# Roth IRA Conversion

## Could a Roth IRA Conversion be right for you?

At Fidelity, we believe most investors should consider including a Roth IRA as part of their overall retirement savings plan. If you have already started saving with another retirement account, converting to a Roth IRA has the potential to help minimize taxes and maximize retirement savings.

Three key factors to consider when determining if converting may be right for you:

1. Taxes—If you anticipate being in a higher federal tax* bracket in retirement, or plan to leave your savings to your heirs, you might want to consider a Roth conversion. You may pay lower taxes now with a conversion than if you wait until retirement to begin taking taxable withdrawals.
2. Time—The relative benefits of conversion will increase the longer your money remains in the Roth IRA. Generally, conversion may not make sense if your time horizon is less than five years, as amounts withdrawn would be subject to a 10% penalty.
3. Cost—Can you pay the taxes you'll owe with cash or nonretirement savings? If not, the costs of converting may outweigh the potential benefits.

The decision to convert needs to be made with care and should include a consultation with your tax advisor.

## Answers to frequently asked questions about a Roth Conversion

### Am I eligible to convert?

Most investors are now able to convert eligible accounts to a Roth IRA, regardless of income or marital status. Keep in mind that the deadline to complete a conversion to a Roth IRA in the current year is December 31.

### What types of accounts can I convert or roll over to a Roth IRA?

You may be able to convert the following account types:

- Traditional IRA
- Rollover IRA
- SEP IRA
- SIMPLE IRA[1]
- SAR-SEP IRA
- An old 401(k)
- An old 403(b)
- An old governmental 457(b)

### What are the potential tax implications of converting?

You'll generally owe taxes on the amount that's converted. But, unlike Traditional IRA or workplace plan withdrawals before age 59½, there's no penalty imposed on the conversion.[2,3] And, while a conversion requires you to pay income tax on all pretax contributions and earnings included in the amount you convert, it provides the opportunity for potential tax-free growth on any subsequent Roth IRA earnings and withdrawals if certain conditions are met.[2]

*Be sure to consider all your available options and the applicable fees and features of each before moving your retirement assets.*

*Additional state tax implications may apply.

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### How much should I consider converting?

If you decide conversion is right for you, an important consideration in determining how much to convert is how much money you have in nonretirement accounts. Using this money to pay the taxes you will owe, instead of using the proceeds from the conversion, may help you minimize the total cost of conversion and help maximize the amount you keep in retirement savings. Plus, if you are under age 59½, using funds from your retirement account could result in an additional 10% tax penalty, which may significantly reduce the potential benefit of a conversion.

Since the pretax amount you convert will add to your current income for tax purposes, you may also want to consider converting portions of your other retirement accounts to a Roth IRA over a number of years (tax periods) in amounts that will keep you within your current tax bracket, or within one you can afford.

### Can I roll over an old workplace savings account directly to a Roth IRA?

Yes, if you qualify. You can then choose to roll over an eligible distribution from an old workplace savings plan [e.g., 401(k)] directly to a Roth IRA—eliminating the need to roll into a Traditional or Rollover IRA and then convert to a Roth IRA. Similar to converting to a Roth IRA, you'll owe taxes on the amount of pre-tax assets you directly roll over. *Note:* If you have assets in a designated Roth Account [e.g., Roth 401(k)] and would like to roll these into an IRA, you can only do so into a Roth IRA.

### Can I change my mind?

Yes, but only for a limited amount of time. One of the features of a Roth IRA is the ability to reverse the conversion by recharacterizing the assets back into a Traditional IRA if your situation changes.
For example:

- Your Roth IRA investments have lost value since you converted
- Your taxable income is higher than you expected
- The additional taxable income from converting a Traditional IRA to a Roth IRA puts you in a higher federal tax bracket
- You won't have enough money to cover your tax bill

Keep in mind, the deadline for completing a recharacterization is the last date to file your prior-year taxes, inclusive of extensions—usually by October 15.

## Should you convert to a Roth IRA? We can help you decide.

Call 800.FIDELITY to speak with a Fidelity Representative
Click Fidelity.com/rothevaluator
Visit Your nearest Fidelity Investor Center

*Investing involves risk, including risk of loss.*

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation and to more fully understand the regulations surrounding conversions.

[1] SIMPLE IRA assets must meet the two-year holding period prior to converting to a Roth IRA.

[2] A distribution from a Roth IRA is tax free and penalty free provided that the five-year aging requirement has been satisfied and at least one of the following conditions have been met: You reach age 59½, suffer a disability, make a qualified first-time home purchase, or die.

[3] Withdrawals before age 59½ may be subject to a 10% early withdrawal penalty.

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