Which Conversion Strategy Is Right for Your Client?

A side-by-side comparison of 1-Year, 5-Year, and Bracket Ride Roth conversion strategies — modeled through lifetime with full Income Related Monthly Adjusted Amount (IRMAA), Social Security, and Net Present Value (NPV) analysis.

TRADITIONAL IRA

$1.2M

7% annual return

RETIREMENT AGE

65

5-yr conversion window

HOUSEHOLD INCOME

$325K

Drops to $125K at 65

SAVINGS BALANCE

$500K

Taxable accounts

CLIENT PROFILE: SALLY JOHNSON

Age 60, married filing jointly (spouse also 60). Household income $325,000/yr. $1.2M Traditional IRA and $500K in taxable savings both growing at assumed 7% annual rate of return. Plans to retire at 65 with annual retirement income of $125,000/yr.

THE CHALLENGE

Absent proactive planning, Sally's Traditional IRA is projected to grow substantially by the time required minimum distributions (RMDs) begin at age 73. Those future RMDs are expected to generate significant taxable income potentially pushing the household into higher marginal tax brackets, increase Social Security taxation, and trigger IRMAA surcharges.

THE WHY

Sally's interest in Roth conversions is two-fold. First, she would like to reduce, or eliminate, future RMDs to improve tax control in retirement. Second, she wants to leave her children a more tax-efficient, potentially tax-free inheritance with a Roth IRA.

THE HOW

How aggressive should Sally's conversion be? There is no single "correct" answer. The optimal strategy depends on how Sally prioritizes: upfront tax certainty versus future tax-rate risk, long-term IRMAA and Medicare premium efficiency, and total lifetime—and legacy—after-tax NPV.

THREE STRATEGIES COMPARED — LIFETIME OUTCOMES THROUGH AGE 87

Strategy	Lifetime Taxes	IRMAA / SS Impact	After-Tax IRA to Heirs	Total NPV
No Conversion (baseline)	$168,604	—	$787, 816	**$1,799,907**
1-Year Conversion	**$452,599**	**+$56,616**	**$2,137,056**	**$2,234,159**
5-Year Conversion	**$392,571**	**+$47,972**	**$2,137,056**	**$2,254,674**
Bracket Ride (24%)	$340,683	**($18,336)**	**$2,137,056**	**$2,199,416**

5-Year Conversion delivers the strongest total NPV for this profile. Bracket Ride wins on lifetime taxes but carries IRMAA exposure during the Medicare lookback window.

BREAK ANALYTICS OUTPUT: SCENARIO DETAIL

Generated directly from Break Analytics platform — lifetime tax, after-tax wealth, and heir outcomes through age 87.

Scenario 1 — 1-Year Conversion

- Converts entire $1.2M IRA in year one — largest single tax event at $452,599.
- Completed before 2 year Medicare look-back period, creating largest positive IRMAA impact: +$56,616.
- Same $2,137,056 Roth inheritance as other strategies. Total NPV: $2,234,159.
- *Best for: clients prioritizing IRMAA certainty over tax efficiency.*

PV Comparative Summary Balances, Taxes & Fees, Net Spending & QCD	No Conversion 2053	+ / -	Conversion 2053
Net Traditional IRA	787,816	(787,816)	0
Roth IRA	0	2,137,056	2,137,056
Savings	1,012,091	(971,604)	40,487
Taxes	168,604	283,995	452,599
Roth Conversion SS Taxes & IRMAA Fees Impact	0	56,616	56,616
Net Spending	0	0	0
QCD Activity	0	0	0
NPV CV	1,799,907	434,252	2,234,159

Scenario 2 — 5-Year Conversion

- Spreads conversion over 5 years — saves ~$60K in taxes vs. 1-year approach.
- Two IRMAA ripple years as conversions extend through retirement at 65, still creates a positive IRMAA impact: +$47,972.
- Strongest total NPV of all strategies at $2,254,674.
- *Best for: clients who want tax savings with a clear timeline before RMDs begin.*

PV Comparative Summary Balances, Taxes & Fees, Net Spending & QCD	No Conversion 2053	+ / -	Conversion 2053
Net Traditional IRA	787,816	(787,816)	0
Roth IRA	0	2,137,056	2,137,056
Savings	1,012,091	(942,444)	69,647
Taxes	168,604	223,967	392,571
Roth Conversion SS Taxes & IRMAA Fees Impact	0	47,972	47,972
Net Spending	0	0	0
QCD Activity	0	0	0
NPV CV	1,799,907	454,767	2,254,674

Scenario 3 — Bracket Ride (24% bracket annually)

- Lowest lifetime tax bill at $340,683 — $112K less than 1-year approach.
- Conversions extend 13 years into Medicare window creating a negative lifetime IRMAA impact: ($18,336)
- NPV of $2,199,416 — below 5-year due to IRMAA drag despite lower taxes.
- *Best for: clients with longest horizon who can tolerate some IRMAA exposure.*

PV Comparative Summary Balances, Taxes & Fees, Net Spending & QCD	No Conversion 2053	+ / -	Conversion 2053
Net Traditional IRA	787,816	(787,816)	0
Roth IRA	0	2,137,056	2,137,056
Savings	1,012,091	(931,395)	80,696
Taxes	168,604	172,079	340,683
Roth Conversion SS Taxes & IRMAA Fees Impact	0	(18,336)	(18,336)
Net Spending	0	0	0
QCD Activity	0	0	0
NPV CV	1,799,907	399,509	2,199,416

KEY TAKEAWAYS FOR ADVISORS

- **5-Year Conversion wins on total NPV** — $20K ahead of the 1-year approach and $55K ahead of Bracket Ride.
- **Bracket Ride cuts the tax bill most** — but IRMAA exposure during the Medicare lookback window reduces overall NPV.
- **All strategies produce the same Roth inheritance** — $2,137,056 tax-free to heirs. The difference is what Sally pays along the way.
- **Timing relative to Medicare matters.** The 5-year conversion completes at 65, limiting IRMAA to two ripple years.
- **The right strategy depends on the client's priorities.** The numbers make the trade-offs clear — the conversation becomes easy.