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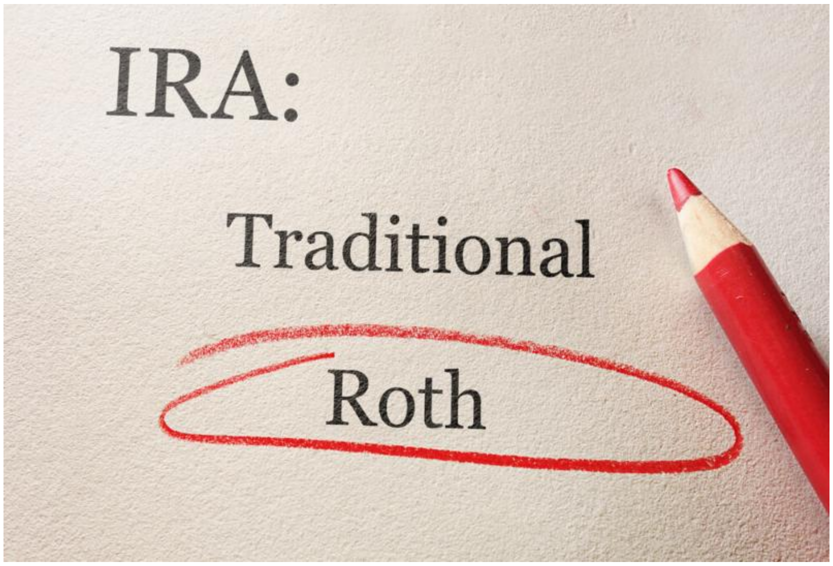
CAPITAL MANAGEMENT



Greetings!

Our newsletter this month is titled "Should You Convert: to a Roth IRA."

Thank you for your thoughts and feedback on our newsletters. If you know someone who may benefit from this information, please pass it on. If you have any questions or comments, please contact us.

Regards,

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Should You Convert: to a Roth IRA

Individual retirement accounts (IRAs) come in two flavors: traditional and Roth. With a traditional, contributions are potentially tax deductible and taxes on contributions and earnings are paid when funds are withdrawn in retirement. With a Roth, contributions are made after tax, but withdrawals in retirement are generally tax free.

But even if you have been contributing to a traditional IRA, you are allowed to convert it to a Roth IRA, which may or may not work to your benefit. Before considering a Roth IRA conversion, however, it is important to understand that each type of IRA has its own rules summarized in the table below.

Traditional Versus Roth: Understand the Differences

	Traditional IRA	Roth IRA
Maximum Annual Contribution	\$6,000 for single taxpayers and \$12,000 for couples filing jointly for 2019. An additional \$1,000 "catch up" contribution is permitted for each investor aged 50 and older who has already made the maximum annual contribu-	Same as traditional IRA.
Income Thresholds for Annual Contributions	None, as long as the account holder has taxable compensation and is younger than age 70½ by the end of the year.	Single taxpayers with modified adjusted gross income (MAGI) of \$137,000 or more and married couples filing jointly with MAGI of \$203,000 or more are not eligible to contribute in 2019. Income thresholds are indexed annually.
Deductibility of Contribution	Yes, if account holder meets IRS requirements (income restrictions apply if account holder or spouse is covered by	Contributions are not deductible.
Contributions After Age 70½	Not allowed.	Permitted if owner has earned income.
Required Minimum Distributions (RMDs) After Age 70½	RMDs are required.	Not required during original account holder's lifetime.
Taxes on Distributions	Distributions are taxed as ordinary income. Withdrawals before age 59½ may also be subject to a 10% penalty.[1]	Qualified distributions are tax free. Withdrawals from accounts held less than five years or before age 59½ may be subject to taxes and a 10% penalty.

Tax Implications

The good news is that converting a traditional IRA to a Roth IRA will not trigger the 10% penalty that early withdrawals from an IRA usually do. But converting will trigger income taxes on investment earnings and contributions that qualified for a tax deduction. If your traditional IRA contributions did not qualify for a tax deduction because your income was not within the parameters established by the IRS, investment earnings will be taxed but the amount of your contributions will not.

When a Conversion May Be Beneficial

Conversion may be advantageous if you are in one of the following situations:

You do not plan to access your IRA assets for a long time, and your account will have time potentially to grow and compound before you begin withdrawals.

You are not likely to need the Roth IRA assets for living expenses during retirement. Because you wouldn't have to take RMDs from your Roth IRA, you could leave these assets intact and potentially bequeath a larger sum to heirs.

When a Conversion May Not Be Beneficial

A Roth IRA conversion may not be in your best interest if the following circumstances apply:

- You anticipate being in a lower tax bracket during retirement. Sticking with a traditional IRA could be the best option because your RMDs would be taxed at a correspondingly lower rate.
- You plan to retire in the near future. Should you convert, your Roth IRA may not achieve adequate short-term growth prior to withdrawals to compensate for the tax payment.
- You plan to access the IRA for living expenses, and a bequest to heirs is not an issue.

Considerations

Converting assets within a traditional IRA to a Roth IRA presents potential benefits, but only if the time horizon, tax issues and estate planning parameters work to your advantage. Review all angles to make sure you make the right choice.

Footnotes/Disclaimers

[1]IRA account holders (both traditional and Roth) may make penalty-free withdrawals before age 59 and a half only if they meet specific criteria established by the IRS such as disability, first-time home purchase and others. Consult www.irs.gov for additional information.

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