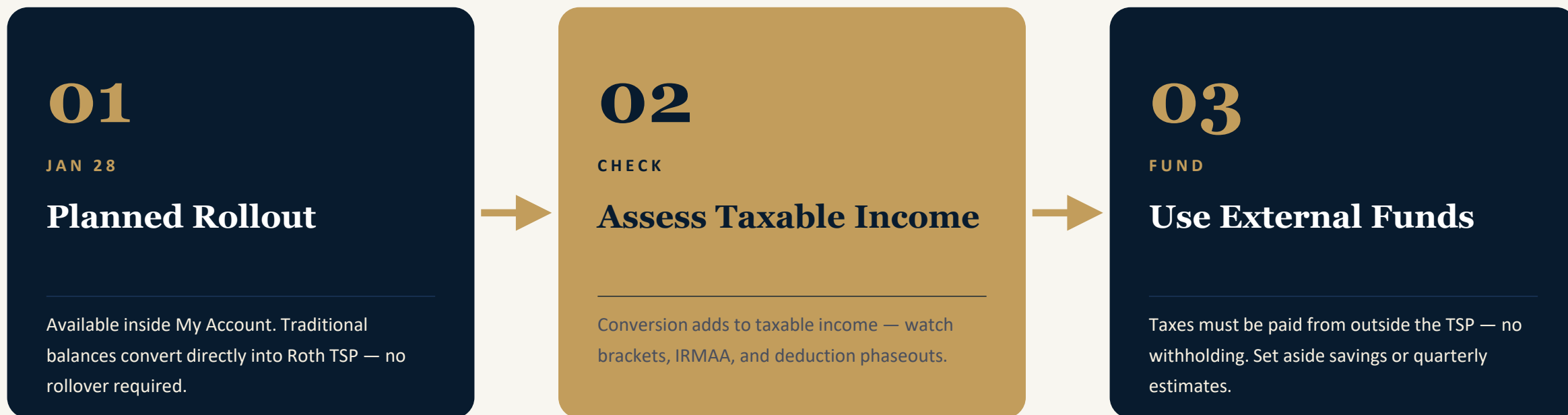
The Roth Is a *Tax Shelter*

Once funded, it stays dry through whatever the future weather brings — higher brackets, RMDs, Medicare creep, or inflation.



Roth Conversions *in Your TSP*

Three things to plan before January 28, 2026 — the first day in-plan conversions become available.



Like every conversion: get it on a financial model first — then decide how much, when, and over how many years.



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where planning
begins.

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