Advise Financial

FREE GUIDE · 2026 YEAR-END EDITION

The Year-End Roth Conversion Checklist

7 questions to answer before December 31, so you convert the right amount and avoid costly surprises.

Alonso Rodriguez Segarra, CFP®

Founder, Advise Financial · Nearly 30 years of experience

Author of *Kaizen to Retirement: Mastering the Roth Conversion*

For educational purposes only. Not legal or tax advice. Always consult your tax specialist.

BEFORE YOU START

Why December 31 matters

A Roth conversion moves money from a traditional IRA or 401(k) into a Roth account. You pay income tax on the amount you convert now, and in exchange, qualified withdrawals later are tax-free and Roth IRAs have no required minimum distributions during your lifetime.

Done well, it can lower the taxes you pay over your whole retirement. Done in a hurry, it can push you into a higher bracket, raise your Medicare premiums and create a tax bill you didn't plan for. Three facts make the year-end timing important:

1. **The deadline is December 31, not April 15.** Unlike IRA contributions, a conversion counts for the year in which it is completed. A conversion processed on January 2 counts for next year.

2. **There is no undo button.** Since 2018, Roth conversions can no longer be reversed ("recharacterized"). Once it's done, the tax is owed, so the amount needs to be right the first time.

3. **Every dollar converted is added to this year's income.** That extra income can affect your tax bracket, Medicare premiums, Social Security taxation and other benefits, as the questions in this checklist explain.

How to use this checklist

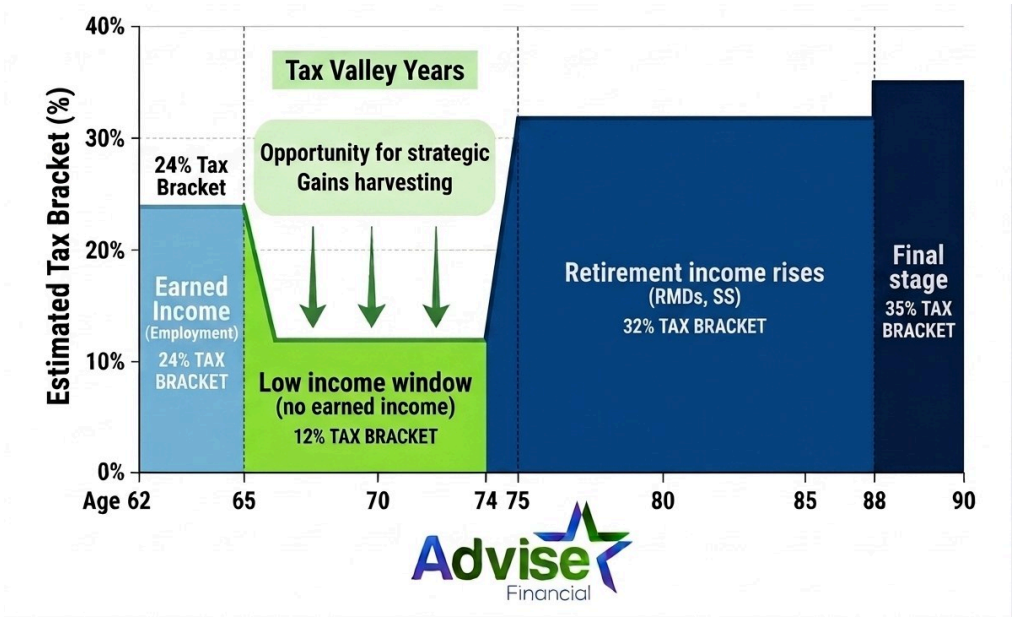
Work through the seven questions with your current-year numbers in hand: pay stubs or pension statements, Social Security benefit, investment income and any withdrawals you've already taken. Check each box as you go. If you can't answer a question with confidence, that's usually where the biggest risk (or opportunity) is.

> **Start early.** Many custodians need several business days to process a conversion, and the last weeks of December are busy. Aim to have your decision made by early December.

THE BIG IDEA BEHIND EVERY CONVERSION

The Valley of Tax Optimization

While you're working, your paycheck decides your tax bracket. Once required minimum distributions (RMDs) begin, the IRS decides how much you must withdraw, and for people with large IRA or 401(k) balances, that can push their bracket even higher than during their working years. The years in between, after the paycheck stops and before RMDs start, are often when your tax bracket is at its lowest. I call this the **Valley of Tax Optimization**.



Hypothetical illustration for educational purposes. Your brackets depend on your income, filing status and tax law at the time.

In the valley, for the first time, **you** decide how much income to recognize each year. Using those low-bracket years to withdraw or convert tax-deferred money can:

Shrink future RMDs
so you're less likely to pay higher taxes in your 80s than you did at your career peak.

Grow tax-free
in a Roth IRA, instead of growing with a tax bill hanging over it like the Sword of Damocles.

Leave a tax-free inheritance
since heirs who must empty an inherited account within 10 years keep everything they take from a Roth.

The "magic number." The hard part is calculating how much to convert each year without spilling into a higher bracket, triggering IRMAA or raising the tax on your Social Security. The 7 questions that follow are the inputs to that number.

Adapted from *Kaizen to Retirement: Mastering the Roth Conversion*, Chapter 2, by Alonso Rodriguez Segarra, CFP®.

THE 7 QUESTIONS

1 How much room is left in your current tax bracket?

A conversion is taxed as ordinary income, stacked on top of everything else you earn this year. **"Filling up" your current bracket** is often efficient; spilling into the next bracket may not be. The goal is to convert at a rate lower than the one you expect to pay later.

WHAT TO CHECK

- [ ] Estimate your total 2026 taxable income: wages, pensions, taxable Social Security, interest, dividends, capital gains and any IRA withdrawals.
- [ ] Find how many dollars remain before you reach the next bracket.
- [ ] Compare today's rate with the rate you expect later: once RMDs begin, as a surviving spouse, or for your heirs.

2 Will it raise your Medicare premiums two years from now?

Medicare Part B and Part D premiums include a surcharge called **IRMAA**, based on your income from **two years earlier**. A conversion in 2026 can raise your premiums in 2028. The surcharge works in tiers, so going even $1 over a threshold triggers the full amount for that tier.

WHAT TO CHECK

- [ ] See how close your income is to the next IRMAA threshold, and treat any surcharge as part of the cost of converting.
- [ ] Remember this applies from age 63 on, since 2026 income sets premiums at 65.
- [ ] If your income dropped because of a life-changing event such as retirement or the death of a spouse, you may be able to request a reduction with Form SSA-44.

Not sure where your bracket and IRMAA thresholds land? Let's look at your numbers together in a free 30-minute call with a fee-only CFP®.

Book a free call

3 Can you pay the tax with money outside the IRA?

Paying the tax from savings or a taxable account lets the **full amount** you convert keep growing tax-free in the Roth. Withholding the tax from the conversion itself shrinks what lands in the Roth and, if you're under 59½, the withheld amount may also face a 10% early-withdrawal penalty.

WHAT TO CHECK

- [ ] Identify where the tax money will come from.
- [ ] Plan a fourth-quarter estimated payment (due January 15, 2027) or extra withholding to avoid an underpayment penalty.

4 Will it affect other income-based tax breaks?

Extra income from a conversion can ripple into other parts of your return. These are the most common ones for people in or near retirement:

- [ ] **Social Security:** higher income can make more of your benefit taxable, up to 85% of it.
- [ ] **Senior deduction:** the temporary extra deduction of up to $6,000 per person age 65+ (2025 through 2028) phases out as modified AGI rises above $75,000 (single) or $150,000 (married filing jointly).
- [ ] **Health insurance:** if you're under 65 and buy coverage through the ACA marketplace, higher income can reduce your premium tax credit.
- [ ] **Capital gains:** conversion income can push long-term gains and qualified dividends out of the 0% rate.

A conversion that looks cheap at your bracket rate can cost more once these effects are added. Your **true marginal rate** is what matters.

5 What will your required minimum distributions look like later?

Required minimum distributions (RMDs) begin at **age 73** if you were born from 1951 to 1959, and at **age 75** if you were born in 1960 or later. Large pre-tax balances can force big taxable withdrawals later, often at higher rates than today. The years between retirement and RMDs, the Valley of Tax Optimization, are frequently the best window to convert.

WHAT TO CHECK

- [ ] Project your pre-tax balance and the RMDs it will produce.
- [ ] If you already take RMDs, take this year's RMD first; RMD amounts can't be converted.
- [ ] If you give to charity and are 70½ or older, consider Qualified Charitable Distributions (QCDs) to lower taxable income.

6 What happens if one spouse passes away first, and what will your heirs pay?

After the year of a spouse's death, the survivor usually files as single, with **narrower tax brackets and lower IRMAA thresholds**, while income often doesn't drop much. This is known as the "widow's tax." Converting while you still file jointly can lock in lower rates. Also, most non-spouse beneficiaries must empty an inherited IRA within 10 years, often during their peak earning years, while inherited Roth money can be withdrawn tax-free.

WHAT TO CHECK

- [ ] Estimate what the surviving spouse's taxes would look like on the same income.
- [ ] Consider your heirs' tax brackets compared with yours.
- [ ] Review beneficiary designations on every IRA and Roth account.

Wondering how big your Valley window is? We'll map your years until RMDs and show how much to convert each year. The first call is free.

Book a free call

7 Where will you live, and how does your state tax conversions?

State taxes can change the math. **Florida and Texas** have no state income tax. **California, New Jersey and Virginia** generally tax a Roth conversion as income, and their rules for retirement income differ. If you're planning to move, the timing of your conversions relative to the move matters.

WHAT TO CHECK

- [ ] Include state income tax in the cost of converting.
- [ ] If you plan to move in the next few years, compare converting before and after the move.

BEFORE YOU CLICK "CONVERT"

Final checklist

- [ ] **Submit the request early** so the conversion is completed by December 31.
- [ ] **Decide cash or in-kind.** Many custodians let you move shares directly without selling.
- [ ] **Know the 5-year rules.** If you're under 59½, each conversion has its own 5-year clock before the converted amount can be withdrawn penalty-free. Earnings are tax-free once you're 59½ and your first Roth has been open 5 years.
- [ ] **Check for after-tax money in any IRA.** If you have non-deductible contributions, the pro-rata rule decides how much of the conversion is taxable.
- [ ] **Keep the paperwork.** You'll receive Form 1099-R, and the conversion is reported on Form 8606 with your tax return.
- [ ] **Plan beyond this year.** The best results usually come from a multi-year schedule, not a single conversion.

> **Questions to ask any advisor:** Are you fee-only and a fiduciary at all times? How exactly are you paid? Will you model my conversions year by year, including IRMAA and state taxes? Do I have to move my accounts?

BEFORE YOU DECIDE

Review your answers with a fee-only, hourly advisor

The seven questions above don't work in isolation: a conversion that fills your bracket may also raise Medicare premiums, tax more of your Social Security and cost you a deduction. One wrong number can cost far more than professional advice. Before you convert, have your numbers reviewed, and choose the kind of advisor carefully.

Fee-only

Paid only by you. No commissions and no products to sell, so the advice isn't tied to what someone earns from your decision.

Hourly, one-time

You pay for the hours your analysis takes, like an accountant or attorney. No percentage of your assets and no long-term contract.

You stay in control

Your accounts stay where they are. You implement the plan yourself or with your CPA.

Roth specialist

Conversions combine taxes, Medicare, Social Security and estate planning. Ask for someone who models them year by year.

TYPICAL ASSET-BASED ADVISOR

1% per year

On a $1,000,000 portfolio, that's $10,000 every year, whether or not you need advice that year.

ADVISE FINANCIAL

$300/hour

A one-time Roth conversion analysis, billed only for the hours it takes. If the scenarios we recommend don't add more value than our fee, we refund it.

Rules of thumb aren't a plan. Your numbers are.

Start with a free 30-minute call. We'll look at your situation and tell you whether a Roth conversion makes sense for you, or not.

Book a free 30-minute call

Web advise-financial.com/roth-conversion-analysis **Phone** (561) 454-8284

ABOUT THE AUTHOR



Alonso Rodriguez Segarra, CFP®

Founder, Advise Financial · Fee-only Roth conversion specialist

Alonso is a CERTIFIED FINANCIAL PLANNER™ professional with nearly 30 years of experience and the founder of Advise Financial, a fee-only financial planning firm in Boca Raton, Florida. He specializes in Roth conversions and retirement tax planning for pre-retirees and retirees, helping them decide how much to convert, when to do it, and how to protect a surviving spouse and heirs from higher taxes.

Advise Financial works by the hour, as a one-time consultation or ongoing, never for a percentage of assets and never for commissions.

RECOGNITIONS

- ★ **Investopedia** · Top 100 Financial Advisors, 2023
- ★ **etf.com** · Leaders List: Top 100 Financial Advisors, 2024
- ★ **GOBankingRates** · Top Money Experts of 2025
- ★ **Expertise.com** · Top 13 Financial Advisors in Boca Raton, FL, 2025
- ★ **Better Business Bureau** · Accredited Business since October 2025
- ★ **MarketWatch** · Regularly featured
- ★ See full recognition disclosures on the next page.

THE BOOK

Kaizen to Retirement: Mastering the Roth Conversion for Continuous Wealth Optimization

Alonso's book takes the ideas in this checklist further, from how much to convert to protecting a surviving spouse. Available in paperback and Kindle.

Buy the book on Amazon

IMPORTANT INFORMATION

Disclosures

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Recognitions.

- **etf.com Leaders List 2024:** ranked among the Top 100 Financial Advisors based on qualitative criteria, including ETF allocation, fiduciary standard and performance. No application fee was paid. Selection criteria: etf.com/leaders.
- **Investopedia Top 100 (2023):** Alonso Rodríguez Segarra was recognized among the Top 100 Financial Advisors in the U.S. based on qualitative evaluation. No compensation was paid for inclusion. Selection criteria: investopedia.com/inv-100-top-financial-advisors-7556227.
- **Expertise.com (2025):** named among the Top 13 Financial Advisors in Boca Raton, FL, based on reputation and service quality. Selection is independent and unpaid. Selection criteria: expertise.com.
- **GOBankingRates (2025):** selected as one of the Top Money Experts of 2025 based on qualitative industry metrics. No compensation was paid for inclusion. Selection criteria: gobankingrates.com.
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The book. *Kaizen to Retirement* is sold on Amazon, and its author receives royalties from sales.

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