

AHWATUKEE FOOTHILLS NEWS

Roth IRA Conversion Carries Big Tax Benefits



June 7, 2023 by Dr. Harold Wong

It was not until taking Ph.D. level courses at UC Berkeley that I was exposed to the advanced concept of economic opportunity/cost benefit analysis. While attending hundreds of financial seminars over the last 50 years I have never heard any financial expert mention this concept.

Why does this advanced concept matter to you? The world of investments states that to get a higher rate of return, you have to take higher risk. Many investments that promise a very high rate of return result in loss. What if you could become a multi-millionaire by simply taking advantage of the huge economic opportunity benefit of Roth IRA Conversion tax savings?

Case Study: About a year and a half ago I met a retired nurse whose physician husband, passed away years before. She had \$5 million of financial assets (of which \$1.2 million was in a traditional IRA). Her normal taxable income was \$190,000. In 2022, we did a \$600,000 Roth IRA Conversion, which increased her taxable income to \$790,000. In 2022, her federal income tax would have been \$242,000 and AZ income tax about \$16,500, for a total of \$258,500. She will convert the other half of her traditional IRA in 2023.

Tax Solution: She purchased \$420,000 of solar business equipment that was leased long-term to giant food companies. It generated \$365,400 of tax deductions and \$109,200 of solar tax credits (30% of the \$420,000 solar business equipment). It reduced her normal federal income tax to

\$0, but she will owe about \$25,000 of Alternative Minimum Tax. She will receive an annual income of \$29,400 for 10 years and average an 18.5% return. At the end of 10 years, she will sell the equipment back to the company and receive her original investment of \$420,000.

She has \$1.2 million in a traditional IRA and can earn 9% or \$108,000 annually. She's in a combined 28.5% tax bracket, which would be \$30,780 of taxes owed if that \$108,000 was distributed and spent. She estimates she will be alive for at least 20 years then her son will inherit the Roth IRA and enjoy unlimited earnings for the first 10 years.

Using a Hewlett-Packard 12C Financial Calculator, we enter: PMT = \$30,780; I = 9%; N = 30 years; and so FV = Future Value = \$4,573,145 more net worth. She can keep the same investments that were in the traditional IRA but the economic opportunity benefit of saving \$30,780 of annual taxes creates \$4,573,145 more net worth.

We know that not everyone has \$1.2 million in a traditional IRA. What if you had \$600,000 in a traditional IRA or 401k and converted all to a Roth IRA? You would add \$2,286,572 of net worth. This analysis shows the tremendous power of doing large Roth IRA Conversions to create millions more net worth, without taking any more risk in your investments. These examples demonstrate just how important tax savings are. Is there any logical reason why you would not want to

add millions of dollars more net worth to your family?

Attend my Free Live Seminars: Tuesday 6/20/23 or Thursday 6/22/23 at Hyatt Place, 3535 W. Chandler Blvd. Chandler, AZ 85226. The seminar is 6 pm, followed by a Free catered supper. Topic is "Advanced Tax Strategies, including Roth & Multi-Generational IRAs!"

Free Tour/Workshop at Solar Reeper (Refrigeration) Factory: Saturday, 7/08/2023 9am-12 noon. Topic is "How Solar Reefers can Reduce Taxes to \$0 and earn a steady 10-14%!" Lots of tasty refreshments served!

Location is at Advanced Energy Machines: 4245 E. Norcroft Street, Mesa, AZ 85215, ¼ mile SW of McDowell & Greenfield Roads.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

**To schedule your Free Consultation
Contact Dr. Harold Wong at
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Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.