



7 QUESTIONS ABOUT ROTH IRAS

IS A ROTH RIGHT FOR YOUR RETIREMENT?

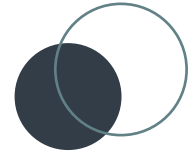




WHAT IS A ROTH IRA?

A Roth IRA is a unique retirement account that gives you the ability to save for retirement on a tax-deferred basis and create tax-free income in retirement.

It's similar to a traditional IRA with a couple key tax differences ...



TRADITIONAL IRA

Contributions may be tax-deductible.
Distributions are taxed as income.

ROTH IRA

Contributions are not tax-deductible. There are no tax benefits from Roth IRA contributions.
Qualified distributions are not taxed.

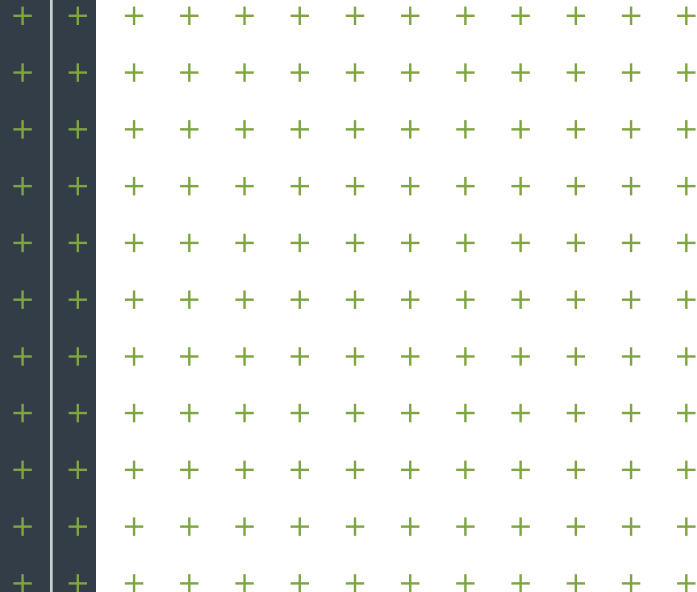
With a traditional IRA, you receive tax benefits on your contributions, but no benefit on your distributions.

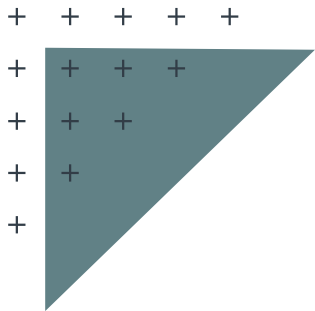
With a Roth IRA, the tax benefits are reversed—no benefit on your contributions, but qualified distributions are tax-free.

WHAT IS A QUALIFIED DISTRIBUTION?

A Roth IRA distributions is "qualified" if it meets the following criteria:

- 1 It is made at least five years after the first contribution to the Roth.
- 2 The distribution is:
 - a Made on or after the date you reach age 59½.
 - b Made because you are disabled.
 - c Made to a beneficiary or your estate after your death.
 - d Made to fund first home purchase under the First Home exceptions rules.





WHO CAN USE A ROTH?

In 2023, you can contribute up to \$6,500 to all of your traditional or Roth IRAs. You can contribute an additional \$1,000 if you are age 50 or older.

Not everyone can contribute to a Roth, though. Roth IRAs have income limits that dictate how much you can contribute or if you can contribute at all.

IN 2023, THE INCOME LIMITS ARE AS FOLLOWS:

	<i>SINGLE</i>	<i>MARRIED FILING JOINT</i>	<i>MARRIED FILING SEPARATE</i>
Full Contribution	< \$138,000	< \$218,000	
Reduced Contribution	\$138,000 - \$152,999	\$218,000 - \$227,999	<\$10,000
No Contribution	\$153,000 and up	\$228,000 and up	\$10,000 and up

WHAT IF YOUR INCOME IS ABOVE THE LIMIT?

Fortunately, there are still some ways to utilize a Roth IRA even if your income is above the threshold for contributions.

YOU'LL SEE HOW TO USE A ROTH EVEN IF YOU EXCEED THE INCOME LIMITATIONS COMING UP.





CAN YOU SWITCH FROM A TRADITIONAL IRA TO A ROTH IRA?

What if you have a traditional IRA but would rather have a Roth IRA? Fortunately, you can achieve that through a mechanism called a Roth conversion.

As the name suggests, a Roth conversion is the process of converting a traditional IRA into a Roth IRA.

IT'S COMPLETED THROUGH THE FOLLOWING STEPS:

- 1 Open a Roth IRA.
- 2 Liquidate the assets in your traditional IRA.
- 3 Transfer assets into the Roth IRA.
- 4 Pay taxes on the converted amount.

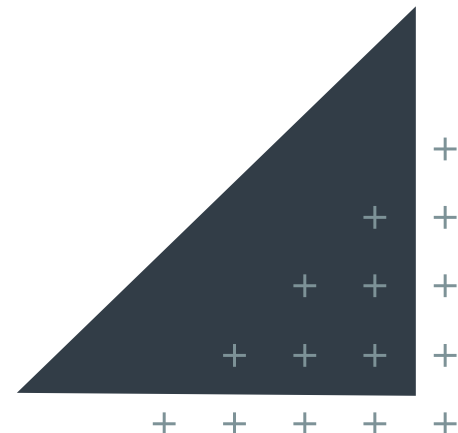
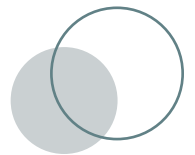
Remember, all distributions from a traditional IRA are taxed as income, even if you're converting it to a Roth. That means you must pay taxes on the converted amount.

However, once that is complete, your assets have the potential to grow tax-deferred in the Roth, and all future qualified distributions will be tax-free.

THE CONTRIBUTION LIMIT WORKAROUND

The Roth conversion can help you utilize a Roth even if your income exceeds the limits. You can simply contribute to a traditional IRA and then convert it to a Roth.

THERE ARE NO INCOME LIMITATIONS FOR A ROTH CONVERSION!





CAN YOU ROLL YOUR OLD 401(K) PLAN BALANCE INTO A ROTH?

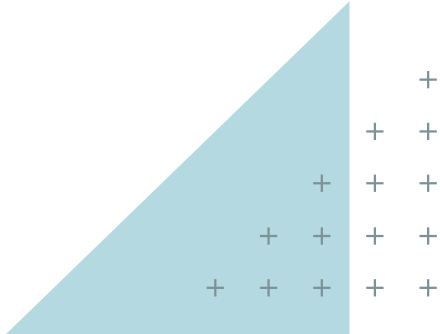
Perhaps you have a 401(k) balance at a former employer, and you want to roll it into a Roth IRA instead of a traditional ... can you do that?

IT DEPENDS.

Some companies offer Roth 401(k) plans that are taxed just like Roth IRAs. If your balance is in a Roth 401(k), then yes, you can roll it into a Roth IRA.

But what if it's a traditional 401(k)? In that case, you could roll the balance into a traditional IRA and then follow the conversion process.

Yes, that means that you will have to pay taxes on the 401(k) balance. But it will also result in a funded Roth IRA that can provide tax-free income in retirement.





WHEN CAN YOU WITHDRAW MONEY OUT OF A ROTH?

To “qualify” for tax-free treatment, your withdrawal must occur at least five years after the first tax-year you made a contribution to the Roth IRA. You also must meet one of the following:

- 1 You are age 59 ½ or older.
- 2 You are disabled.
- 3 Payment is made to a beneficiary or your estate after your death.
- 4 You meet the requirements for the first-time homeowner exception.

However, there may be instances when you need to withdraw money before you are 59 ½. How is that treated in a Roth IRA?

AGAIN, IT DEPENDS.

There are two ways in which “early” distributions can be treated with a Roth:

1 DISTRIBUTION OF CONTRIBUTIONS

With a Roth IRA, you can always withdraw your own contributions tax-free and without penalty. That means if you need to take money from your Roth, you can.

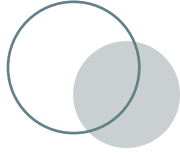
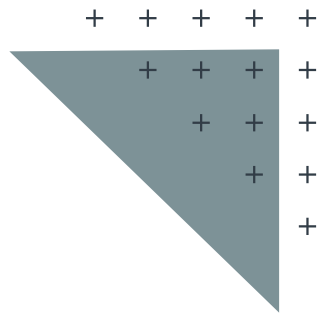
However, it’s important to understand that you’re not just withdrawing your contribution. You’re also losing all future tax-deferred growth on that contribution. If you withdraw too much from your Roth, you could seriously impact your financial future in retirement.

2 DISTRIBUTIONS OF GROWTH

If you withdraw all your contributions and still need more, you’ll have to distribute growth that has accumulated in the IRA. These distributions are treated differently.

Distributions of growth are taxed as income, plus they face a 10% early distribution penalty. That means a distribution of growth before age 59½ could be very costly.





WHAT HAPPENS WHEN YOU PASS AWAY?

As they say, there are two things inevitable in life: death and taxes.

Taxes are a little less inevitable when you have a Roth IRA, but there's no avoiding death.

Like other IRAs and qualified accounts, a Roth IRA gives you the ability to name beneficiaries on the account. When you pass away, your beneficiaries file a death claim with the Roth IRA custodian. Each beneficiary then receives their share of the account.

Remember, payment to a beneficiary after your death is a "qualified" distribution. That means the distributions are tax-free, assuming the account was open more than five years.





WHAT INVESTMENT OPTIONS ARE AVAILABLE?

Just like with a traditional IRA, Roth IRAs offer a wide range of investment options. With most IRA custodians, you can invest in just about anything in your Roth, from stocks to bonds to mutual funds and even annuities.

Your retirement investment strategy should be based on your unique needs and goals. There's no universal investment strategy that is right for everyone. Consider your objectives and your specific risk tolerance before selecting your allocation.

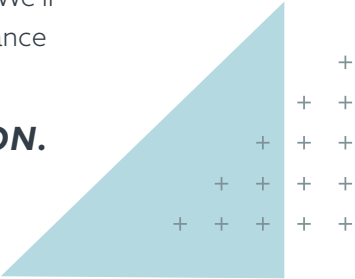
NOT SURE IF YOU HAVE THE RIGHT INCOME STRATEGY IN PLACE? LET'S TALK ABOUT IT.

We welcome the opportunity to discuss your goals for retirement. We'll help you analyze your retirement income options and review insurance products that could help turn your retirement vision into reality.

LET'S CONNECT AND START THE CONVERSATION.

NAVIGATING THE RETIREMENT REDZONE

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