

Roth Conversion Ladder Analysis

Pre-Retirement RMD Mitigation Strategy

Client: Robert & Catherine Thornton · Date: October 15, 2025

Executive Summary

Robert (63) and Catherine (61) face a significant projected tax burden when Required Minimum Distributions begin at age 75 under SECURE 2.0. Their combined Traditional IRA balance of \$3.07M is projected to grow to over \$6.1M by that time, generating first-year RMDs exceeding \$250,000 and pushing them into the 32% federal bracket with additional IRMAA Medicare premium surcharges.

This analysis evaluates a systematic Roth conversion ladder during the 10-year window between Robert's retirement at age 65 and RMD onset at age 75 — a strategy designed to materially reduce future tax liability, avoid IRMAA surcharges, and create \$3.8M in tax-free Roth assets.

IRA AT 75 (NO ACTION)

\$6.17M

Projected balance

FIRST-YEAR RMD

\$250,772

Age 75 without action

PEAK MARGINAL RATE

32%

At age 80+ without action

NET LIFETIME TAX SAVINGS

\$294,000

Federal tax + IRMAA

Current Tax Profile (2025)

Wages (Robert)

\$195,000

Wages (Catherine)

\$88,000

Dividends & Interest

\$21,500

Total Gross Income

\$304,500

Standard Deduction (MFJ)

(\$30,000)

Taxable Income

\$274,500

Federal Income Tax

\$51,574

Effective Federal Rate

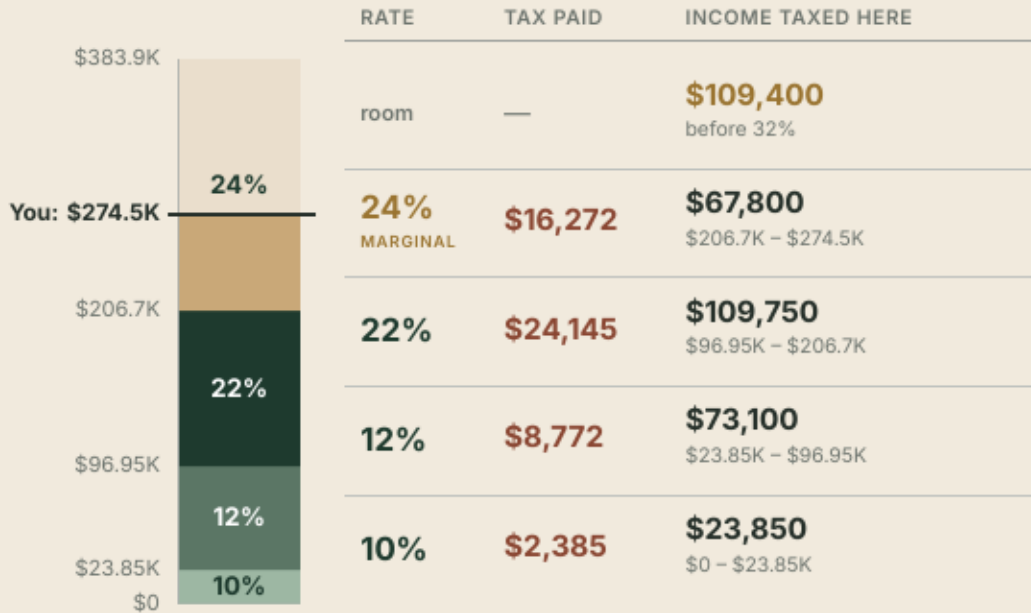
16.9%

Marginal Federal Rate

24%

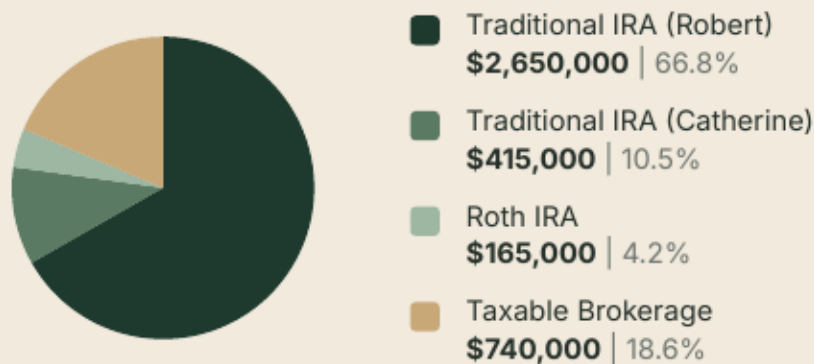
2025 Federal Bracket Position

Taxable income **\$274,500** · Effective **18.8%** · Marginal **24%**



Retirement Asset Composition

Current Allocation by Account Type

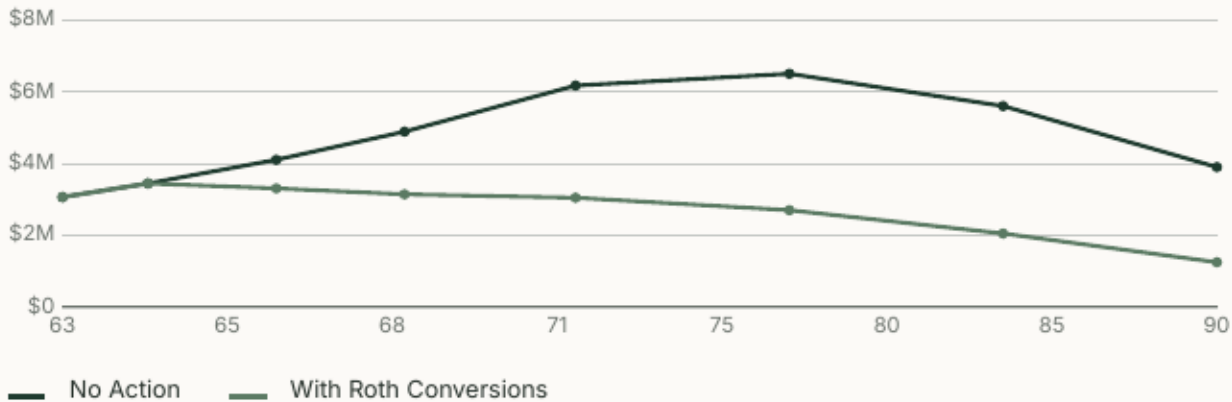


High Pre-Tax Concentration Risk Over 77% of the Thorntons’ \$3.97M in investable assets sits in Traditional IRAs. Every dollar withdrawn from these accounts will be taxed as ordinary income — creating a compounding tax problem as balances grow and RMDs force increasingly large taxable distributions.

The RMD Challenge

Under SECURE 2.0, Robert’s Required Minimum Distributions begin at age 75 (2037). Without intervention, the projected IRA balance generates annual RMDs that — combined with Social Security and investment income — push the household into the 32% federal bracket and trigger IRMAA Medicare premium surcharges.

Projected Traditional IRA Balance by Age



The 10-Year Window of Opportunity Between retirement at age 65 and RMDs at age 75, the Thorntons will have a rare decade of low taxable income. Without strategic action, the 10%, 12%, and 22% federal brackets go largely unused — effectively wasting over \$2 million in low-rate tax capacity while the IRA compounds toward a significantly larger future tax obligation.

Proposed Strategy: Roth Conversion Ladder

The core strategy calls for systematic annual Roth conversions of \$250,000 during each of the 10 gap years between retirement and RMD onset. Each conversion fills through the lower portion of the 24% federal bracket at a blended effective rate of approximately 16.1%, shifting \$2.5 million from tax-deferred to tax-free status before RMDs begin.

Conversion taxes are funded from the taxable brokerage account, preserving the full converted amount in the Roth IRA for tax-free compounding.

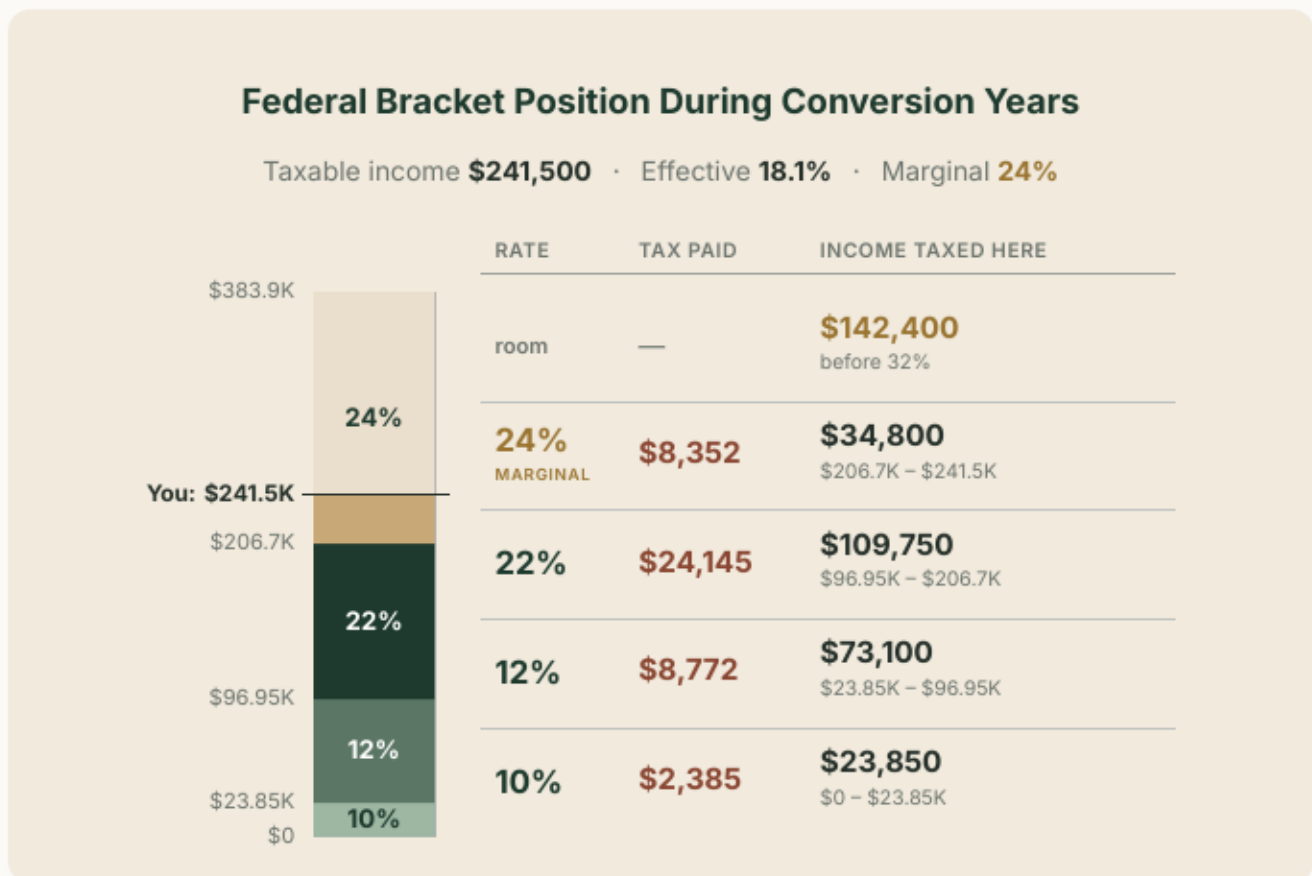
Year	Age	Conversion	Est. Federal Tax	IRA After Conversion
2027	65	\$250,000	\$43,700	\$3,402,000
2028	66	\$250,000	\$43,700	\$3,356,000
2029	67	\$250,000	\$43,700	\$3,307,000
2030	68	\$250,000	\$43,700	\$3,256,000
2031	69	\$250,000	\$43,700	\$3,201,000
2032	70	\$250,000	\$43,700	\$3,143,000
2033	71	\$250,000	\$43,700	\$3,081,000

Year	Age	Conversion	Est. Federal Tax	IRA After Conversion
2034	72	\$250,000	\$43,700	\$3,016,000
2035	73	\$250,000	\$43,700	\$2,947,000
2036	74	\$250,000	\$43,700	\$2,874,000
Total		\$2,500,000	\$437,000	

Assumes 6% annual growth on IRA assets. Conversion amounts may be adjusted annually based on actual income, market conditions, and updated bracket thresholds.

Conversion-Year Bracket Analysis

During each conversion year, the household's only taxable income is the \$250,000 Roth conversion plus approximately \$21,500 in investment income. After the standard deduction, taxable income of \$241,500 fills through the lower portion of the 24% bracket — well below the 32% threshold — with substantial remaining headroom.



Built-In Flexibility With \$142,400 of remaining room in the 24% bracket, there is capacity to increase conversion amounts in years with favorable market conditions (converting depreciated assets at a lower tax cost), or to absorb unexpected income such as capital gains from taxable account rebalancing without crossing into the 32% bracket.

Side-by-Side Comparison at Age 75

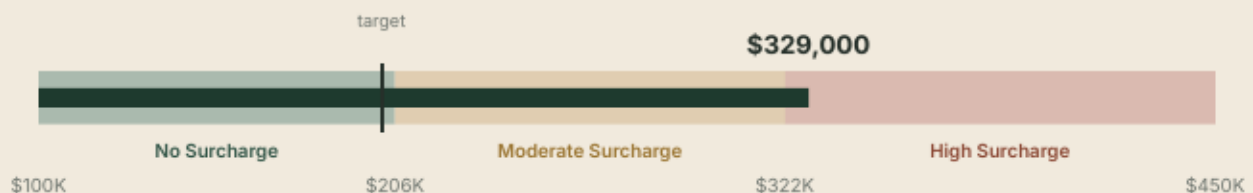
Attribute	No Action	★ Roth Conversion Ladder
Traditional IRA Balance	\$6,169,000	\$3,046,000
Roth IRA Balance	\$332,000	\$3,825,000
Total Retirement Assets	\$6,501,000	\$6,871,000
First-Year RMD (Age 75)	\$250,772	\$123,821
Estimated MAGI at 75	\$329,000	\$202,000
Peak Marginal Rate (80+)	32%	22%
Annual IRMAA Surcharge	\$8,189/yr	\$0/yr
Est. Lifetime Tax (65--90)	\$1,163,000	\$869,000

The conversion strategy results in \$370,000 more in total retirement assets at age 75 despite paying \$437,000 in conversion taxes — because Roth assets compound tax-free without future RMD erosion.

IRMAA Medicare Premium Impact

Medicare Part B and Part D premiums are subject to Income-Related Monthly Adjustment Amounts (IRMAA) when MAGI exceeds \$206,000 for married filing jointly. Without action, the Thorntons’ projected MAGI of \$329,000 at age 75 places them in the high-surcharge tier, costing approximately \$8,189 per year in additional premiums for the household.

Projected MAGI at Age 75 vs. IRMAA Thresholds (MFJ)



The dark bar shows projected MAGI without action (\$329,000), deep in the surcharge zone. The vertical marker shows projected MAGI with the conversion strategy (\$202,000), below the surcharge threshold. Over the course of retirement, IRMAA avoidance alone is estimated to save approximately \$80,000.

Lifetime Tax Impact

The following illustrates how the Roth conversion strategy reduces the Thorntons' estimated total federal tax and IRMAA burden from ages 65 through 90.

Lifetime Federal Tax and IRMAA (Ages 65--90)



Total Tax (No Action)
\$1,163,000

Total Tax (With Strategy)
\$869,000

Net Lifetime Savings
\$294,000

Additional Benefits Beyond Tax Savings

The direct tax savings of \$294,000 represent only part of the total value created by the conversion strategy. Several compounding benefits extend well beyond the federal tax line.

Tax-Free Roth Growth The \$3.83M projected Roth balance at age 75 continues to compound entirely tax-free. By age 90, this could grow to over \$9.7M — none of which is subject to income tax upon withdrawal or at death.

No RMDs on Roth Assets Unlike Traditional IRAs, Roth IRAs have no Required Minimum Distributions during the account holder's lifetime. This provides maximum flexibility to control taxable income year to year and preserves assets as a buffer against longevity risk.

Estate Planning Advantage Under the SECURE Act's 10-year rule, non-spouse beneficiaries must fully distribute inherited IRAs within 10 years. For a Traditional IRA, this creates a significant income tax burden for heirs. Inherited Roth IRA distributions, while subject to the same 10-year timeline, are income-tax-free — potentially saving the Thornton heirs hundreds of thousands in taxes.

Qualified Charitable Distributions (QCDs) Beginning at age 70 and a half, the Thorntons can make Qualified Charitable Distributions of up to \$105,000 per person directly from their remaining Traditional IRA to qualified charities. QCDs satisfy RMD requirements while excluding the distribution from taxable income entirely — a powerful tool for charitably inclined households.

Implementation Roadmap

1. Confirm retirement timeline and finalize income projections for 2027 and beyond. Coordinate with employers on final W-2 timing, severance, and any deferred compensation.
2. Establish Roth IRA accounts for both Robert and Catherine if not already in place. Ensure custodial paperwork supports direct trustee-to-trustee conversions from each spouse's Traditional IRA.
3. Model the optimal first-year conversion amount based on actual 2027 income, including any part-year wages, severance, or capital gains from portfolio repositioning.
4. Execute annual conversions between January and October each year, leaving a buffer period to assess year-end income and adjust the final conversion tranche.
5. Fund conversion taxes exclusively from the taxable brokerage account. Identify specific lots with highest cost basis to minimize capital gains impact when liquidating for tax payments.
6. Review and adjust conversion amounts annually based on updated bracket thresholds, market performance, portfolio rebalancing needs, and any changes to the tax code.
7. Coordinate with Social Security claiming strategy. Evaluate the impact of claiming age on conversion headroom and IRMAA exposure. Address ACA premium considerations for Catherine prior to Medicare eligibility at 65.
8. Begin Qualified Charitable Distributions at age 70 and a half to further reduce RMDs from the remaining Traditional IRA balance and maximize the tax efficiency of charitable giving.

IMPORTANT DISCLOSURES & ASSUMPTIONS

This analysis is prepared for illustrative and educational purposes only using entirely hypothetical client data. All persons, names, balances, and circumstances are fictitious and do not represent any actual client or household. All projections assume a 6% annual rate of return, current tax law including SECURE 2.0 provisions, 2025 federal income tax brackets, and the standard deduction for married filing jointly. Actual results will vary based on investment performance, future tax legislation, inflation adjustments to brackets and thresholds, health care costs, and individual circumstances. IRMAA thresholds and surcharges are based on 2025 published rates and are subject to annual CMS adjustment. This document does not constitute tax, legal, or investment advice. Individuals should consult with their tax advisor, CPA, and legal counsel before implementing any conversion strategy. Past performance and projected returns are not guarantees of future results.