

May 2020 Newsletter

Roth IRA Conversion in the Era of COVID-19

Is it right for you?

The COVID-19 pandemic has shaken up nearly every aspect of American life. To say it's been a difficult time would be an understatement.

However, difficult times may open doors to new possibilities. Businesses are changing their ways of operating, and individuals are exploring new avenues for investment. It may be time for you to consider some opportunities, as well.

What is a Roth Conversion? A Roth conversion refers to the transfer of an Individual Retirement Account (IRA), either Traditional, SIMPLE, or SEP-IRA, into a Roth IRA. With Roth IRAs, you pay tax on the money before it transfers into the account.

One benefit to having your money in the Roth IRA is that, unlike a Traditional IRA, you currently are not obligated to take Required Minimum Distributions (RMDs) after you reach age 72 (RMDs would be required to any non-spousal beneficiaries, however).

Another benefit is that since the money was taxed before going into the Roth IRA, any distributions are tax-free. Keep in mind that tax rules are constantly changing, and there is no guarantee that Roth IRA distributions will remain tax-free.^{1,2}

Why Go Roth in 2020? In the face of the market downturn after the COVID-19 outbreak, you may be in a unique financial situation. For example, suppose you have an IRA account that was worth \$1 million before the downturn, but it's currently worth \$800,000.

Perhaps your income has also decreased, potentially putting you in a lower tax bracket. Maybe you own one or more businesses, such as restaurants, that have been closed. You may not yet know if these businesses will be opening again in 2020. Your income could hypothetically be considerably lower this year than last year.

But: this may present an opportunity. Less earned income may mean lower total taxes due on a Roth conversion, especially if the overall account value has dropped.

Keep in mind, this article is for information purposes only and is making an assumption on an IRA account's value and applying a hypothetical drop in earned income. We recommend you contact your tax or legal professional before modifying your retirement investment strategy.

No Turning Back. While this may be a good time for you to consider converting to a Roth IRA, remember that there's no turning back once you do. The Tax Cuts and Jobs Act of 2017 decreed that Roth conversions could no longer be undone.³

A Roth IRA conversion is a complicated process, and it's wise to involve your trusted financial professional. Please feel free to reach out with any questions you have about your situation.

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Citations.

1 - Investopedia.com, November 26, 2019.

2 - Investopedia.com, January 17, 2020.

3 - Congress.gov, December 22, 2017

CARES Act Update

As you are likely aware, the President signed into law on Friday, March 27, 2020 (after Congress passed) the Coronavirus Aid, Relief and Economic Security Act (The CARES Act).

Some of the key provisions included in the CARES Act you should be aware of include:

1. **Waiver of Required Minimum Distributions for 2020** Required minimum distributions (RMDs) are waived for all retirees in 2020. This includes RMDs for inherited IRAs for those beneficiaries who were using a “stretch” option before 2020.
2. **Withdrawals from Qualified Plans, 403(b)s, and IRAs (“coronavirus-related distributions”)** Qualifying “coronavirus-related distributions” will still be taxed as income, however, the CARES Act waives the 10% federal additional tax for premature distributions related to the coronavirus for amounts not to exceed \$100,000 from all qualified plans and IRAs subject to specific rules.
3. **Plan Loans from 403(b)s** Loans from qualified plans can be doubled to \$100,000 or 100% of the plan balance for plan participants who meet the same requirements as those for coronavirus-related distributions. In addition, for some qualifying plan participants, loan repayments – new or existing – that are due in 2020 can be delayed one year, and the repayment deadline can be extended by one year.

We continue to analyze all the implications of the CARES Act. Please look for future communications with specific information on how its provisions will impact our individual contracts and processes. We are committed to providing you with this information as soon as it's available.

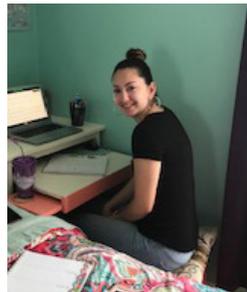
Home Schooling



Brendan Baker



CJ Butterfield



Josie Teves



Ben Bassett



Brody Baker



Liam Faria



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SELECT CLUB

Contact the office at 508.673.3300 or speak with your advisor for details.

Becoming a *Select Club Member* is as easy as providing a referral that results in a client meeting. The first referral initiates your membership and each additional referral in 2020 that results in a client meeting will be an entry into the *Select Club* quarterly drawing.

The Financial Planning Hour

Join Richard Bassett from 1 - 2 pm every Monday for his weekly radio show on WSAR1480. Stay in the know on relevant topics that are defining the American economy, as well as discussions on financial planning.



Quote of the Month:

“We may have all come on different ship, but we’re in the same boat now.” -Martin Luther King, Jr.

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