



Hack the Tax Code:

Why 2025 Is the Year for Roth Conversions

Making the Most of 2025's Tax Code for Roth Conversions

As 2025 draws to a close, high-income earners face a pivotal moment in tax planning. For many investors, a Roth IRA conversion can be one of the most powerful tools to manage future tax liabilities, increase retirement flexibility, and strengthen long-term financial goals.

In this whitepaper, we will explore why Roth conversions are worth considering, the current tax landscape, potential long-term impacts, and advanced strategies available to high-income earners.

If you have questions as you review this information, please don't hesitate to reach out. I'm here to help you make informed, confident decisions about your financial future.

Why Consider a Roth Conversion Now?

A Roth conversion is the process of moving funds from a traditional IRA into a Roth IRA, paying income taxes on the converted amount today in exchange for tax-free growth and withdrawals in the future.

For high-income earners, the potential benefits can be especially compelling, and here is why:

Eliminate required minimum distributions (RMDs)

Roth IRAs are not subject to RMDs, giving you greater control over when and how you use your retirement savings.

According to the IRS, RMDs are the minimum amounts one must withdraw from their retirement accounts each year by December 31. Individuals typically start to take withdrawals when they reach the age of 73. There is one caveat: withdrawals from Roth IRAs and Designated Roth accounts (401(k) or 403(b)) are not required until after the death of the account owner. However, beneficiaries of Roth IRAs and Designated Roth accounts are subject to RMD rules.

Support long-term estate planning

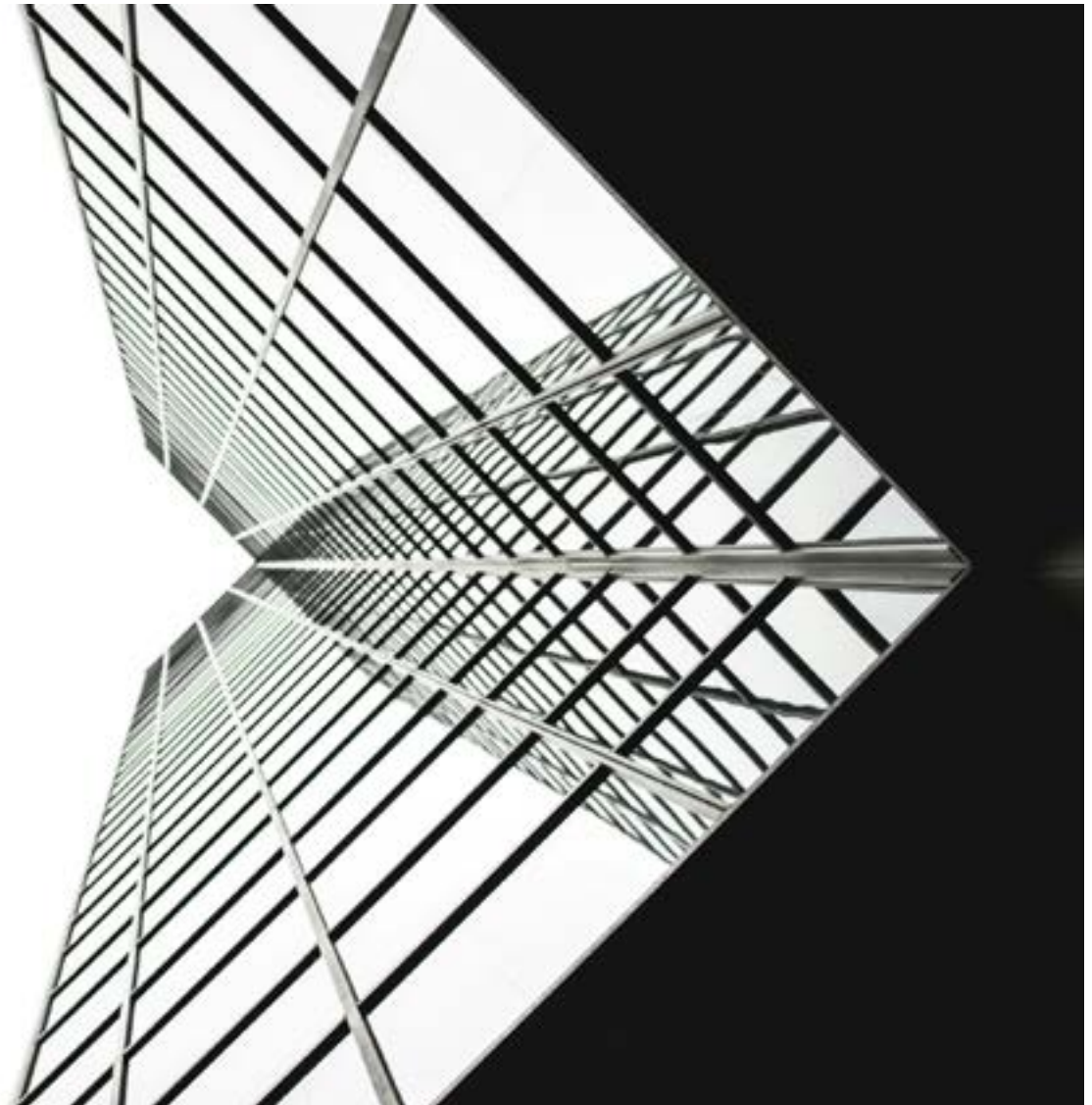
Passing on a Roth IRA to heirs can provide tax-free income for up to 10 years, reducing the tax burden on the next generation. There are several sophisticated ways estate planning can help you prepare for the next generation. Estate planning, especially for those who need more advanced guidance, can be difficult and even a little scary to DIY. If you are nearing retirement and have questions about estate planning or advanced estate planning, please contact us today at 800.491.3214 so we can further discuss the positive impact our services could potentially have on your financial legacy.

The 2025–2026 Tax Landscape

One of the most pressing reasons to consider a Roth conversion now is because of the tax law changes enacted on July 4, 2025, under the “One Big Beautiful Bill Act” (OBBBA). This legislation represents the most significant overhaul of federal tax policy since the 2017 Tax Cuts and Jobs Act (TCJA).

Want to learn more about OBBBA and what it could mean for you?

Check out this video featuring our chief investment officer & president of wealth management, Scott Duba, and Managing Partner at Hartman Wanzor McNamara, LLP, Josh McNamara, CPA.



Long-Term Financial Impact

As far as the long-term financial impact goes by initiating a Roth conversion, high-income earners could expect the following financial advantages:



Cash Flow in Retirement

Shifting retirement assets into a Roth can help make sure that future withdrawals don't push individuals into higher tax brackets, helping preserve more retirement income.



Flexibility

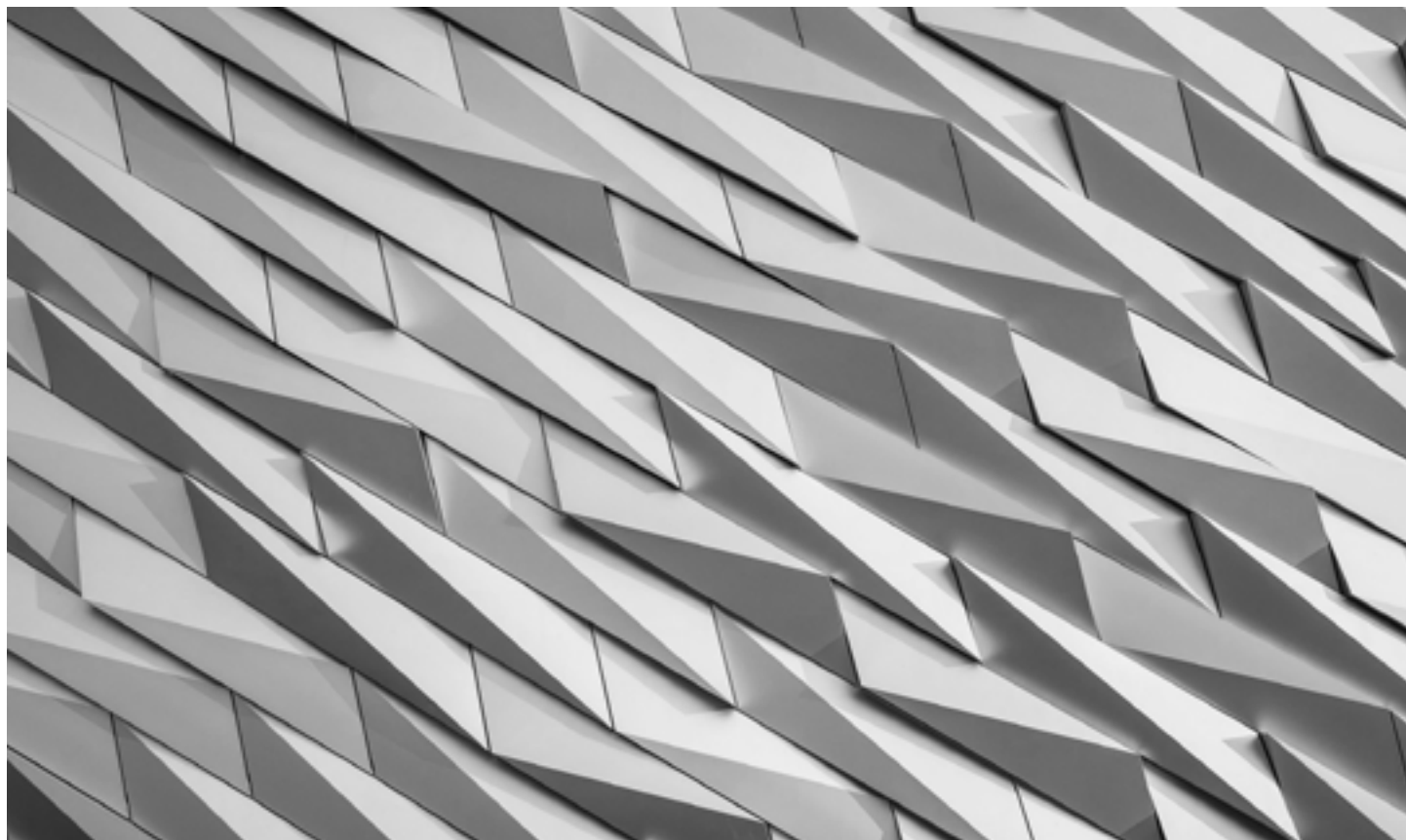
Because Roth IRAs are not subject to required minimum distributions (RMDs), individuals can gain greater control over their taxable income in retirement.



Estate Planning

Roth IRAs can be passed on to heirs with withdrawals that remain tax-free for up to 10 years, making them a powerful tool for multi-generational wealth transfer.

It's important to work with your financial advisor to determine if these advantages align with your overall retirement and estate planning strategy.



Advanced Strategies for High-Income Earners

While a straightforward Roth conversion can be valuable on its own, high-income earners often have access to more complex strategies that maximize efficiency and minimize tax impact. Below are several advanced strategies worth considering:

1. Backdoor Roth Conversions

For those who exceed income limits for direct Roth contributions, the “backdoor” strategy allows you to make nondeductible contributions to a traditional IRA and then convert them to a Roth. While subject to the IRS “pro-rata rule,” it can be an effective way to build tax-free retirement assets over time.

2. Mega Backdoor Roth

High earners with access to certain 401(k) plans can contribute after-tax dollars beyond the standard limit, then convert those contributions to Roth within the plan or via rollover.

3. Partial Conversions

Converting in stages allows you to manage the tax liability, avoid being pushed into higher tax brackets in a single year, and spread the tax impact across multiple years.

4. Pairing Conversions with Charitable Giving

Using donor-advised funds or qualified charitable contributions can offset the taxable income generated by a Roth conversion, making the strategy even more efficient.

Implementing the right Roth conversion strategy now can reduce long-term tax burdens, increase retirement flexibility, and strengthen your overall wealth plan.

Preparing Now, 4 Key Takeaways

Don't wait until December 2025 to act. Effective planning may require:

- Coordinating with your financial advisor, CPA, and estate attorney.
- Reviewing the tax liability of different conversion amounts.
- Identifying assets best suited for conversion.
- Considering charitable offsets or loss harvesting in taxable accounts.

Now is the time to explore whether a Roth conversion fits into your broader wealth plan.

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Sources

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<https://taxfoundation.org/data/all/federal/obbba-average-tax-cuts-impact-map/>

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