

RETIREMENT INCOME · ROTH CONVERSIONS

The Tax You Haven't Paid Yet

Your 401(k) and IRA aren't fully yours. Part of every dollar belongs to the IRS, and that part grows every year you wait. A Roth conversion schedule is how you settle up on your terms, at rates you can see, instead of theirs.

A standalone Forte Life piece · about 9 min · with a calculator to run your own numbers.

Everyone who has spent a career saving in a 401(k) has the same number in their head: the balance on the statement. That's the figure they think of as theirs.

It isn't. Not all of it.

When you put money into a Tax-Deferred account, you didn't skip the tax. You postponed it. And the day you did, you took on a partner: the IRS. A silent partner who never puts in a dime, never shows up to a meeting, and owns a share of every dollar in the account.

Their share isn't fixed. It grows right along with your balance. And you don't get to know their rate. They set it later, when Congress decides, in the years when you'll have the fewest choices about how much income to take.

So the real question in retirement isn't *whether* that tax gets paid. You'll pay it, or your spouse will, or your kids will. The question is *when*, at *what rate*, and *who decides*.

A Roth conversion is how you buy out your silent partner, on your terms, at a price you can see today. You move money from Tax-Deferred to Tax-Free, pay the tax at today's known rate, and from then on that money grows and comes out with no tax at all, for you, your spouse, and your children.

Most people never do it on purpose. Your CPA's job is this year's taxes. Nobody's job is the next thirty years of them, unless you hire someone to make it their job.

THE REAL TEST

Is a Roth conversion even worth it?

Most answers online compare two numbers: your tax rate today and your tax rate later. Lower later? Don't convert. Higher later? Convert.

That looks at one account, under one set of tax laws, for one lifetime. A retirement doesn't work that way.

Here's the test I use instead. **Add up every dollar of tax your household will pay, for both of your lives, plus what your children will pay on what's left.** Run it with conversions and without. If the conversions come out ahead, convert. If they come out even, *convert anyway*, because you've won three things the tax bill doesn't show:

- **Less tax rate risk.** Every dollar still in a Tax-Deferred account is one your partner can reprice whenever Congress decides to. Every dollar in Roth is out of reach.
- **A lighter widow's tax.** The survivor's years are where unconverted IRAs do the most damage.
- **Less for your heirs to pay.** You leave Tax-Free money instead of a ten-year tax bill.

> *Break-even isn't a tie. It's a win you can't see on a tax return.*

THREE HORIZONS

Your years, both lifetimes, and past both of you

When I model a household's taxes year by year, three windows show up again and again. Each one looks further down the road than the last.

One: your low-tax years

There's usually a window after the paychecks stop and before required minimum distributions (RMDs) start, at 73 if you were born 1951–1959 and 75 if born 1960 or later. Your income is low and the brackets sit mostly empty. Then RMDs arrive and fill those brackets on their own, every year, whether you need the money or not. And an RMD can't be converted. It has to come out as taxable income first, and only what you convert beyond it goes to Roth. Wait too long, and the RMD eats the very room you'd have used to convert. Use the window while it's open.

Two: Two Lifetimes, Not One

While you're both alive, you file jointly, with the widest brackets you'll ever have. When one of you passes, the survivor files single starting the next year, and the brackets are roughly cut in half. The income barely drops: the survivor keeps the larger Social Security check, and the IRA and its RMDs are still there. Same income, half the room, for the rest of the survivor's life. That's the widow's tax. Those joint brackets are only open while you're both here, so convert more while you're a couple.

Three: Past Both of You

Your silent partner doesn't leave when you do. Most children who inherit an IRA have to empty it within ten years, usually in their own peak earning years, at their top rate. An account you never converted becomes a ten-year tax bill for the people you love most. A Tax-Deferred account is the worst asset you can leave the next generation. A Roth they inherit comes out tax-free.

GO DEEPER **How Social Security Gets Taxed, and Why the Line Never Moves**

Up to 85% of your Social Security can be taxed. How much depends on your "provisional income": your other taxable income plus half your Social Security. Even tax-free municipal bond interest counts toward it. For a married couple, taxation starts at $32,000 and hits the higher tier at $44,000 (single: $25,000 and $34,000).

Those numbers were set in 1983 and 1993 and have never been adjusted for inflation. Your Social Security goes up every year with the cost of living, and your other income rises too, so more of your benefit gets pulled into the tax every year, even if your life hasn't changed.

That's why converting *before* Social Security starts is so powerful, and why lowering your other income for the long run means less of your Social Security is ever taxed. More on claiming in When Should You Turn On Social Security? and the Social Security Calculator.

GO DEEPER **MEDICARE SURCHARGES AND THE TWO-YEAR LOOKBACK**

Medicare Part B and D premiums go up when your income crosses certain lines. In 2026 the first surcharge starts above $218,000 of income for a married couple, $109,000 single. Medicare looks back two years, so a big conversion at 63 can raise your premiums at 65.

Sometimes it's worth paying the surcharge for a few conversion years to protect twenty years after. Sometimes stopping just under the line is smarter. Either way, it should be a decision, not a surprise. The calculator flags every year you cross it.

THE ROOM

The room most people don't know they have

What surprises people most when I show them their numbers is how much room there is.

In 2026 a married couple can have up to $211,400 of taxable income before leaving the 22% bracket, and $403,550 before leaving the 24%. If inflation has a silver lining, this is it: the brackets are indexed to inflation, and after the price spikes of the last few years they've climbed fast. The top of the 22% bracket was $171,050 in 2020.

Here's how I use that room. **I convert whatever it takes, for however many years it takes, so that every year after, for the next twenty years or more, you never go above the 12% bracket.** That's under today's tax law. If rates go up, it only looks better by comparison. I also leave some money in Tax-Deferred accounts on purpose, enough to pull a flexible amount each year right up to the top of the 12% bracket. That's cheap income, and it's a lever when you need one.

For a couple with a real Tax-Deferred balance, that usually means converting into the 22% bracket, and sometimes the 24%, for the first few years of retirement. That sounds expensive until you see the alternative. Without it, most of the couples I see stay in the 22% bracket for their entire retirement. And it isn't only the rate. When less of your other income is taxable, less of your Social Security is taxable too. You pay a lower rate, on less income, for the rest of your lives.

GO DEEPER **WILL TAX RATES GO UP? WHAT WE KNOW, AND WHAT NOBODY DOES**

Nobody can tell you the year. Anyone who names one is guessing. Here's what I can tell you.

Today's brackets are permanent under current law. They change only when Congress passes a new law, and that takes the House, the Senate and the President. The next time all three can change hands is the 2028 election, so realistically 2030 is the earliest a new law would reach your return.

The pressure behind a change is already on the calendar. Social Security's retirement trust fund is projected to run out in late 2032. After that it can pay only about 78% of benefits unless Congress acts. Federal debt is projected to pass its World War II record by 2030, and the interest on it to top $2 trillion a year by 2036.

And history shows where retirees get hit. When Congress rescued Social Security in 1983, it didn't only raise payroll taxes. It started taxing Social Security benefits for the first time. Ten years later, a deficit bill raised the taxable share to 85%. Neither line has moved since.

How much could rates go up? Don't look forward. Look back. In 2017, today's 12% bracket was 15%, the 22% was 25%, and the 24% was 28%. Going from 12% back to 15% is 25% more tax on the same dollars, in the bracket most retirees live in.

That's why I count a break-even conversion as a win. I can't control what Congress does. I can control how much of your money is still exposed when it does. The calculator has a What if tax rates go up? section: pick a year and an increase and watch what happens. For the example couple below, federal rates 20% higher from 2030 on turn their $518,000 advantage into about $703,000.

AN EXAMPLE

WHAT IT LOOKS LIKE WITH REAL NUMBERS

One household from the calculator, kept simple on purpose. A married couple, 63 and 62, just retired with **$2 million** in IRAs and 401(k)s. They need **$100,000 a year** before tax to live on, rising with inflation. Social Security starts at 67, $34,000 and $22,000 a year, and covers part of that; the rest comes from their savings.

I used 2.5% inflation, 6% growth, and a 4.5% state tax. He passes at 84, and she lives another 11 years as a widow. Their children pay about 25% on what they inherit (the 22% federal bracket plus a typical state tax).

If they convert nothing, their taxes look fine for years, about $5,000 to $8,000 a year. That's what lulls people. Then RMDs start at 75 at about $108,000 a year and climb past $170,000 by 84. The IRA is still nearly $2.9 million when he passes. The survivor files single, lands in the 24% bracket, and pays a

Medicare surcharge every year for the rest of her life. And the kids inherit about $2.1 million of Tax-Deferred money.

On my schedule, they convert about $190,000 to $215,000 a year from 63 through 68, about $1.2 million in all, paying roughly $47,000 to $50,000 a year in federal tax. Those years run into the 24% bracket. Then they never see anything above 12% again, joint or single.

Converting Blind vs. a Schedule

Same couple, same spending, same investments.
Hypothetical example.

	NO CONVERSIONS	MY SCHEDULE
Years above the 12% bracket, after 68	17 of 27	**None**
Share of Social Security taxed, after 68	81%	**49%**
Tax in her 11 years as a widow	about $592,000	**about $12,000**
Tax the children pay	about $520,000	**$0**
Total tax, both lives plus heirs	about $1.48 million	**about $545,000**

Federal and state tax, 2026 law indexed for inflation. Conversions of about $190,000–$215,000 a year, ages 63–68. Children taxed at 25% on what they inherit.

The family ends up with about **$518,000 more after tax**, and about $936,000 less paid in tax along the way. Same people, same spending, same investments. The only difference is the schedule.

One cost to know: those conversion years cross the first Medicare surcharge line, so their premiums go up for a few years while they convert. It's real money, and it's small next to the survivor years it protects.

Smaller balance? The dollars shrink, but the pattern doesn't. And as you're about to see, sometimes the right answer isn't converting at all.

THE OTHER EXTREME

When the Right Number Is Zero

A couple came to me about five years before he retired. He was the only earner. They had about $150,000 in IRAs, built slowly over years of Tax-Deferred contributions, about $300,000 in other savings, and modest living expenses.

We looked hard at Roth conversions, and we didn't do any.

We used about $150,000 to fund a Properly Structured Whole Life policy on him. He wanted his wife protected, and they both wanted money growing Tax-Free that they could pull without making their Social Security taxable. Then we rolled the IRA into a joint lifetime income annuity.

Today they're in their mid-70s, and **they pay zero federal income tax.** The annuity income plus their Social Security keeps them under the line where Social Security gets taxed, and the annuity income sits inside their deductions. So the IRA money they deducted going in comes out for the rest of both their lives without ever being taxed. That's better than a Roth. If they need more, they borrow from the policy, Tax-Free, and it doesn't count toward the Social Security test. When he passes, statistically first since he's three years older, she loses the smaller Social Security check, and the Tax-Free death benefit is there to replace it.

Converting would have meant paying tax today on money that comes out at 0% for life. We built and tested that plan decades out, including the years after his death and the slow creep of Social Security raises against a line that never moves. Every time I meet with them, they're happy. They've taken tax rate risk off the table, and they've covered both risks every retiree faces: living too long and dying too soon.

> *Same tool, opposite answer. A Roth conversion is one tool inside a coordinated plan, not a plan by itself.*

PAYING THE TAX

"How do I pay for that?"

It's the first question everyone asks when they see a conversion year with a $40,000 tax bill. There's no one-size answer, but in my plans the tax usually comes from cash, a MYGA, or a loan against a Whole Life policy.

The policy loan is my favorite, and here's why. The tax gets paid today, with a loan, while the policy's full cash value keeps compounding uninterrupted. The loan gets paid back later with Tax-Free income, and the full death benefit stays in place for the family. One move does three jobs, and it pays off for the next generation too.

What I avoid is paying it from the money being converted, or from anything exposed to market swings. If taking the money to pay the tax creates tax of its own, that has to be in the plan too, or you go over the very line you were converting up to.

GO DEEPER

Paying the tax with a Whole Life policy loan

When you take a loan against a Properly Structured Whole Life policy, you're borrowing from the insurance company with your cash value as collateral. Your cash value doesn't leave the policy, so it keeps earning its guaranteed growth and dividends on the full amount (how dividends are credited on a loaned portion depends on the carrier). Loan interest accrues, and the loan is repaid over time, in many of my plans from the Tax-Free income the conversion created.

So the conversion tax gets paid without selling anything, without pulling from an account that might be down that year, and without interrupting the compounding. And because the death benefit stays in force, the family is still protected while it's all working. More on how this works in The Dollar That Was Doing Nothing.

GO DEEPER

Converting inside an income annuity

Some of my clients roll part of a 401(k) into an annuity that will pay lifetime income, sometimes joint lifetime income. While they wait to turn income on, many of these contracts grow an Income Base, with a starting bonus and a guaranteed roll-up. Lifetime income is figured as the Income Base times a payout percentage. The Income Base isn't cash you can withdraw, and it can grow well past the actual account value, sometimes to double.

Before income starts, many of these contracts allow Roth conversions inside the contract. Say it has $200,000 of account value and a $400,000 Income Base. Convert $100,000 of account value, and half the Income Base, $200,000, moves with it. You pay tax on the account value you convert: the full value before any surrender charges or market value adjustment, including any premium bonus credited to the account, but not the rider's bonus to the Income Base. When income turns on, that portion pays out tax-free (once the Roth five-year rule and age 59½ are met), figured on the larger Income Base.

The one rule: never pay the tax out of the annuity. That could trigger surrender charges and shrink the Income Base in proportion to what you take.

COORDINATION

Why I ask for every detail

A conversion schedule runs right up to the edge: the top of a bracket, sometimes the top of a Medicare surcharge tier. At the edge, one dollar you forgot to mention can cost real money. So I ask for everything.

Then we model it, and you take this year's plan to your CPA with one question: "Here's our target. Is there anything this year that changes it?" Your CPA isn't building the plan. They're confirming it, or telling us about a small adjustment. That's coordination.

GO DEEPER **THE INCOME PEOPLE FORGET**

The most common one: dividends in a brokerage account that are automatically reinvested. They're taxable that year even though you never touched a dollar. Capital gains distributions from mutual funds are the same: they land on your 1099 whether you sold anything or not. Both count toward the Social Security test and the Medicare line.

Others that catch people: interest on CDs and savings, a part-time paycheck, a pension's cost-of-living raise, selling a rental or a stock, required withdrawals from an inherited IRA. On a conversion sized right to the edge, any of these can push you over it.

YOUR TURN

Run your own numbers

I built a calculator for this, and I want you to use it before you ever talk to me.

Put in your Social Security, pension, dividends, savings, and what you live on. It inflates everything that rises with inflation and holds the Social Security line frozen the way the law does. Then it shows you your **marginal and effective tax rate**, **how much room is left** in each bracket, where you stand against the **Medicare surcharge** line, and how much you'd need to convert each year so that **every year after stays in the 12% bracket**, compared side by side with converting nothing, through both lifetimes and your heirs.

YOUR NUMBERS, NOT MINE

How Much Should I Convert?

Enter your Social Security, other income and savings. It opens on the example couple above, so you can see how it works before you change a thing.

RUN THE ROTH CONVERSION CALCULATOR →

WHERE TO BEGIN

Let's build your schedule

The calculator shows the shape of the decision. Your real schedule depends on everything else: which accounts you hold, the order you draw them, when you claim Social Security, how you'll pay the tax, and who inherits. That's what I build in a Retirement Income Plan, year by year, across both of your lives and the ten years after.

Run the calculator. Then book a Retirement Income Diagnostic and bring your numbers, or email them ahead and I'll have your schedule started before we sit down.

Your silent partner is getting paid either way. The only question is whether you buy them out on your terms, or leave them to set the price with your spouse and your kids.



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BOOK A RETIREMENT INCOME DIAGNOSTIC →

SCAN TO BOOK

About this piece. *The example uses the Forte Life Roth Conversion Calculator with 2026 federal brackets, standard deductions, the extra deduction at 65 and the 2025–2028 senior deduction, all indexed at 2.5% a year, and Social Security's taxation thresholds left unindexed as the law provides. Assumptions: a married couple, 63 and 62, with $2,000,000 in Tax-Deferred accounts and no Roth; a $100,000 yearly income need before tax, rising with inflation, met first by Social Security ($34,000 and $22,000 a year from 67, with yearly cost-of-living raises) and then by Tax-Deferred withdrawals; 6% yearly growth; a flat 4.5% state tax on federal taxable income; required minimum distributions from 75 on the IRS Uniform Lifetime Table; first death at his age 84, a joint return that year and single returns after, with the survivor keeping the larger benefit; plan through her 95th year; heirs taxed at 25% on any Tax-Deferred balance left. The schedule converts the amount that keeps taxable income in every later year at or under the top of the 12% bracket. Conversion and withdrawal taxes are paid from a separate taxable account. Medicare surcharges are flagged, not charged as a cost. The zero-tax couple is a real Forte Life client case, described without identifying details. Results are hypothetical and your situation will differ. Policy loans accrue interest and reduce the death benefit and cash value if not repaid. Annuity features vary by contract.*

Sources. *IRS, 2026 inflation adjustments · IRS Publication 590-B (RMDs, inherited IRAs) · IRS Publication 915 (taxation of Social Security) · SSA, Medicare premiums and IRMAA · SSA History, 1983 Amendments · SSA, 2026 Trustees Report · CBO, Budget and Economic Outlook 2026–2036 · CRFB, analysis of CBO's 2026 outlook*

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