

Roth Conversion Fact Sheet

What is a Roth IRA conversion?

A Roth conversion is a distribution from an eligible retirement account to a Roth IRA. Eligible retirement accounts include Traditional, Rollover, SIMPLE, and SEP-IRAs.

Who's eligible to convert to a Roth IRA?

In general, anyone can convert to a Roth IRA. There are no restrictions on age, income, marital status, employment status, or employment plan participation status. However, there are some important considerations to keep in mind before you decide to convert:

- **If you're RMD age**, you'll need to satisfy your total required minimum distribution (RMD) for all your IRAs before converting.
- **If you have a SIMPLE IRA**, you'll need to hold your IRA for at least two years before you're eligible to convert. The two-year period begins on the first day on which contributions were made to the SIMPLE IRA.

Can I change my mind?

Due to the Tax Cuts and Jobs Act of 2017, Roth conversions completed after December 31, 2017 can no longer be recharacterized. Therefore, Roth conversions are final and cannot be cancelled, reversed, or recharacterized.

What are the tax implications of converting?

Generally, the amount you convert will be subject to ordinary income taxes. Any pre-tax assets you convert will be added to your adjusted gross income, so the conversion could push you into a higher marginal income tax bracket. Any assets that are considered after-tax contributions (also called nondeductible contributions) won't be subject to taxes when you convert. However, you should be aware of pro-rata rules.

Pro-rata rule

When clients have both pre-tax and after-tax assets in their non-Roth IRA(s) those assets are commingled, and subsequent distributions (including conversions) are subject to the pro-rata rule. *Pro rata* is a term used to describe the taxability of IRA distributions that include both pre-tax dollars (deductible contributions, pre-tax rollovers, growth) and after-tax dollars (nondeductible, after-tax rollovers). To properly report this, the client will need to file IRS Form 8606

Tax forms

You'll need your completed IRS Form 8606 from the years in which you made the nondeductible contributions to determine how much of your past contributions are considered after-tax. You'll also report your conversion using Form 8606, which will help you determine how much of your conversion is subject to taxes.

In order to help the IRS determine the appropriate tax consequences for a taxpayer, Vanguard is required to report IRA distributions on Tax Form 1099-R, which is issued in January for activity in the **prior** tax year.

How can I complete a conversion?

If you decide to convert your Traditional, Rollover, or SEP-IRA to an existing or new Vanguard Roth IRA, you can complete the process online.

Go to [Information about Roth Conversions](#) to learn more and get started with the online process.

Questions?

If you have questions or need help completing a conversion, call one of our retirement specialists at **877-662-7447** Monday through Friday from 8 a.m. to 8 p.m., Eastern time.

This fact sheet is provided for informational purposes only; it isn't intended to provide tax advice. Before you decide to request a Roth conversion, consult a tax advisor.

All conversions are tax-reportable and could be complicated. Review this strategy with a qualified tax advisor to help ensure it's reported properly.

All investing is subject to risk, including the possible loss of the money you invest.

