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**By Joseph Graziano, CFP®.**

The **SECURE Act** is a significant change to the retirement landscape. One of the areas it especially impacted is Roth IRAs. So, what does this mean for you and your clients?

And, how can you best navigate the changes given proposed tax law changes? Let's

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A major change brought on by the SECURE Act was the elimination of the stretch IRA.

### **Are Roth IRA conversions going away?**

No one can say for sure what will happen. A lot can change between now and 2023. What may happen, and it's something to prepare for now, is that in 2023 converting after-tax money will be prohibited. As of right now, backdoor Roth IRA contributions are still permitted.

Typically, it's in the investor's best interest to make these backdoor contributions while they still can. The maximum after-tax dollars that can be put into these accounts in 2022 is **\$40,500**.

### **Why is now a popular time to make a Roth conversion?**

Tax laws change, and congressional action is traditionally slow. If no action is taken, taxes will rise in 2026. What does this mean for retirement accounts?

- Roth IRA conversions will still exist
- Transferring from a traditional IRA is likely to cost more

Since no one wants to pay more taxes than necessary, 2022 is the year to consider converting to a Roth IRA without incurring massive tax repercussions at the same time.

### **Who is a good candidate for Roth conversions?**

If your client is considering a Roth conversion, they may be a good candidate for the process if they meet the following criteria:

- Anyone who's afraid that they'll enter a higher tax bracket when they retire. You

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~~Learn how you can convert required minimum distributions to a Roth.~~

- Investors that are trying to leave a legacy for their heirs and want to lower their tax burden as much as possible.

For a lot of people, it makes sense to convert to a Roth account. However, there are some exceptions to the rule where a conversion may not make sense.

### **Who is a bad candidate for Roth conversions?**

We know who is a good candidate for a Roth conversion, but who is a bad candidate? A few times when converting to a Roth doesn't make sense are when:

- A person's income is already tax-free
- Individuals in their peak earning years with high incomes
- Converting from a traditional to Roth IRA may increase Medicare Part B premiums

Sitting down with clients and running scenarios on their retirement accounts can provide great insight into the benefits or drawbacks of converting to a Roth IRA. While many investors find conversions beneficial, they're certainly not ideal in every situation.

### **Additional Changes in the SECURE Act**

The SECURE Act introduces many changes that are important to retirees, or potential retirees, including:

- Required minimum distributions (RMDs) starting at 72 rather than 70 1/2
- Non-spouses inheriting IRAs must take required minimum distributions that empty the account in 10 years
- 401 (k) plans can now offer annuities

Confusion on the 10-year rule has been swirling since the Act was passed. Initially, it

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Money in the account can continue to grow tax-free during this period before being withdrawn.

Concentrations around Roth IRAs are rising in popularity in 2022 because of the changes in the SECURE Act. If investors want to lower their tax burden and maximize their backdoor contributions, there's no better time than *before time runs out*.

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Joseph Graziano, CFP® is the vice president and wealth management partner at [FFP Wealth Management](#). Through FFP, he and his team help manage over \$2.4 billion in assets. FFP Wealth Management has served the unique needs of the accounting community for over 28 years and was formed out of a dire need for accountants and financial planners to join forces in providing premium services to their clients.

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