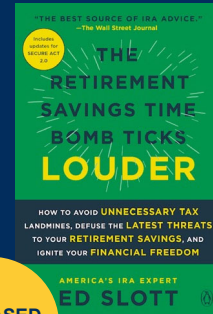


Ed Slott, CPA

AMERICA'S IRA EXPERT | SPEAKER | TELEVISION PERSONALITY | BEST-SELLING AUTHOR

- Named "The Best Source for IRA Advice" by *The Wall Street Journal*
- The go-to resource for media on breaking news affecting retirement tax planning
- One of the top pledge drivers of all time with his popular public television specials
- Creator of Ed Slott's Elite IRA Advisor GroupSM
- Most recently published *The Retirement Savings Time Bomb Ticks Louder* (2024)



RELEASED
2024

MEDIA HIGHLIGHTS



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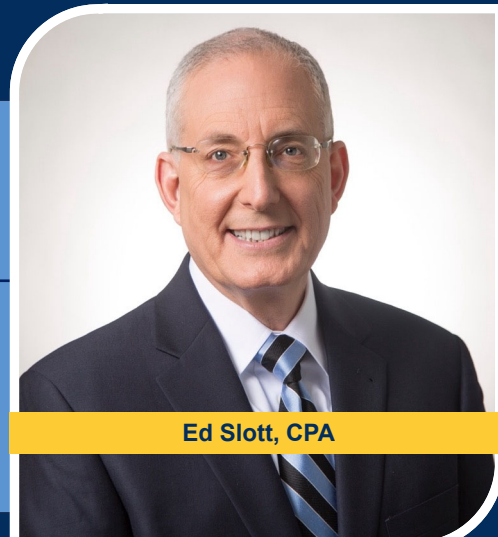


Optimizing IRAs and Roth Conversions After OBBBA and the SECURE Act

One Big, Beautiful Opportunity for Roth & Estate Planning

The tax code just changed—*again*.
Are you ready to lead the conversation?

October 30, 2025



Ed Slott, CPA

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Navigating the Perfect Storm of Opportunity for Financial Advisors

Time is ticking to lock in historically low tax rates
and transform client outcomes!

Big Picture Retirement Planning Solutions

- Ignore RMDs!
Think **Maximum!** ... *not Minimum*
- Instead of RMDs driving distributions...
Let tax planning drive the distribution planning

Ed Slott's Always Rule:

***Always* pay taxes
at the lowest rates.**



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Redefining RMDs

When it comes to withdrawals:

- Stop thinking **minimum**
- Start thinking **maximum**

Take advantage of ***voluntary*** distributions
(***Un***-Required Distributions - URDs)
before they are required.



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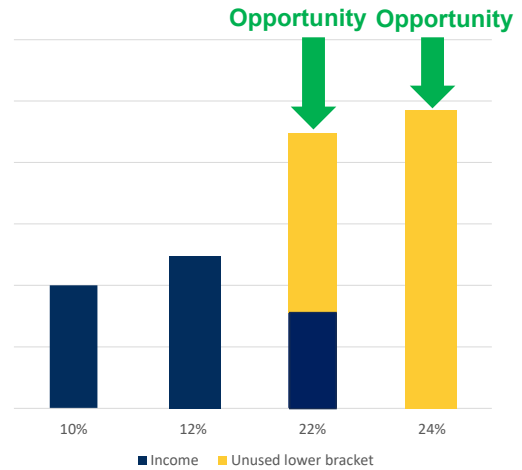
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Don't Waste Lower Tax Brackets

- **Minimum Mentality:**
Only taking what is required, likely resulting in **more taxes long term.**
- **Maximum Mentality:**
Use up lower tax brackets every year.
Do not waste them.
- **Unused lower brackets = lost forever**
Resulting in larger tax bills later *at likely higher rates.*

Think: How much can be withdrawn each year while using the lower tax brackets –12%, 22%, 24%.



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History of Top Federal Income Tax Rates By Year

1913	7%	1936	79%	1959	91%	1982	50%	2005	35%
1914	7%	1937	79%	1960	91%	1983	50%	2006	35%
1915	7%	1938	79%	1961	91%	1984	50%	2007	35%
1916	15%	1939	79%	1962	91%	1985	50%	2008	35%
1917	67%	1940	79%	1963	91%	1986	50%	2009	35%
1918	77%	1941	81%	1964	77%	1987	38.5%	2010	35%
1919	73%	1942	88%	1965	70%	1988	28%	2011	35%
1920	73%	1943	88%	1966	70%	1989	28%	2012	35%
1921	73%	1944	94%	1967	70%	1990	28%	2013	39.6%
1922	58%	1945	94%	1968	70%	1991	31%	2014	39.6%
1923	58%	1946	91%	1969	70%	1992	31%	2015	39.6%
1924	46%	1947	91%	1970	70%	1993	39.6%	2016	39.6%
1925	25%	1948	91%	1971	70%	1994	39.6%	2017	39.6%
1926	25%	1949	91%	1972	70%	1995	39.6%	2018	37%
1927	25%	1950	91%	1973	70%	1996	39.6%	2019	37%
1928	25%	1951	91%	1974	70%	1997	39.6%	2020	37%
1929	25%	1952	92%	1975	70%	1998	39.6%	2021	37%
1930	25%	1953	92%	1976	70%	1999	39.6%	2022	37%
1931	25%	1954	91%	1977	70%	2000	39.6%	2023	37%
1932	63%	1955	91%	1978	70%	2001	39.1%	2024	37%
1933	63%	1956	91%	1979	70%	2002	38.6%	2025	37%
1934	63%	1957	91%	1980	70%	2003	35%	2026	37%
1935	63%	1958	91%	1981	70%	2004	35%		



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2025 Tax Rates

Taxable Income Brackets for 2025 Ordinary Income Tax Rates

Marginal Tax Rates	Married Filing Jointly	Single
10%	\$0 – \$23,850	\$0 – \$11,925
12%	\$23,851 – \$96,950	\$11,926 – \$48,475
22%	\$96,951 – \$206,700	\$48,476 – \$103,350
24%	\$206,701 – \$394,600	\$103,351 – \$197,300
32%	\$394,601 – \$501,050	\$197,301 – \$250,525
35%	\$501,051 – \$751,600	\$250,526 – \$626,350
37%	Over \$751,600	Over \$626,350

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income



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Capitalize on Inflation & Taxes

Inflation Benefits

Yes, inflation is a problem, **but when it comes to tax planning, it's an opportunity.**

The cost-of-living increases (inflation-adjusted amounts) expand tax brackets & other tax benefits.

Key planning point for 2025, and beyond:

The new Tax Bill has extended the major tax cuts, PERMANENTLY!

More income can now pass through the lower brackets than ever before.



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The Clock Is Ticking on Low Tax Rates

Capitalize on Historically Low Tax Rates!

Today's tax rates are among the lowest in history,
...**and they have just been extended.**
....But who knows for how long?

Now is the time to act—**locking in these rates
for your clients' benefit and ensuring a
tax-optimized future.**



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SECURE ACT

Setting Every Community Up for Retirement Enhancement Act of 2019

► Old law: Pre-2020

Stretch IRA for all designated beneficiaries –
*individuals named on the IRA or plan beneficiary forms,
and qualifying trusts*

● SECURE Act – Effective 2020:

Stretch IRA was eliminated – *replaced with a 10-year
payout for most non-spouse beneficiaries, **except for**
“Eligible Designated Beneficiaries”*

“

**Don't be fooled by the
name Congress gave to
their recent raid of your
retirement savings.**

They call the law the 'SECURE Act,'
but it does the exact opposite when it
comes to the retirement funds
you leave to your children and
grandchildren.

– Ed Slott, CPA, America's IRA Expert
Author of *The New Retirement Savings Time Bomb*

”



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IRS RMD Regulations: Eligible Designated Beneficiaries

WHICH BENEFICIARIES CAN STILL STRETCH THEIR INHERITED IRAS?

Eligible designated beneficiaries (EDBs) — 5 classes:

1. Surviving spouses
2. Minor children of the account owner (until age 21), but *not* grandchildren
3. Disabled individuals
4. Chronically ill individuals
5. Individuals not more than 10 years *younger* than the IRA owner

Effective date: For deaths *after 2019*.
For deaths *in 2019 or prior years*, the *pre-SECURE Act* (**Stretch IRA**) rules would apply.



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Rethinking Retirement Tax Planning for 2025, and Beyond

3-Step Action Plan - After the SECURE Act:



IDENTIFY

- Identify clients (and beneficiaries) who need to be contacted now!
- Clients with the largest IRA balances



EXPLAIN

- Explain the new problems created by the SECURE Act and IRS Regulations
- Explain why their current retirement, tax or estate plans may no longer work as planned



SHOW

- Show them alternative planning solutions.
 - Rethinking retirement tax planning
 - Reverse traditional planning strategies
 - Create a plan to capitalize on low tax rates and larger tax brackets due to inflation



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3-Step Action Plan - *After* the SECURE Act:



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Identify - Which IRAs Are Most Affected?

< \$500,000

Largely unaffected

These IRA balances will likely be consumed during a lifetime.

\$500,000 – \$1MM

Somewhat affected

A good portion of these IRA balances might be consumed during a lifetime, and the remaining funds to beneficiaries spread out over 10 years would not have a major tax impact.

\$ Multi-MM IRAs

BIG impact!

A good chunk of these IRA balances may be left to beneficiaries and often in trusts.

Urgent!
Planning options for these large IRAs are critical.



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Why IRAs Are Now The Worst Asset for Wealth Transfer

The SECURE Act makes IRAs one of **the worst assets for wealth transfer & estate planning.**

Leaving IRAs to trusts? **Even worse!**

The tax-deferred growth in IRAs must be squeezed into a short 10-year window after death—**resulting in a massive tax time bomb.**



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The ALAR Rule

10-YEAR RULE



Final regs issued by IRS on July 18, 2024!

Require RMDs for years 1-9, if death is on or after the required beginning date.

The balance would have to be withdrawn by the end of the 10 years after death.



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The ALAR Rule

AT LEAST AS RAPIDLY RULE

The Big Problem!

Per IRS final regulations – When death occurs **on or after the RBD (required beginning date)** – **ALAR applies** - According to IRS, **once RMDs begin, they cannot be turned off.** They must continue.

While it does not require the same amount that was taken by the IRA owner to also be taken by the beneficiary, it does require that the process of taking RMDs continue.

Per 2024 IRS Final Regs:

Beneficiaries subject to the 10-year rule, who inherit from someone who dies **on or after the RBD, must take annual RMDs for years 1-9, AND the 10-year rule also applies.**



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The ALAR Rule

AT LEAST AS RAPIDLY RULE

Translation:

Both rules apply when death is on or after the RBD

1. The “at least as rapidly” rule which requires RMDs each year after death
2. The 10-year rule – where all funds in the inherited IRA must be withdrawn by the end of the 10th year after death



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The ALAR Rule

IRS FINAL REGS ISSUED 7-18-24

RBD (required beginning date) is an RBD
(Really **BIG** Deal!)

Example:

IRA owner dies at age 75 (after the RBD), and his beneficiary is his son, age 50. The son is a designated beneficiary and is subject to the 10-year rule but must also take “stretch IRA” RMDs for years 1-9, since death was after the RBD.



RMDs will be required for years 1-9, and the balance must be withdrawn by the end of the 10-year term!



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The ALAR Rule

IRS FINAL REGS ISSUED 7-18-24

Roth IRA Advantage

Same facts - Roth IRA Example:

Roth IRA owner dies at age 75, and his beneficiary is his son, age 50. The son is a designated beneficiary and is subject to the 10-year rule. **No distributions are required until the end of the 10-year term**, since death was before the RBD, regardless of the age of the deceased Roth IRA owner.



Caution! 5-year rule if no designated Roth beneficiary

All Roth IRA owners are deemed to have died **before their RBD**, so Roth designated beneficiaries will not have to take RMDs for years 1-9. They can wait until the end of the 10-year term to withdraw the balance in the inherited Roth account. **Big Roth IRA advantage!**



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IRA Trusts May Longer Work!

DOWNGRADED

Trusts are downgraded as a planning strategy after the SECURE Act, and the 2024 regulations do not change that.

Most trust beneficiaries will still need to empty an inherited IRA in 10 years.

Conduit trusts no longer work

Why? All funds must be withdrawn from the inherited IRA by the end of the 10th year after death, but RMDs could be required for years 1-9 if death occurs after the required beginning date (RBD).

After the 10 years:

- **100% RMD at that point.**
- All inherited IRA funds would be released to the beneficiaries, nullifying any further trust protection – **exactly the opposite of what the client wanted!**



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IRA Trusts May Longer Work!

DOWNGRADED

Discretionary Trusts (Accumulation Trusts)

These will still work, but at a potentially **heavy tax cost**.

- **Years 0→10** Trustee can spread payouts to the trust (or trust beneficiaries) over the 10 years
- **Year 10→** After 10 years, **someone will pay the tax on the entire IRA balance**:
 - Either the **trust**, at high trust tax rates (if the funds are held to be protected); **or**
 - By the **individual beneficiaries** at their own rates – *but then the funds are no longer protected in the trust*



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IRA Trusts May Longer Work!

DOWNGRADED

After the SECURE Act:

Traditional IRAs are the worst assets to leave to a trust.

Post-death control and protection would come at too high of a tax cost.

Roth IRA Solution:

Roth IRAs will work better here; no trust tax when the funds go to the trust or to the trust beneficiaries.

Life Insurance (an even better solution):

- Life insurance is a better, more flexible and customizable asset to leave to a trust
- Life insurance can work better for funding trusts for **special needs beneficiaries**



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Leaving IRAs to trusts? **Even worse!**

The tax-deferred growth in IRAs must be squeezed into a short 10-year window after death—**resulting in a massive tax time bomb.**



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Rethinking Retirement Tax Planning for 2025, and Beyond

3-Step Action Plan - After the SECURE Act:



IDENTIFY

- Identify clients (and beneficiaries) who need to be contacted now!
- Clients with the largest IRA balances



EXPLAIN

- Explain the new problems created by the SECURE Act and IRS Regulations
- Explain why their current retirement, tax or estate plans may no longer work as planned



SHOW

- **Show them alternative planning solutions.**
 - Rethinking retirement tax planning
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Big Picture Retirement Planning Solutions

- Ignore RMDs!
Think **Maximum!** ... *not Minimum*
- Instead of RMDs driving distributions...
Let tax planning drive the distribution planning



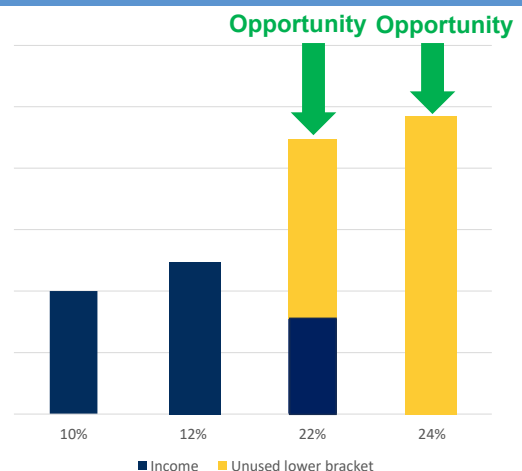
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Don't Waste Lower Tax Brackets

- **Minimum Mentality:**
Only taking what is required, likely resulting in **more taxes long term.**
- **Maximum Mentality:**
Use up lower tax brackets every year.
Do not waste them.
- **Unused lower brackets = lost forever**
Resulting in larger tax bills later *at likely higher rates.*

Think: How much can be withdrawn each year while using the lower tax brackets –12%, 22%, 24%.



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Stop Adding Fuel to the Fire!

Stop contributing to Traditional IRAs and 401(k)s

- **Contributions to Traditional IRAs and 401(k)s will only increase future tax burdens.**
 - Consider Roth IRAs and Roth 401(k)s instead.
- **What about tax deductions?**
 - Tax deductions today are not worth tomorrow's higher tax rates.
- **What about the 401(k) company match?**
 - It can go into a Roth 401(k).



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A BETTER Plan

Take Control of Your IRA Now

Start reducing your IRA balances now while tax rates are low:

- ✓ **Roth Conversions:** Shift to tax-free growth.
- ✓ **Life Insurance:** Create a tax-free legacy.
- ✓ **Charitable Planning:** Minimize taxes while maximizing impact.

Don't wait for the tax time bomb to explode!



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☒ **Show Alternative Planning Solutions**

Rethinking Retirement Tax Planning



Roth Conversions

Take control of future taxes



Life Insurance

Moves to the top of the solutions list, replacing IRAs



Charitable Tax Planning with IRAs

QCDs
(Qualified Charitable Distributions)
CRTs
(Charitable Remainder Trusts)



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Roth IRA Conversion Planning

Roth conversion opportunity: 2025... and Beyond?

How much can be converted at the lowest tax rates?

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Roth Conversion Evaluation

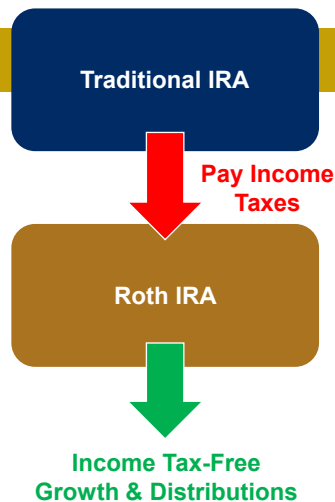
Basic Roth Conversion Concepts

Income taxes will be due on the Roth conversion

- Roth conversions are **permanent**.
- They *cannot* be undone.
- Income tax, at ordinary income tax rates, will be paid on all pre-tax funds converted to the Roth IRA.

Roth IRAs grow **tax-free**

- Once the funds are in the Roth IRA, they will grow **income tax-free** for the life of the Roth IRA owner.
- But Roth IRAs are included in the estate.



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Roth Conversions

Basic Roth Conversion Concepts

Roth IRA distributions can be withdrawn **tax-free**

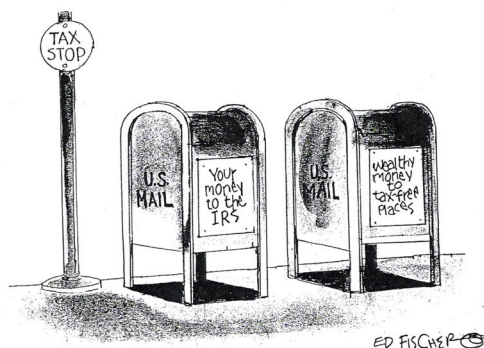
If the Roth IRA funds are held

- For 5 years **AND**
- Until age 59 ½

Then all distributions will be **tax-free**,
including distributions to Roth IRA beneficiaries.

No Lifetime RMDs for Roth IRA owners

- Most non-spouse beneficiaries will be subject to the 10-year payout rule under the SECURE Act.



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Rethinking Retirement Tax Planning for 2025, and Beyond

Benefits of a Roth Conversion

▲ Roth IRA distributions can be withdrawn tax-free

- Tax-free income in retirement keeps taxable income low, even if tax rates increase.
- The Roth IRA will compound income tax-free, for beneficiaries, too.

▲ Qualified distributions are tax-free

- Held for 5 years since first Roth conversion or contribution, **AND**
- Age 59½, **OR**
- Disabled, **OR**
- Death (paid to a beneficiary), **OR**
- First-time homebuyer – *Up to a \$10,000 lifetime limit*



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Roth Conversion Evaluation

Benefits of a Roth Conversion: *Reasons to Convert*

▲ Pay taxes **once**, and ***never again***

▲ Tax Insurance: A Roth conversion **locks in today's low tax rates**

- ***How much can be converted at the lowest tax rates?***

▲ Roth IRAs **remove the uncertainty** of what future tax rates might be.

▲ If future tax rates increase, tax-free Roth IRA income will be **more valuable**.



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Roth Conversion Evaluation

Benefits of a Roth Conversion: *Reasons to Convert*

- ▲ **Tax risk diversification:** Roth IRAs increase funds that will be free of future taxes
- ▲ **Tax-free income in retirement**
 - Keeps taxable income low, *even if tax rates increase*
 - If future tax rates increase—tax-free Roth IRA funds will be *more valuable*.
- ▲ **RMD Benefit – Roth IRAs have *NO RMDs during lifetime*.**
 - Also, there are no lifetime RMDs for a spouse who moves inherited Roth IRA funds over to his/her own Roth IRA (a spousal rollover). *Avoids the “Widow’s Penalty”*
 - A younger or surviving spouse can extend the time that Roth funds are not subject to RMDs.



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Roth Conversion Evaluation

Benefits of a Roth Conversion: *Estate Planning Benefits of Roth IRAs*

- ▲ A Roth conversion can **reduce the estate** (*from the taxes paid on the Roth conversion*)
- ▲ Roth funds can be **gifted income tax-free** to reduce the estate (*qualified Roth distributions*)
- ▲ **State estate tax benefit** for states with lower estate tax exemptions than the federal
- ▲ Roth conversion can **eliminate double tax—income and estate tax**
 - If the estate will be subject to state estate tax, there is no IRD deduction for state estate tax



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Roth Conversion Evaluation

Benefits of a Roth Conversion: *Estate Planning Benefits of Roth IRAs*

- ▲ A Roth conversion is a gift to beneficiaries
 - paying a tax that they would otherwise have to pay (possibly at higher future tax rates)
- ▲ Post-death tax planning flexibility under the SECURE Act 10-year rule
 - No annual post-death RMDs, except at the end of the 10th year
 - Provides more tax-efficient post-death planning and control



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Roth Conversions – to Solve the IRA Trust Tax Problem

Benefits of a Roth Conversion: *Estate Planning Benefits of Roth IRAs*

The SECURE Act eliminated the stretch IRA for most non-spouse beneficiaries
– Including most trusts

Exception: “Eligible Designated Beneficiaries” (EDBs) still get the stretch IRA

- ▲ Roth IRAs are a **better asset to leave to a trust** when post-death control is needed.
- ▲ Roth conversions can **avoid high trust taxes for heirs if a trust is the IRA beneficiary:**
 - Post-death distributions to the trust are **tax-free**.
 - **SECURE Act** – Most trusts will be subject to the 10-year payout rule after death. However, the inherited Roth funds paid out to the trust can be **held and protected in the trust, even after the 10 years.**

2025 Trust Tax Rates

10%	\$0 - \$3,150
24%	\$3,151 - \$11,450
35%	\$11,451 - \$15,650
37%	Over \$15,650



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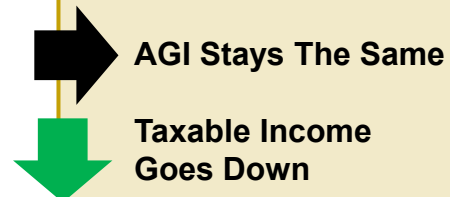
Roth Conversion Evaluation

Benefits of a Roth Conversion: OBBBA 2025 Impact

These new OBBBA deductions can **reduce the tax cost of Roth conversions**, or **allow more conversions**.

Note: These deductions do **not** reduce AGI, but they **do** reduce *taxable income*:

- \$6,000 deduction for seniors
- Increased standard deductions
- Increased SALT deductions
- Deductions for tips
- Deductions for overtime
- Qualifying interest on auto loans
- Charitable deduction for non-itemizers (not available until 2026)



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Roth Conversion Evaluation

Drawbacks of Roth Conversions: *Reasons Not to Convert*

- ▼ **Tax must be paid upfront** – this means paying a tax that could otherwise be deferred if no conversion is done.
- ▼ **Roth IRA conversions *cannot be undone*** (recharacterized).
Once the conversion is done, the tax is owed and must be paid.
- ▼ **Legislative Risk** – Can you trust Congress to keep its word? ***Of course not!***



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Roth Conversion Evaluation

Drawbacks of Roth Conversions: *Reasons Not to Convert*

Side Effects of Roth Conversions

▼ Roth conversions **increase adjusted gross income (AGI)**.

▼ Added Roth conversion income **triggers stealth taxes and loss of tax benefits** that get phased out, including itemized deductions, credits and other tax benefits based on AGI.



But that only happens in the year of the Roth conversion.

- Tax on Social Security
- Medicare Part B and D premiums - IRMAA Charges
- 20% qualified business income deduction
- 3.8% tax on Net Investment Income
- Financial aid eligibility + other education-related tax benefits
- Medical deductions – *must exceed 7.5 of AGI*
- Real estate losses



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Roth Conversion Evaluation

Drawbacks of Roth Conversions: *Reasons Not to Convert*

When a Roth conversion might not pay:

Don't convert if the funds **may be needed soon** after the conversion.

- ▶ Roth benefits are better when the Roth funds are **held long-term**, so that all distributions will be tax and penalty-free (qualified distributions).

▼ **The 10% early distribution penalty applies** to converted amounts **withdrawn in the first 5 years** of each conversion (*but only until age 59 ½*).



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Roth Conversion Evaluation

Drawbacks of Roth Conversions: *Reasons Not to Convert*

When a Roth conversion might not pay:

- ▶ **Will future tax rates for the client or beneficiary be lower?**
 - Will **beneficiaries** be in **lower brackets**?
- ▶ **Are there multiple beneficiaries?**
 - The tax brackets can be split, leveraging the lower tax brackets – *even with a 10-year payout period.*
 - **Example:** 3 beneficiaries can spread the income tax over 30 tax returns, using up the lower brackets on each tax return.



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Roth Conversion Evaluation

Drawbacks of Roth Conversions: *Reasons Not to Convert*

Tax Deductions Could be Lost

Wasted Tax Deductions

- ▼ **Roth conversions will reduce or eliminate the balance in Traditional IRAs**, so future deductions, losses or lower brackets might be wasted.
- ▶ **Don't convert if IRA funds may be needed to fund upcoming expenses, or for charitable contributions** (e.g., high medical expenses, business losses, QCDs).
- ▶ RMD income and other taxable IRA distributions can be offset with these deductions.



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Roth Conversion Evaluation

Opportunity Cost Argument

The opportunity cost argument:

The funds used to pay the conversion tax could have been otherwise invested, and that investment return opportunity is lost.



► **Not True!** This argument *does not hold up!*

It's all about the Tax Rates

- There is **NO** opportunity cost in terms of lost investment gains *if the tax rates are the same* both at conversion and later at distribution.



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Roth Conversion Evaluation

Opportunity Cost Argument

This is not well understood, but the math is clear.
It's all about the tax rates.



"It's not an accounting breakthrough, Sam. It's wrong."
CartoonStock.com

- **If tax rates (and earnings) are the same, the net after-tax result will be the same** whether the IRA funds stay in the Traditional IRA or are converted to a Roth IRA.



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Roth Conversion Evaluation

Opportunity Cost Argument

NO ROTH CONVERSION	WITH ROTH CONVERSION
\$100,000 Traditional IRA Balance x 2 (<i>Doubles in value over lifetime</i>)	\$100,000 Traditional IRA Balance - \$30,000 (30% tax)
\$200,000 -\$60,000 (30% tax)	\$70,000 x 2 (<i>Doubles in value over lifetime</i>)
\$140,000 net	\$140,000 net

The net return is the same if tax rates stay the same...

However, the Roth IRA advantage compounds over time if tax rates increase.



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Roth Conversion Evaluation: Projecting the Tax

WHAT WILL A ROTH CONVERSION COST

● **Avoid surprises at tax time next year**

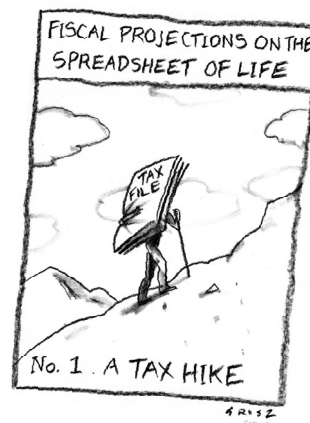
● **Roth conversions cannot be undone!**

The **Tax Cuts and Jobs Act** eliminated Roth conversion recharacterizations – so the tax will be owed.

● **Critical Issue:**

How much will the Roth conversion cost in taxes?

An accurate tax projection will be essential **before** going ahead with any Roth conversion.



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2025 Tax Rates

Taxable Income Brackets for 2025 Ordinary Income Tax Rates

Marginal Tax Rates	Married Filing Jointly	Single
10%	\$0 – \$23,850	\$0 – \$11,925
12%	\$23,851 – \$96,950	\$11,926 – \$48,475
22%	\$96,951 – \$206,700	\$48,476 – \$103,350
24%	\$206,701 – \$394,600	\$103,351 – \$197,300
32%	\$394,601 – \$501,050	\$197,301 – \$250,525
35%	\$501,051 – \$751,600	\$250,526 – \$626,350
37%	Over \$751,600	Over \$626,350

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income



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Roth Conversion Evaluation

**Worst case scenario =
ZERO Percent tax rate**

You cannot beat a zero percent tax rate!



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Life Insurance Planning

The Power of Life Insurance

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The Power of Life Insurance

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While IRAs may be moving to the trash heap for estate planning, life insurance gets bumped up to the top of the list of tools for creating your perfect estate plan.

Life insurance may now be the new stretch IRA.

— Ed Slott, CPA, America's IRA Expert
Author of *The New Retirement Savings Time Bomb*

”

▲ **Upgrade: Life insurance** moves to the top of the list as an estate and tax planning vehicle for the largest IRAs.

▼ **Downgrade: IRA trusts** will move to the bottom of the list (or possibly become extinct) under the proposed tax rules.

► **Life insurance can replace the benefits of the stretch IRA and IRA trusts.**

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The Power of Life Insurance

Benefits for IRAs Under the SECURE Act

▲ More tax efficient

- Life insurance death benefit proceeds are **income tax-free** to beneficiaries
- Life insurance can also be **estate tax-free** – *set up outside the estate*

▲ More flexibility

- Life insurance is a better, more flexible and customizable asset to leave to a trust
- Life insurance can work better for funding trusts for **special needs beneficiaries**



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The Power of Life Insurance

Benefits for IRAs Under the SECURE Act

Simplicity

▲ No RMDs

▲ No complex tax rules

- No rigid stretch IRA trust provisions
- No IRA custodian issues

▲ No trust tax on the life insurance proceeds paid to the trust (*earnings on the proceeds though will be taxable*)



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The Power of Life Insurance

Benefits for IRAs Under the SECURE Act

▲ Life insurance trusts can be *customized* to simulate the stretch IRA over *any payout period desired*

- Trustee can have the power to keep the funds protected in the trust without having to incur a trust tax (other than on annual earnings); *or*
- The trustee can invade the trust for beneficiaries

▲ Life insurance provides *leveraged wealth transfer*

More funds can go to the eventual beneficiaries and with less tax than if the IRA was left directly to the beneficiaries or to an IRA trust



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The Power of Life Insurance

Benefits for IRAs Under the SECURE Act

Time for an Upgrade!

The old IRA plan won't work anymore for tax-efficient wealth transfer

Change the vehicle! Upgrade to a Limo – a *Life Insurance Limo*

Gain the 3 Big Benefits Every Client Wants:

- ▶ Larger Inheritances
- ▶ More Control
- ▶ Less Tax



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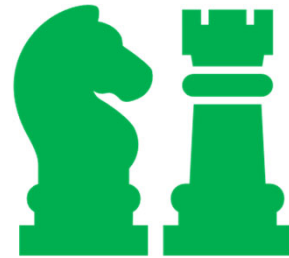
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The Power of Life Insurance

Ed Slott's Life Insurance Replacement Plan

Exchange **BAD** assets for **GOOD** assets

- ✓ **Pay down IRA during lifetime** — **pay tax at current low rates, over a number of years** (**Not before age 59 ½** - to avoid a potential 10% early withdrawal penalty)
- ✓ After-tax funds can be used to purchase life insurance
- ✓ If a trust is needed, the life insurance can be paid to an insurance trust (ILIT)
- ✓ **Reduces current income tax** by eliminating RMDs on IRA funds withdrawn



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The Power of Life Insurance

Considerations & Drawbacks

▼ Only for funds specifically earmarked for beneficiaries

This is a long-term strategy that must be committed to – **clients need to understand this**

▼ Limited lifetime access:

This strategy assumes the IRA funds will not be needed during lifetime (which is likely the case for large IRAs); other (non-IRA) funds will need to be available for lifetime use.

- **However**, policies may provide access to funds via policy loans or enhanced lifetime benefits for healthcare emergencies

▼ Not everyone is insurable

- **Alternative:** Annuities may provide lifetime, long-term care and death benefits **without underwriting required**



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The Power of Life Insurance

3 Big Benefits Every Client Wants

3 Big Benefits Every Client Wants:

- Larger Inheritances
- More Control
- Less Tax



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QCDs / Charitable Tax Planning

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Qualified Charitable Distributions (QCDs)

What is a QCD? A direct transfer of IRA funds to a qualifying charity—the *most tax-efficient way to make charitable gifts.*



Pros: IRAs are the best assets to give to charity

Reduces taxable IRA balances at **no tax cost.**

- + Direct transfer to a qualifying charity.
 - + Charity gets the **full amount.**
 - + Client does **not** have to claim as income.
- + Up to \$100,000 per year for each IRA owner (**NOT per account**).

Note: SECURE 2.0 Act Update: **Beginning in 2025, the limit is increased to \$108,000.**



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Qualified Charitable Distributions (QCDs)

The SECURE Act and SECURE 2.0

SECURE 2.0 raised the RMD age to 73,
...but the QCD age remains 70 ½

- QCDs should still be done, even if there is no RMD income to offset.
- Allows clients to remove IRA funds at a **ZERO tax cost.**
- If they are giving to charity anyway, and they qualify for QCDs, then this is the way they should be doing their giving.



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Qualified Charitable Distributions (QCDs)

Cons:

- Only available to IRA owners or IRA beneficiaries age 70 ½ or older.
- Not available from company plans.
- Cannot go to a donor-advised fund or private foundation.

SECURE 2.0 Act of 2022 Update:

A one-time QCD of \$50,000 (\$54,000 for 2025) can go to a split-interest entity, such as a charitable remainder annuity trust, charitable remainder unitrust or a charitable gift annuity. But donor-advised funds still do not qualify.



"I can grant your wish for a billion dollars, but you can't wish away filling out an IRS Form W-9."

CartoonStock.com



Bottom Line: Focus on your clients that do qualify.



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Charitable Remainder Trusts (CRTs)

Charitable Remainder Trusts (CRTs) – Coupled with Life Insurance

Upside:

- ▲ Best for the larger IRAs – *if coupled with life insurance*
- ▲ If your client is charitably inclined, CRTs can simulate the stretch IRA, with yearly payouts to beneficiaries for a term of years or life
- ▲ Tax-free to CRT – *no income tax on the transfer to the CRT*
- ▲ Estate tax deduction based on time period



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Charitable Remainder Trusts (CRTs)

Charitable Remainder Trusts (CRTs) – Coupled with Life Insurance

Downside:

- ▼ Funds go to charity after the beneficiary dies, but if the beneficiary is in poor health, **funds may go to the charity earlier than planned**
 - *However - the funds can be replaced tax-free with life insurance on the beneficiary*
- ▼ There is **no payout to a successor beneficiary**
- ▼ The longer the beneficiary lives and receives payments from the CRT, the greater the CRT benefit
- ▼ **Won't work for very young beneficiaries**; they won't satisfy charitable requirements when a charity has to wait too long for their money



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Charitable Remainder Trusts (CRTs)

Charitable Remainder Trusts (CRTs) – Coupled with Life Insurance

Downside:

- ▼ **No lifetime access for lump-sum payments.** *Beneficiaries won't have access to lump-sums, even for emergencies (only annual distributions), but clients may want that kind of protection*
- ▼ CRTs have **ongoing trust administration costs** – *only worth it for larger IRAs*
- ▼ CRT distributions will be **taxable to the beneficiaries** – *beginning as ordinary income*
- ▼ **CRT payouts are subject to Tier ordering rules** under IRC Section 664(b) "Character of Distributions":
1) ordinary income; **2)** capital gains; **3)** tax-exempt; **4)** tax-free-return of principal



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Big Picture Retirement Planning Solutions

- Ignore RMDs!
Think **Maximum!** ... *not Minimum*
- Instead of RMDs driving distributions...
Let tax planning drive the distribution planning



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Big Picture Retirement Planning Solutions

THE “M” IN RMD STANDS FOR “MINIMUM.” IT DOES NOT MEAN “MAXIMUM.”

- **Ignore RMDs!**
Think **Maximum**, Not **Minimum**
- **Start trimming 401(k) and IRA balances now,**
using up today’s historically low tax brackets.

Roth Conversions

Life Insurance

Charitable Tax Planning



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2025 Tax Rates

Taxable Income Brackets for 2025 Ordinary Income Tax Rates

Marginal Tax Rates	Married Filing Jointly	Single
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OBBBA 2025 – Advisor Action Steps

What to review with clients now

❑ Tax & Income Strategies

- ❑ Consider **Roth conversions** while lower rates + senior deduction apply
- ❑ Use **new standard deduction** and **SALT** cap to boost itemizing
- ❑ Take advantage of new deductions for **tips and overtime**

❑ Small Business Planning

- ❑ Reevaluate **QBI** eligibility under expanded rules
- ❑ Flag **new charitable deduction** for non-itemizers (2026)

❑ Family & Estate Updates

- ❑ Adjust planning for increased **child tax credit**
- ❑ Consider **Trump Accounts** for child gifting (2026)
- ❑ Confirm **estate/gift plans** align with new permanent exclusions



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2025 – Action Steps

- ☐ Identify and contact affected clients to inform them on the tax rule changes eliminating the stretch IRA – *they should hear this from you!*
- ☐ Explain the new planning challenges with IRAs after the SECURE Act
 - ☐ IRAs are now a poor asset for wealth transfer or estate planning
 - ☐ Rethink traditional retirement tax planning with alternative solutions
 - ☐ Consider pre-RMD planning to take advantage of inflation and low tax rates
 - ☐ Think *maximum* rather than minimum IRA distribution planning
- ☐ Consider **Roth Conversions** for clients
 - ☐ Evaluate the pros and cons
 - ☐ Connect and review this with clients' tax advisors



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2025 – Action Steps

- ☐ Consider **Life Insurance Solutions** for clients
 - ☐ Have this conversation with clients who have large IRAs at risk of future higher taxes (*Not before age 59 ½* if withdrawing from IRAs to fund the life insurance, to avoid a potential 10% early withdrawal penalty)
 - ☐ The SECURE Act has *downgraded IRAs* as a wealth transfer vehicle, and *UPGRADED Life Insurance* as a better estate planning option – *Upgrade the plan with Life Insurance*



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2025 – Action Steps

- ☐ Consider **Life Insurance Solutions** for clients
 - ☐ Life Insurance is a more flexible vehicle for funding trusts
 - ☐ Life Insurance works better than IRAs for funding special needs trusts
 - ☐ Explain how life insurance can be used to replace the benefits of the stretch IRA and provide a better estate plan, with larger inheritances, more control and less tax.



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2025 – Action Steps for Advisors

- ☐ Encourage the client to review all IRA and Plan beneficiary forms (especially the **Largest IRAs** where substantial sums will be left to beneficiaries):
 - ☐ Evaluate the post-death tax impact
 - ☐ Evaluate post-death protection and control desired – will a trust be needed?
 - ☐ Check **contingent beneficiaries** to provide post-death flexibility if situations or tax rules change
- ☐ Advise clients on charitable tax planning strategies using IRAs
 - ☐ **IRAs are the best assets to give to charity**
 - ☐ QCDs – Qualified Charitable Distributions
 - ☐ QCDs can reduce RMD taxes
 - ☐ Leave IRAs to charity using CRTs (Charitable Remainder Trusts) / coupled with life insurance



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Big Picture Retirement Planning Solutions

- Ignore RMDs!
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Let tax planning drive the distribution planning



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A photograph of Ed Slott, a man in a dark suit and glasses, standing at a podium and smiling. The background is a large screen displaying the word "IRA" in large, white, block letters.

The logo for Ed Slott and Company, LLC, featuring the text "ED SLOTT" in a bold, sans-serif font, with "AND COMPANY, LLC" in a smaller font below it, all enclosed in a rectangular border.

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Thank You!

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