

**Roth IRA conversion Variables & Software order form**

The **following list of variables** has been taken from the **new multi-page output** from my **new Roth conversion software**.

If you are not prepared to talk intelligently with your clients about this very important subject, **you better get ready**. 2010 is almost here and all of your clients who are potential candidates for converting a traditional IRA to a Roth IRA are going to want to know if it's a good idea.

Unless you are using "accurate" Roth conversion software, you will have **NO ability to be helpful**. I encourage you to look around to find software that deals with "all" of the needed variables in order to determine if a Roth IRA conversion makes sense. I've looked and couldn't find one which is why I created my own software that has what I call the only "real world" output in the industry. **By: Rocco DeFrancesco, JD, CWPP, CAPP, MMB**

**Roth IRA Conversion Order Form**

Name: \_\_\_\_\_

Organization: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

2. Payment to Accompany Form:  Check Payable to Rocco DeFrancesco  Credit Card Total \$\_\_\_\_\_ 3 digit CC ID: \_\_\_\_\_

3. Credit Card Payment Options:  Visa or MC Number: \_\_\_\_\_ Exp. Date: \_\_\_\_\_

I would like to order access to the online **Roth Conversion Calculator** software that is being offered by TriArc Advisors, LLC.

\_\_\_\_\_ I agree to pay a licensing fee to use the software in an amount of **\$500 a year**. **THIS LICENSING FEE IS FOR ONE USER AND NOT FOR AN ENTIRE INSURANCE AGENCY OR MARKETING ORGANIZATION. IF YOU NEED MULTIPLE LICENSES, PLEASE CONTACT TRIAC FOR A DIFFERENT ORDER FORM.**

\_\_\_\_\_ I work with **Strategic Marketing Partners, LLC** and would like access to the Roth IRA Software for **FREE**. I understand that I have a **production requirement** to keep access to the software for free. I agree to place \$250,000 of fixed annuity premium through SMP, LLC ([www.strategicmp.net](http://www.strategicmp.net)) or an affiliated/designated IMO (marketing organization) (\$10,000 of target premium for life insurance sales will suffice). I agree to get licensed with at least one insurance company through SMP, LLC within 30 days of signing this agreement.

I understand and agree that if I do not get licensed through SMP, LLC with an insurance company within 30 days of this agreement and if I do not place \$250,000 of fixed annuity business with SMP, LLC or an affiliated/designated IMO (or \$10,000 of target life premium) within six months of obtaining access to the software, I authorize TriArc Advisors, LLC to charge my credit card \$500. If I choose to pay for the calc, I am agreeing to pay the fee and be setup with annual billing. I understand that I will automatically be billed every year unless I send an e-mail to [info@strategicmp.net](mailto:info@strategicmp.net) indicating that I want to cancel my subscription.

Return completed education registration form and payment to:

TriArc Advisors, LLC: [info@thewpi.org](mailto:info@thewpi.org) or 3260 S. Lake Shore Dr., St. Joseph, MI 49085.

Fax: **313-887-0532**. Phone: 269-216-9978. **The address above needs to be the billing address for the credit card.**

## Roth Conversion Software Variables

As stated in the beginning of this report, the reason this is the only accurate software available today is because of the amount of variables used. Most software takes into account only a handful of variables when running the numbers. This easy/lazy way to run numbers skews the numbers and makes nearly every Roth IRA conversion scenario favorable for the person wondering whether a conversion makes sense.

The fact of the matter is that, when you take into account the variables listed in the upcoming pages, a Roth IRA conversion will not make sense for most people.

The following are the real-world variables used to drive the output provided in this report. It cannot be stressed enough how important it is to use all of the following variables. To run numbers based on fewer variables simply will not provide you an accurate look at whether a Roth IRA conversion will make sense for you.

**Age**—you have to input your age at conversion to use as a starting point for the entire calculation.

**Traditional/Non-Roth IRA account balance**—this is the amount in the non-Roth IRA **prior to** conversion.

**Filing Status for your income tax return**—this helps the system determine the amount of income taxes paid upon conversion. This helps create a much more accurate calculation than simply putting in a level-income tax rate percentage.

**Modified Adjusted Gross Income (AGI) at conversion**—the software needs your AGI so an accurate calculation of the income taxes due upon conversion can be calculated.

**State income taxes**—the system allows for input in case you are in a state with a state income tax. While some states have a progressive income tax similar to the Federal tax, the system only allows for a level tax. The added complexity to build a system to account for the income tax laws of 50 states was not worth adding to the system. You must have an input for state income taxes in order to calculate the total income taxes due upon conversion.

**Pay income taxes due at conversion using IRA funds (Yes or No)**—any Roth IRA conversion software must calculate the numbers for both scenarios.

**Gross Rate of Return**—this is the rate of return inside the IRA (Roth or non-Roth) as well as the “gross” rate of return in the “side fund.” With most fact patterns, the higher the rate of return, the more sense it will make to convert (although it’s not a significant factor).

**Mutual Fund Expenses**—in order to run “real-world” numbers, you must factor in expenses of the investments (in the Roth IRA, traditional IRA, and “side fund”).

**Money Mgmt Fee**—some people pay professional money managers to invest their money. That cost must be factored into any conversion calculation.

**Cost Basis of Assets used to pay taxes**—a small group of people will have \$50,000-\$500,000+ in CDs or money-market accounts that can be used to pay the tax. However, most people, if they have the wealth to pay the taxes due on the conversion, will have it in stocks or mutual funds. For those people, they will have to sell their stocks/mutual funds to pay the income taxes due at conversion. If there is a gain on the sale of these assets, that will have a dramatic effect on how financially beneficial a Roth IRA conversion will be (and not in a positive manner). The software allows your advisor to input the cost basis of the stocks/mutual funds that will be sold to pay the tax.

**Short-/Long-Term Ratio**—this allows your advisor to tell the software the mix of short-/long-term capital gains taxes due on the sale of the stocks/mutual funds sold to pay the taxes due on the IRA conversion. Paying the income taxes due by selling low or lower basis stocks/mutual funds has a very detrimental effect on the viability of a Roth IRA conversion. (Also, the system does not allow for a calculation of what happens if you are selling stock at a loss).

**Future Blended Federal/State Income Tax Rate**—while we have no idea what your future income tax rate will be when you remove money from a traditional or Roth IRA, it is a needed input to create a best-guess output. I forecast calculation can't be done without this input. It is likely that income taxes will be rising in the near and distant future. However, keep in mind that most people who stop working and retire will have their income reduced or significantly reduced (aside from affluent clients who will typically remain in the highest tax bracket in retirement).

**Short-/Long-Term Capital Gains/dividend tax rate on growth of the “side fund”**—because one of the calculations requires the funding of a “side fund,” the system requires your advisor to assume a blended short-/long-term capital gains/dividend tax rate on the growth of the money in that “side fund.” Depending on whether you are a buy-and-hold investor, an active investor, or someone who likes growth stocks/mutual funds or ones that create dividend income, your advisor will either input a higher or lower blended annual tax rate on the growth.

**Begin withdrawal at age**—you have to tell the system when you want to start your retirement income so a comparison of total after-tax income when converting vs. not converting can be created.

**Years to withdraw**—again, to make a comparison to determine if you will receive more after-tax income by converting or not converting, the system requires an input for the number of years you want to take retirement income. The system is designed to draw down your IRA and “side fund,” if any, and your Roth IRA to zero at the end of the withdrawal period.

**Estimated Social Security Benefits received in retirement**—removing money from a taxable IRA may affect the amount of income taxes due on your social security benefits (yes, your SS benefits may be taxed in retirement). If you are in a high income-tax bracket in retirement, adding income from withdrawals from a traditional IRA will not affect the taxes due on your SS benefits because you will already be paying the maximum amount of taxes on those benefits because of your non-IRA income. However, if you have a low income in retirement when you are also receiving SS benefits and then add to that withdrawals from a traditional IRA (which increases your AGI), such IRA distributions will increase the amount of income taxes due on your SS benefits (and, as such, need to be taken into consideration in any Roth IRA conversion software).

Distributions from a Roth IRA do not affect the income taxes paid on SS benefits in retirement.

**Other Retirement Income (AGI not including SS benefits)**—the software needs to know what your estimated AGI will be in retirement in order to determine if adding taxable income from a traditional IRA will affect the income taxes due on your SS benefits.

### **Summary of Variables**

As you can see, trying to determine if it makes financial sense to convert a traditional IRA to a Roth IRA is not as simple as it sounds. It's not as simple as most of the free online calculators make it seem.

Running Roth IRA conversion calculations is very complicated, and this report is the only one of its kind in the industry today that takes into account the previously listed variables. The software could actually have more variables, but the addition of them would have such a small effect on the output that they are not worth adding.

TriArc Advisors, LLC, wants you to understand that as the creator of this software there is NO hidden agenda. TriArc has no vested interest in the outcome of your particular report. That is not the case with many of the software programs in the industry, which were designed in an effort to create a positive outcome so that advisors can counsel clients to convert their traditional IRAs to Roth IRAs. Why? So the advisor has an excuse to talk with new clients in an effort to show value and pick up business.

Any advisor using this software program is interested in providing their clients with a “real-world” answer to the question of whether a Roth IRA conversion makes sense. This is the case because the TriArc Advisors, LLC, software is not the easiest calculator in the industry to use (actually it's probably the most difficult to use); and the outcome for most clients will be that a conversion makes no financial sense or that the benefit is so minor it's not worth going through the hassle of converting.