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A ROTHIRAPRO.COM GUIDE

Roth Conversion Mistakes *That Cost Retirees Thousands.*

A pre-conversion guide for retirees and pre-retirees weighing whether a Roth conversion is right for their situation.

A RothIRAPro™ guide — provided by your independent financial professional. Built on the standards a qualified Roth conversion specialist applies in a complete client analysis.

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V1

INTRODUCTION

Why This Guide *Flips the Question.*

The Roth conversion industry has a default answer. It is yes. Convert as much as you can, as early as you can, and ride tax-free growth into retirement. The pitch is everywhere. It comes from financial advisors, insurance agents, podcast hosts, and online experts. It sounds clean. It promises a tax-free retirement. It implies an obvious decision waiting to be made.

The reality is more complicated than the pitch admits. Most Roth conversions being recommended right now are based on guesswork. The benefits depend on a long list of variables that change unpredictably over time. The software most financial professionals rely on cannot accurately model these variables. Once a conversion is implemented, it cannot be reversed. There is no recharacterization. The decision is permanent.

This guide flips the default question. Instead of asking *Why shouldn't I convert?* it asks *Why should I?* The answer should only be yes when the math actually proves the case for your specific situation.

What follows are the ten mistakes we see most often in Roth conversion recommendations. Read them in order. They build on each other. By the end you will know what an accurate Roth conversion analysis looks like, what to ask your advisor, and how to tell whether the plan in front of you is built on math or on a pitch.

A note on what this guide is and is not. It is educational. It does not constitute tax or investment advice. It is built from the standards a qualified Roth conversion specialist applies to client analysis.

01 / 10 THE SOURCE PROBLEM

1. Trusting a Recommendation From the Wrong Source.

Most people who believe they are good candidates for a Roth conversion are not. The conventional advice from most financial professionals is that conversion is a smart move. Many consumers arrive at the same conclusion because a planner, an insurance agent, an accountant, or an online expert recommended it. Few of those sources actually run the math.

Roth conversion is not a tax tactic. It is a long-term retirement planning decision that permanently alters how income is taxed, how assets are withdrawn, how Medicare premiums are calculated, and how wealth transfers to your heirs. Treating it casually, or relying on generic advice, turns a complex multi-decade question into a guess.

Two warning signs to watch for. The first is an unwillingness or inability to explain the recommendation with specific numbers and stated assumptions. Confidence without transparency is not expertise. The second is product-driven advice. Some advisors pitch large bonus annuities as the vehicle to pay the tax on a Roth conversion. The math behind that pitch is usually deeply flawed and the probability of ending up with less money is high.

The right source for a Roth conversion recommendation is someone trained to evaluate the decision against your full financial picture, over multiple decades, using accurate software — not someone applying a rule of thumb.

02 / 10 PLAN VS. RULE OF THUMB

2. Acting on a Rule of Thumb Instead of a Plan.

When an advisor says they will gross up your income to the top of your current tax bracket each year, that is a rule of thumb, not a plan. The bracket-filling approach sounds methodical and tax-efficient. In practice it ignores most of the variables that determine whether the conversion actually benefits you.

A real plan starts with your specific numbers. Your current and projected income. Your spouse's income. Your retirement timeline. Your Social Security claiming strategy. Your expected medical costs. Your estate goals. Your heir profile. A rule of thumb cannot account for any of those.

A real plan also tests scenarios. What happens if you convert more aggressively for two years and then pause? What happens if your spouse passes early and the surviving filer hits the single bracket schedule? What happens if tax law changes mid-conversion? A real plan models these year by year. A rule of thumb assumes them away.

If the recommendation in front of you fits on a single page and uses one year's tax bracket as its anchor, you are looking at a rule of thumb. A real Roth conversion plan is a multi-year, multi-scenario document.

03 / 10 THE COMPOUNDING COST

3. Underestimating What You Give Up When You Pay the Tax Today.

Every dollar paid in conversion tax is a dollar removed from your compounding investment base. Many recommendations underestimate or ignore the compounding cost of that removal.

The math in its simplest form. Convert \$100,000 and pay \$24,000 in federal tax at a 24% rate. That \$24,000 is no longer in your account compounding for the next twenty or thirty years.

THE COMPOUNDING COST

At a 7% annual return, that \$24,000 would have grown to roughly \$93,000 over twenty years — meaning about **\$69,000 of forgone growth** on top of the tax itself. The real cost of the conversion is not just the \$24,000 tax bill. It is the roughly \$69,000 of growth that money never earns.

The cost compounds further when the conversion taxes are paid from the IRA itself rather than from outside funds. Pulling the taxes from the IRA shrinks the converted balance, the compounding base, and the long-term outcome simultaneously. Conversions paid this way often produce a net loss compared to leaving the funds in place.

The right comparison is not tax now versus tax later. It is the converted Roth balance grown over thirty years versus the pre-tax IRA balance grown over thirty years, with all taxes paid along the way modeled in both scenarios. Many recommendations skip the second half of that comparison entirely.

04 / 10 THE IRMAA TRAP

4. Ignoring IRMAA.

IRMAA is the Income-Related Monthly Adjustment Amount for Medicare. It is a surcharge added to your Medicare Part B and Part D premiums when your modified adjusted gross income crosses certain thresholds. Most retirees have never heard of it before they trigger it.

Roth conversions are one of the most common triggers. Convert \$100,000 in a year and your MAGI increases by roughly the same amount. If that pushes you across an IRMAA threshold, your Medicare premiums increase. The damage is delayed by two years because Medicare uses a two-year lookback to set the surcharge. Consumers pay the conversion tax in year one and the IRMAA surcharge starting in year three.

WHAT IRMAA ACTUALLY COSTS

At the 2024 thresholds, a married couple filing jointly with MAGI above \$206,000 sees their Medicare Part B premium jump from \$174.70 to \$244.60 per person per month. Cross the next few tiers and the per-person premium climbs to over \$500 per month. For a couple, **\$3,000 to \$6,000 or more in annual surcharges**, repeating year after year if conversions continue.

Any Roth conversion strategy that does not explicitly model IRMAA, year by year, across the full conversion timeline, is inaccurate. If the recommendation in front of you does not walk through your projected IRMAA tier for every year of the plan, that is a red flag.

05 / 10 TIMING

5. Converting at the Wrong Time.

Roth conversions are highly sensitive to timing. Most recommendations do not treat them that way.

The most common timing mistake is converting during peak earning years. People in their fifties at the height of their careers convert out of fear that taxes will be higher later. By doing so they often convert at a 32% or 35% federal rate when they could have converted at 12% or 22% a few years into retirement. The conversion gets done. The benefit is erased by the rate at which it was done.

The opposite mistake is converting too late. By the time required minimum distributions begin, most retirees are already drawing Social Security, possibly a pension, and other income streams. Layering conversion income on top of those streams pushes them into higher brackets and triggers IRMAA. The window for strategic conversion has effectively closed.

The right timing for most consumers is the gap between the end of full-time work and the start of RMDs (age 73 today, and 75 for those born in 1960 or later). Income is lower. Brackets are wider. Conversion taxes can be managed deliberately. This is the conversion window. It is real, and it is shorter than most consumers realize.

A correct timing recommendation includes the year-by-year income picture, the bracket targets for each year, and a defensible reason for converting in this year and not in another year.

06 / 10 THE RMD QUESTION

6. Overstating the RMD Problem.

The fear of required minimum distributions is one of the most reliable selling points for Roth conversion. The pitch is straightforward. Once RMDs begin — at age 73 today, and 75 for those born in 1960 or later — the IRS forces withdrawals from your tax-deferred accounts whether you need the money or not. Roth IRAs have no RMDs during the owner's lifetime. Convert now to escape that fate.

The pitch overstates the problem. For many retirees, RMDs are smaller and more manageable than the framing suggests. In the first RMD year the withdrawal is only about 3.8% of the prior year-end balance — roughly \$38,000 on a \$1,000,000 IRA — though the required percentage rises each year (around 5% by age 80 and over 8% by 90). For consumers who already plan to draw similar amounts from their retirement accounts, the early RMD is not new income. It is scheduled income.

The right way to evaluate the RMD question is the year-by-year tax comparison of both paths. What you would actually pay in tax on RMDs across the full retirement horizon set against what you would actually pay in conversion tax plus IRMAA plus opportunity cost across the same horizon. Often the RMD path produces a lower lifetime tax bill than the aggressive conversion path that was sold as beating RMDs.

RMDs are not the enemy they are often made out to be. They are a predictable feature of retirement that the right plan accounts for. They are not a reason on their own to convert.

07 / 10 FUTURE TAX RATE ASSUMPTIONS

7. Assuming Future Tax Rates Will Be Higher Than Today.

The "rates are going up" argument is one of the most common justifications for aggressive Roth conversion. It is presented as a certainty. The national debt is rising, the argument goes, so Congress will have no choice but to raise income tax rates. Convert now while rates are low.

The argument leans on the top marginal rate, not the effective rate. Effective rates for most American households have hardly changed over decades. Top marginal rates have moved up and down dramatically since the 1950s while the average effective rate paid by middle-income and upper-middle-income earners has stayed remarkably stable.

The argument also ignores the income profile of retirement. For most retirees, income declines significantly once full-time work ends. Wages disappear. Business income slows. RMDs spread distributions across years. Even if tax rates rise in the abstract, retirees often land in lower brackets than they were in during their working years.

Converting today at a known high rate to avoid a hypothetical higher rate later is a trade that needs proof. The proof has to be year-by-year projections built on your actual income profile, not headlines about the national debt.

08 / 10 LONG-TERM PROJECTION SCOPE

8. Relying on Short-Term Illustrations.

A Roth conversion analysis that covers only the next few years is not an analysis. It is a snapshot.

Real retirement planning involves the interaction of income sources, spending needs, investment returns, withdrawal sequencing, healthcare costs, longevity, and legacy goals. These variables interact differently each year. Short-term illustrations assume them away.

Honest projections model the full retirement horizon. They run 10, 20, and 30-year scenarios. They include multiple life expectancies, not a default age 95 or 100. They model inflation, Social Security, Medicare costs, market return variability, IRMAA threshold movement, the joint-to-single filer transition, RMDs with and without conversion, and different rates of return both during your lifetime and during the ten-year inherited window your heirs will face.

THE STANDARD

A complete Roth conversion analysis models **30 or more variables**. A shortcut analysis models five or six and calls it good. The shortcut produces a recommendation that may look attractive on the page and weaken the overall plan in ways that do not show up until years later.

If your conversion decision is based on a single year's tax rate, or a one-size-fits-all calculator with life expectancy set to 98, you are not getting guidance. You are getting a pitch.

09 / 10 HEIR BRACKET ASSUMPTIONS

9. Mis-Assuming What Your Heirs Will Actually Pay.

The legacy argument for Roth conversion is one of the most emotionally compelling. The pitch is that you should convert so your heirs inherit tax-free Roth dollars instead of tax-deferred IRA dollars subject to the SECURE Act ten-year distribution rule. It sounds like clean math. Often it is not.

The pitch depends on an assumption most parents never examine. The assumption is that your heirs will be in a higher tax bracket when they inherit than you are now. For many families that assumption is wrong.

Parents project their own earning history onto their children. The current retiring generation built significant savings during a period of rising real wages and stronger career trajectories. Their children, in many cases, will inherit during their own retirement years, during a career transition, or during a lower-income window. The tax bracket they will face on the inherited IRA may be lower than the bracket you would pay today to convert it.

Two more considerations sharpen the picture. Beneficiaries can time withdrawals from an inherited traditional IRA strategically within the ten-year window. They can take more in low-income years and less in high-income years. And not all heirs have similar incomes. Assuming a single bracket across multiple children produces a generic answer to a specific question.

Effective legacy planning requires real numbers, not generic promises of tax-free inheritance. The right question is whether paying tax today actually improves your heir's outcome compared to letting them manage the ten-year distribution themselves.

10 / 10 THE MULTI-YEAR PLAN

10. Treating Conversion as a Transaction, Not a Multi-Year Plan.

A Roth conversion done once, in one year, is a transaction. A Roth conversion plan done correctly is a multi-year journey. The two produce very different outcomes.

The transaction view treats conversion as a single decision. Convert this amount this year, pay the tax, move on. The journey view treats conversion as a multi-year sequence of decisions tested against each year's actual numbers. Income, brackets, market conditions, health, spouse status, and tax law all change year to year. The plan adjusts.

A real conversion journey has a guide — an advisor trained specifically for this work, using software designed to model the full picture. A consumer choosing to convert without that kind of qualified guide is making a permanent decision based on incomplete information.

The right end state for a consumer reading this guide is not "I should convert" or "I should not convert." It is I now know what an accurate analysis looks like, and I want to see one built for my situation before I decide either way.

IN CLOSING

From Guesses *to Guidance.*

Roth conversion is one of the most important and most permanent decisions a pre-retiree or retiree will make. Done correctly, it improves the durability, flexibility, and outcome of the entire retirement plan. Done incorrectly, it costs tens or even hundreds of thousands of dollars and cannot be undone.

The difference between the two outcomes is not the consumer's intelligence or instincts. It is whether the recommendation in front of them was built on accurate, multi-decade math, or on a rule of thumb dressed up as a plan.

If you have read this guide and the recommendation you are considering does not address the ten mistakes covered here, it is built on incomplete information. Ask for more. Ask for the multi-year projections. Ask for the IRMAA modeling. Ask for the heir bracket assumptions. Ask for the multi-life-expectancy comparison. Ask to see the work.

What Comes Next.

The next step belongs to you. Take the ten questions to your current advisor and ask each one directly. A defensible recommendation includes specific numbers, stated assumptions, and a willingness to show the work across decades.

If your advisor cannot answer most of them clearly, you have the information you needed before you act.

ABOUT THIS GUIDE

Part of the **RothIRAPro™** educational program. Content developed by Link Path, LLC and provided to you by the independent financial professional you are working with. The framework reflects the standards a qualified Roth conversion specialist applies in a complete client analysis.

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