



Ways to Fund a Roth IRA

Funding Annual Roth Contributions

The first way to fund a Roth IRA is simply by making annual contributions to the account. You can contribute up to \$7,000 to a traditional IRA or Roth IRA, or to a combination of both, in 2024. Individuals aged 50 or older can make an additional “catch-up” contribution of \$1,000. However, your ability to make annual contributions to a Roth IRA depends on your earnings, specifically the amount of your modified adjusted gross income (MAGI).

Federal filing status	2024 Roth contribution reduced if MAGI is:	You can't contribute to a Roth IRA in 2024 if your MAGI is:
Single or head of household	More than \$146,000 but less than \$161,000	\$161,000 or more
Married filing jointly or qualifying widow(er)	More than \$230,000 but less than \$240,000	\$240,000 or more
Married filing separately	More than \$0 but less than \$10,000	\$10,000 or more

If you're a high-income taxpayer, your ability to make annual contributions to a Roth IRA may still be reduced, or even eliminated. If you find yourself unable to make a regular contribution to a Roth IRA due to these income restrictions, there is a “back door” strategy that may be appropriate for you.

Converting a Traditional IRA to a Roth IRA

The second way of funding a Roth IRA - a conversion, which allows you to turn your traditional IRA into a Roth IRA. When you convert your traditional IRA to a Roth IRA, you're taxed as if you took a withdrawal equal to the amount of the conversion. By converting, you'll accelerate the taxation of your traditional IRA. Why would you want to do this? You trade off paying taxes now with the hope and expectation that later distributions from your Roth IRA will be qualified, and therefore tax free. When talking about conversions, the term “traditional IRA” also includes SEP-IRAs (Simplified Employee Pension Plan) and SIMPLE IRAs (Savings Incentive Match Plan for Employees). You can convert these to Roth IRAs as well, but for SIMPLE IRAs you'll have to satisfy a two-year waiting period before you can convert to a Roth. You cannot convert SEP or SIMPLE IRAs that you've inherited.

Ways to Convert a Traditional IRA to a Roth IRA

You can convert amounts from a traditional IRA to a Roth IRA in three ways.

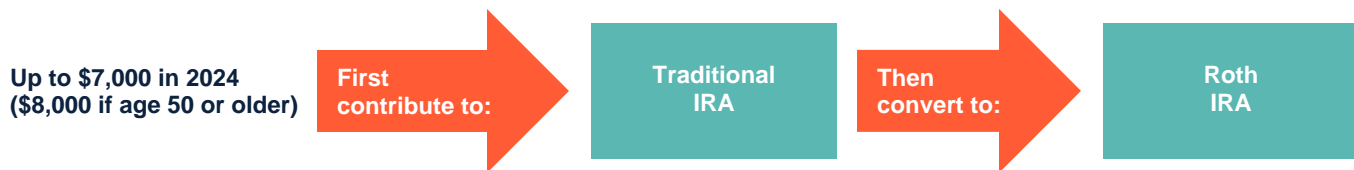
1. **Rollover.** You receive a distribution from your traditional IRA and then roll it over to a Roth IRA within 60 days after the distribution.
2. **Trustee-to-trustee transfer.** You direct the trustee of the traditional IRA to transfer an amount from your traditional IRA to the trustee of your Roth IRA.
3. **Same-trustee transfer.** If the trustee of your traditional IRA also maintains your Roth IRA, you can direct the trustee to simply transfer an amount from your traditional IRA to your Roth IRA or redesignate your traditional IRA as a Roth IRA.

Who can Convert to a Roth?

Anyone can convert a traditional IRA to a Roth IRA, without regard to income limits or marital status. There is one important exception: if you inherit a traditional IRA, you can't convert that inherited IRA to a Roth. However, special rules apply to spouse beneficiaries. If you are the surviving spouse and you inherit a traditional IRA, you can roll those funds into your own traditional IRA, and then make a Roth conversion. If you are the surviving spouse and sole beneficiary, you can also treat the inherited IRA as your own and then make a conversion.

Using the “Back Door” to Fund Annual Roth Contributions

What if you'd like to contribute to a Roth IRA but your adjusted gross income exceeds the current limits? That's where a “back door Roth IRA” — a Roth conversion strategy — comes into play. This is how it would work: Anyone with earned income can make nondeductible contributions to a traditional IRA, regardless of income, marital status, or participation in an employer retirement plan. The only requirement is that you have compensation for the year at least equal to the amount of your contribution. And as we know, virtually anyone can convert a traditional IRA to a Roth IRA under current law. You would make your annual contribution initially to a traditional IRA. You can then immediately convert the traditional IRA to a Roth. But remember, you'll need to aggregate all your traditional IRAs when you calculate the taxable portion of the conversion.



Converting Employer Plan Dollars to a Roth IRA

The final method of funding a Roth IRA is through a rollover from an employer plan like a 401(k). These rollovers are also commonly called conversions and are subject to many of the same rules as traditional IRA-to-Roth conversions. When you receive a distribution from your 401(k) or other employer plan, your employer is required to tell you whether the distribution is eligible to be rolled over. If it is, you'll have the option of rolling over all or part of that distribution to an IRA, Roth or traditional. If you roll the distribution over to a Roth IRA, the amount you roll over — except for any after-tax contributions you've made — will be subject to federal income taxes. Anyone can roll over funds to a Roth IRA, regardless of income limits or marital status. Even non spouse beneficiaries can roll over inherited employer dollars (other than inherited SEP and SIMPLE IRAs) to a Roth IRA — but only in a direct rollover. Rollovers from employer plans can be complicated and can have serious tax implications, so make sure you understand all of your options, including any fees and penalties that may apply and other special tax rules that may be available to you, before you take any action.

For more information on Roth IRAs, visit [\[WEBSITE\]](#) or call [\[PHONE NUMBER\]](#).

Sources:

<https://www.irs.gov/pub/irs-drop/n-23-75.pdf>

<https://www.nerdwallet.com/article/investing/roth-ira-contribution-limits#:~:text=If%20your%20MAGI%20is%20less%20than%20%24146%2C000%20in%202024%20and,amount%20to%20a%20Roth.>

<https://www.nerdwallet.com/article/investing/roth-ira-contribution-limits#:~:text=If%20your%20MAGI%20is%20less%20than%20%24146%2C000%20in%202024%20and,amount%20to%20a%20Roth.>

[ADDRESS] | [PHONE NUMBER] | [WEBSITE]
[YOUR SECURITIES DISCLOSURE HERE]

ACR# 6160935 12/23

A Proud Member of

