Legacy Financial Group
"We inspire and empower you to create the life you want, on your terms."

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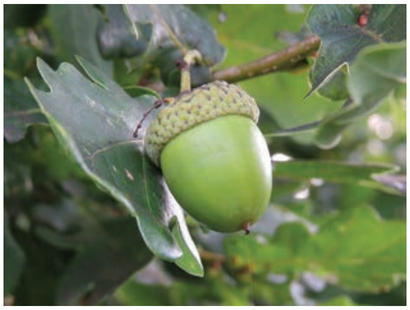
The Legacy Report



You are under no obligation to be the same person you were a year, a month, or even 15 minutes ago. You have the right to grow. No apologies.

- Alan Watts, British philosopher

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Is a Roth Conversion Right for You?

Written by Brian Hood, CFP®

Before considering a Roth conversion, you first need to understand our tax system.

We live in a progressive income tax system, which means the more you make, the higher the tax is on that next dollar of income. Consider the chart below to explain the real opportunity.

2019 tax brackets

RATE	SINGLE FILERS	MARRIED FILERS
10%	$0 – $9,700	$0 – $19,400
12%	$9,701 – $39,475	$19,401 – $78,950
22%	$39,476 – $84,200	$78,951 – $168,400
24%	$84,201 – $160,725	$168,401 – $321,450
32%	$160,726 – $204,100	$321,451 – $408,200
35%	$204,101 – $510,300	$408,201 – $612,350
37%	$510,301+	$612,351+
	Standard Deduction: $12,200 Personal Exemption: Eliminated	Standard Deduction: $24,400 Personal Exemption: Eliminated

Source: IRS Insider Inc.

The biggest point of confusion is what happens when you go into the next bracket. If you only go into the next bracket by $5, you only pay that higher rate on that $5, not retroactive back to the first dollar. Basically, even if you make $1 million per year, some of your income is only taxed at 10% and 12%, just like the rest of us.

A Roth conversion refers to taking all or a part of the balance of your existing traditional IRA and moving it into a Roth IRA.

Why would you want to convert to a Roth IRA? There are several reasons:

1) **Tax-free withdrawals in retirement** – With a traditional IRA, you have to pay taxes on the money you originally deducted from your taxes, as well as any earnings

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Financial Group

Welcome to Our New Team Members

Andrew Smithson
Systems Process and Training Manager

Andrew helps us to more fully utilize our resources and systems, including training our new employees on our processes. In turn, that makes our team more efficient in serving you. And he's really helpful with anything electronic, too!

Happy Holidays!

Legacy Financial Group will be closed for the following holidays.

Thanksgiving	Thur, 11-28-2019
Christmas	Wed, 12-25-2019
New Year's	Wed, 1-1-2020

Basics of the Stretch IRA Strategy

Imagine your IRA lasting for decades to come.

If you prepare wisely, that might happen. **It's called a stretch IRA strategy.**

Currently, you can "stretch" a traditional or Roth Individual Retirement (IRA) over generations, so that the IRA assets have the potential for tax-deferred growth.[1]

How does this work? A "stretch IRA" is an inherited IRA that passes from the original account owner to a younger beneficiary: a child, grandchild, or great-grandchild. The whole strategy is predicated on the IRA heir being young.[2]

A bit more explanation is necessary. If you inherit an IRA from someone other than your spouse, the Internal Revenue Service gives you three choices. You can 1) cash out the entire IRA and pay the income taxes linked to the money withdrawn, 2) cash out the IRA within a specified five-year period and pay the linked income taxes in increments, or 3) take Required Minimum Distributions (RMDs) based on your life expectancy, paying only the income tax associated with the RMD each year. When you choose the third option, you choose the stretch IRA strategy.[2]

If a young IRA beneficiary elects to receive annual RMDs, this choice gives the money in the inherited IRA a longer time to remain tax deferred. Keep in mind, however, that there is no guarantee that the person who inherited the IRA will continue the tax-deferred treatment of the account.[2]

Contributions to a traditional IRA may be fully or partially deductible, depending on your individual circumstance. Distributions from traditional IRAs and most other employer-sponsored retirement plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. Generally, once you reach age 70½, you must begin taking required minimum distributions.[3]

Stretching a Roth IRA follows similar rules. But remember, a Roth IRA does not require any RMDs. If you name your spouse as a beneficiary, they can roll the balance into a new Roth account/or their existing IRA. Since it remains a Roth IRA, your spouse is not required to take RMDs either. When your spouse passes, the beneficiary must begin taking distributions. The distributions will be tax free as this is a Roth IRA.[4]

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals also can be taken under certain other circumstances, such as a result of the owner's death. The Tax Cuts and Jobs Act of 2017 eliminated the ability to "undo" a Roth conversion.[3,5]

The full rules governing inherited IRAs are quite complex – far too complex to go into in an article.

It's also worth remembering that the stretch-IRA strategy is based on today's tax laws, not the tax laws of generations ahead that we can't foresee. The good news is that other estate strategies may be used to try and simulate the stretch-IRA strategy.

If you are interested in discovering how to stretch your IRA, then please call with your Legacy advisor at 515-255-3306 – or email info@LFGplanners.com. This strategy may offer you a way toward creating lasting wealth for your heirs.

This material was prepared by MarketingPro, Inc. for use by Legacy Financial Planners.

Citations.
1 - investopedia.com/ask/answers/09/stretch-ira.asp [7/15/19]
2 - smartasset.com/retirement/what-is-a-stretch-ira [5/31/18]
3 - irs.gov/publications/p590a [1/2/19]
4 - finra.org/investors/learn-to-invest/types-investments/retirement/inherited-and-stretch-iras [9/5/19]
5 - irs.gov/publications/p590b [2/4/19]

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the investment may have made.

With a Roth IRA, all of your withdrawals may be tax free. There are certain requirements, but your Legacy advisor will be happy to discuss them with you.

2) **Allows your money more time to grow tax free** – Traditional IRAs force you to take Required Minimum Distributions (RMDs) each year after you reach age 70½. So the money you withdraw loses the tax-deferred growth.

With a Roth IRA, there are no RMDs during your lifetime, so your money stays in your Roth IRA and keeps growing tax free.

3) **Tax-free inheritance to your heirs** – The individuals who inherit your Roth IRA will be required to take annual RMDs, but they won't have to pay federal income tax on their withdrawals as long as the account has been open for at least five years.

4) **Even if your income is too high, the conversion process could help get you into a Roth IRA** – Often referred to as a "backdoor" Roth, there are two steps involved. First you make contributions to a traditional IRA, then move the money into a Roth IRA using a Roth conversion. **CAUTION: Be certain to discuss the tax consequences with your Legacy advisor and Tax advisor.**

The most common strategy is to "bump your bracket." For example, figure out how much more you can earn and still stay within your current bracket, then do a conversion for that amount. **Be very careful!** If you are collecting Social Security, this could mess with the taxes you pay on your Social Security, along with the excess tax on Medicare.

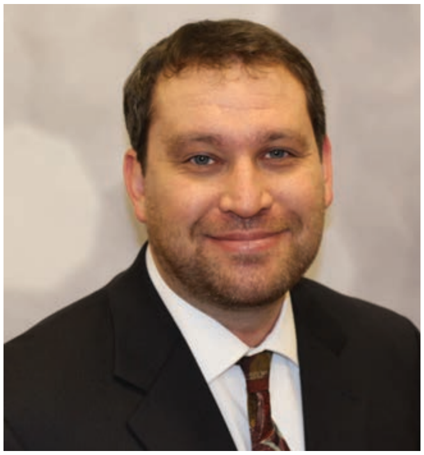
Before converting, consider:
1) Your tax rate now and later
2) The tax bill you'll pay to make the conversion
3) Future plans for your estate
4) The conversion is permanent, you cannot put the money back into a traditional IRA.

If a Roth conversion is of interest to you, make sure it's right for you. Call to set a time for a discussion with your Legacy advisor at 515-255-3306 or email info@ LFGplanners.com.

New Team Members

Eric Danner, AAMS, CMFC
Relationship Manager

Eric may become a familiar face in your meetings with the advisors. He'll help prepare materials used in your review, and follow up on discussion items from your meeting to make certain they are completed.



Cody Runyon
Client Services Specialist I

Cody is a part of the administration team that works with processing paperwork and communicating with investment vendors. He'll also be helping to prepare the documents used during your review.

Legacy Financial Group
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Legacy Holiday Party!

Thursday, December 5, 2019
5:30 – 8:30 PM
Airport Holiday Inn
6111 Fleur Dr, Des Moines

We can't believe our annual holiday dinner is just a couple of months away! RSVPs are now being accepted, including with an easy online option.

Please include your meal choice when you RSVP.

1. Roast Beef – slow cooked with garlic red wine reduction
2. Frenched Chicken Breast – served with a garlic-parsley butter sauce
3. Vegetable Wellington – spinach, rice and mushrooms baked in a puff pastry served with a light basil cream sauce

All meals will be served with a tossed salad with ranch dressing, vegetable medley, garlic mashed potatoes, and freshly-baked rolls.

Children 10 and under may choose chicken tenders, French fries, and applesauce.

RSVP by Wednesday, November 27, 2019, with our convenient online option: http://bit.ly/LFGholiday2019. Or call (515) 255-3306 and ask for Kathy. **Include the names of the individuals attending and meal choices.**

Attire: Holiday, Dressy, Business Casual

Want to make a weekend of it? The Holiday Inn has extended a special room rate of $109 plus taxes per night. Reservations must be made by Thursday, November 14, 2019, for the rate to apply. Mention Legacy Financial Group when you make your reservation at (515) 287-2400.

Questions? Contact Kathy@LFGplanners.com.