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ROTH CONVERSION PLANNING

ROTH CONVERSION ANALYSIS

Three ways to convert this year.

A side-by-side look at converting nothing, your conversion of $80,900, and filling the 24% bracket — with the full tax cost of each, prepared for discussion with your financial advisor.

TAX YEAR	FILING STATUS	PREPARED
2026	Single	June 8, 2026

SCENARIO A	SCENARIO B	SCENARIO C
$0	$80,900	$103,633
No conversion	Your conversion	Fill the 24% bracket

EXECUTIVE SUMMARY

What each conversion really costs

A Roth conversion is taxed as ordinary income today in exchange for tax-free growth and withdrawals later. The three scenarios below recompute your entire 2026 return — including any capital-gains rate you give up and the 3.8% surtax — so the true cost is visible before you decide.

No conversion

SCENARIO A · BASELINE — LEAVE THE IRA AS IS

CONVERTED TO ROTH

$0

All-in tax cost	–
Effective rate	–
Marginal next $1	22.0%
Top bracket	22%
3.8% NIIT surtax	Avoided

Your conversion

SCENARIO B · YOUR SELECTED AMOUNT

CONVERTED TO ROTH

$80,900

All-in tax cost	$19,878
Effective rate	24.6%
Marginal next $1	27.8%
Top bracket	24%
3.8% NIIT surtax	Applies

Fill the 24% bracket

SCENARIO C · CONVERT TO THE TOP OF 24%

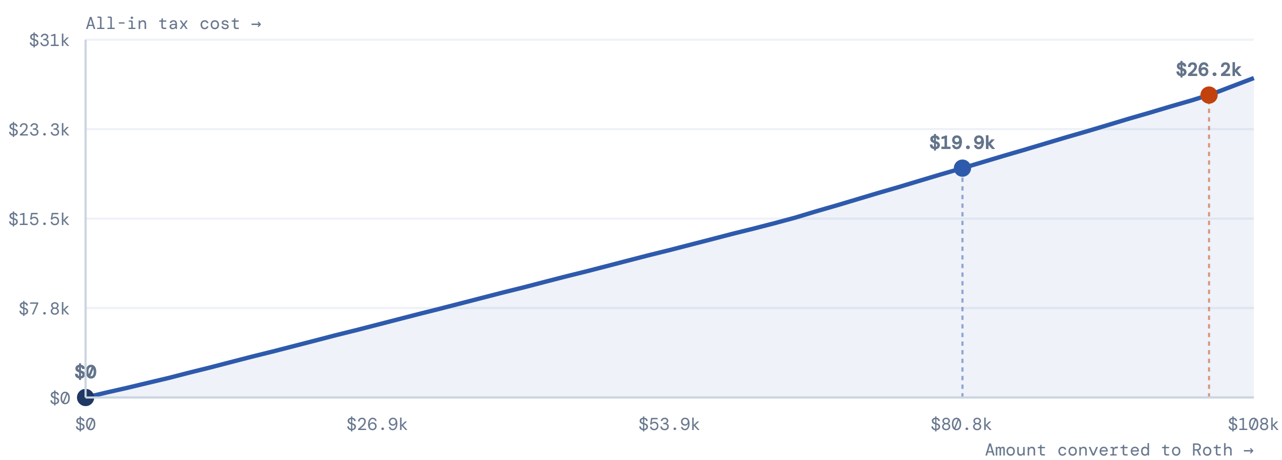
CONVERTED TO ROTH

$103,633

All-in tax cost	$26,198
Effective rate	25.3%
Marginal next $1	35.8%
Top bracket	32%
3.8% NIIT surtax	Applies

COST OF CONVERTING, DOLLAR BY DOLLAR

ALL-IN TAX COST AS THE CONVERSION GROWS — MARKERS SHOW THE THREE SCENARIOS



Your conversion of **$80,900** has an all-in cost of **$19,878**, an effective **24.6%** on the amount converted. For comparison, filling the 24% bracket (**$103,633**) would cost **$26,198** — with the last dollars taxed at **32%**. The steeper the cost curve, the more each added dollar of conversion costs.

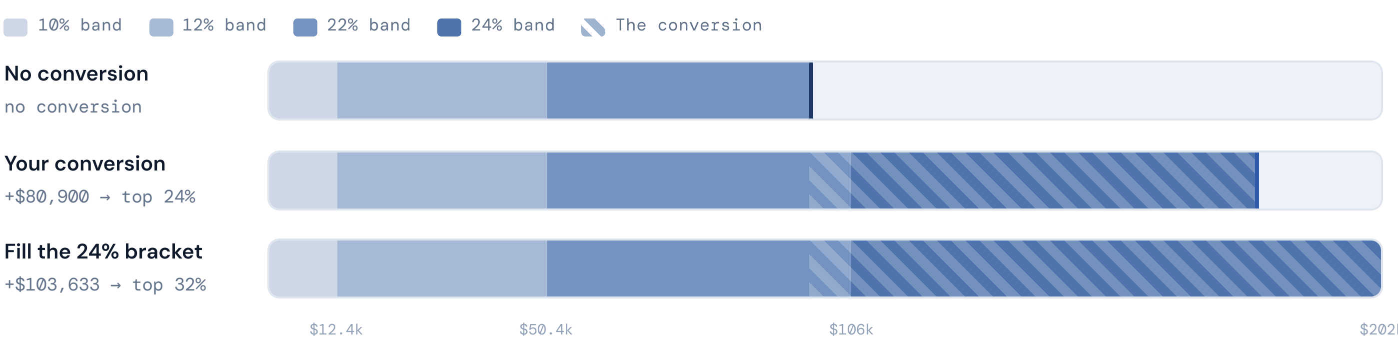
SCENARIO COMPARISON

The three scenarios, side by side

Every figure is recomputed from your complete return. "Marginal next $1" is the rate the very next converted dollar would face — the truest signal of when to stop.

METRIC	A · NO CONVERSION	B · YOUR CONVERSION	C · 24%
Amount converted to Roth	$0	$80,900	$103,633
Ordinary taxable income	$98,142	$179,042	$201,775
MAGI (NIIT basis)	$135,242	$216,142	$238,875
Total tax for the year	$24,428	$44,306	$50,626
All-in cost vs. no conversion	**–**	**$19,878**	**$26,198**
Effective rate on the conversion	–	24.6%	25.3%
Marginal rate on next $1	22.0%	27.8%	35.8%
Top ordinary bracket	22%	24%	32%
3.8% NIIT surtax	Avoided	Applies	Applies

HOW THE CONVERSION FILLS YOUR TAX BRACKETS



Solid color is the income you already report; the hatched portion is the conversion stacking on top, climbing into higher brackets from the bottom. The colored line marks where each scenario stops.

RETURN WALKTHROUGH

Your 2026 return, all three ways

The conversion is ordinary income and fills the brackets from the bottom; qualified dividends and long-term gains stack on top at capital-gains rates. Watch the "Gains taxed at 0%" line shrink as the conversion grows — that lost 0% rate is the cost most calculators miss.

1040 LINE	A · $0	B · $80,900	C · $103,633
INCOME			
Total income	$160,276	$241,176	$263,909
Adjusted gross income	$135,242	$216,142	$238,875
MAGI — NIIT basis	$135,242	$216,142	$238,875
Standard deduction	$16,100	$16,100	$16,100
Taxable income	$119,142	$200,042	$222,775
Preferential income (qual div + LTCG)	$21,000	$21,000	$21,000
Ordinary taxable income	$98,142	$179,042	$201,775
TAX			
Tax on ordinary income	$16,303	$35,568	$41,024
Gains taxed at 0%	$0	$0	$0
Gains taxed at 15%	$21,000	$21,000	$21,000
Tax on capital gains / dividends	$3,150	$3,150	$3,150
Income tax (line 16)	$19,453	$38,718	$44,174
Less foreign tax credit	($161)	($161)	($161)
NIIT (3.8% surtax)	$0	$613	$1,477
Other taxes (excess APTC)	$5,136	$5,136	$5,136
Total tax	**$24,428**	**$44,306**	**$50,626**

Columns are the same return computed at three conversion amounts. The bottom line is the full federal bill; the difference between columns is the true cost of converting more.

TRUE COST BREAKDOWN

Where the cost comes from

Converting can cost more than its bracket rate suggests. Three pieces make up the bill — and the middle one, losing the 0% rate on capital gains, is the part many estimates leave out.

B · Your conversion $19,878

Extra tax on ordinary income	$19,265
Lost 0% capital-gains rate	$0
Extra NIIT (3.8% surtax)	$613
Effective rate	24.6%

C · Fill 24% bracket $26,198

Extra tax on ordinary income	$24,721
Lost 0% capital-gains rate	$0
Extra NIIT (3.8% surtax)	$1,477
Effective rate	25.3%

WHY THE MIDDLE SLICE EXISTS

While your ordinary income sits below the 0% capital-gains ceiling *and* you have gains stacked above it, each converted dollar pushes a dollar of gains from the 0% rate into the 15% rate. For that first slice the effective bite is about **27%** — the 12% bracket plus 15% on the displaced gain — even though your bracket reads 12%.

> The figures above hold for your current inputs. If your capital gains, dividends, or other income change before year-end, regenerate this report — the 0% ceiling and the NIIT threshold both move with total income.

IRMAA — MEDICARE PREMIUM SURCHARGE

The two-year Medicare echo

Higher income raises Medicare Part B & D premiums two years later. The brackets are cliffs — one dollar over a line lifts the whole tier. Your 2026 income sets your 2028 premiums. Figures are per enrollee, Part B + D.

PER-YEAR IMPACT	A	B	C
IRMAA MAGI (AGI + tax-exempt int.)	$135,242	$216,142	$238,875
IRMAA tier	2 of 6	5 of 6	5 of 6
Annual surcharge	$1,148	$6,355	$6,355
Added surcharge vs. no conversion	**—**	**$5,207**	**$5,207**

2027-2028 BRACKET TABLE · SINGLE

MAGI TIER	PART B / MO	PART D / MO	ANNUAL / PERSON
$0 – $109,000	$0	$0	$0
$109,001 – $137,000	+$81.20	+$14.50	$1,148
$137,001 – $171,000	+$202.90	+$37.50	$2,885
$171,001 – $205,000	+$324.60	+$60.40	$4,620
$205,001 – $500,000	+$446.30	+$83.30	$6,355
$500,001 and up	+$487.00	+$91.00	$6,936

At the "Fill 24%" scenario you are about **$261,125** below the next IRMAA cliff. Crossing it would add **$581** per year. IRMAA uses MAGI from two years prior, and 2028 thresholds will be slightly higher than the 2026 basis shown — so this is a conservative (high) estimate.

5-YEAR RMD SMOOTHING

Shrinking tomorrow's required withdrawals

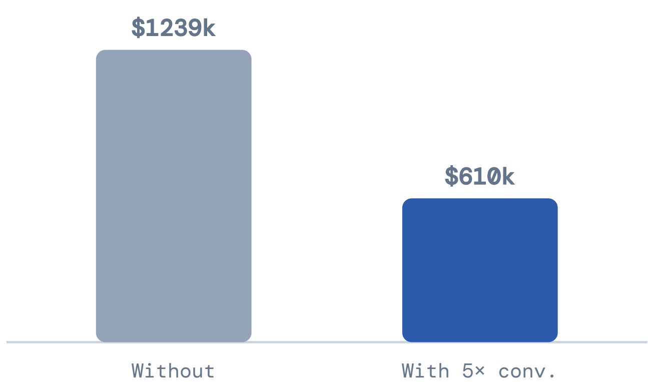
Converting **$80,900** a year while in lower brackets draws the traditional IRA down, so the Required Minimum Distributions that begin at age 75 — and the tax on them — are smaller. Both paths are projected to 12/31/2037, the balance that sets the first (2038) RMD.

THE DRAWDOWN, YEAR BY YEAR

YEAR	AGE	IRA BEGIN	+ GROWTH	− CONVERSION	− DRAW	IRA END
2026	63	$1,000,000	$50,000	$80,900	$35,000	$934,100
2027	64	$934,100	$46,705	$80,900	$35,000	$864,905
2028	65	$864,905	$43,245	$80,900	$35,000	$792,250
2029	66	$792,250	$39,613	$80,900	$35,000	$715,963
2030	67	$715,963	$35,798	$80,900	$35,000	$635,861

FIRST RMD AT AGE 75 (2038) — WITH VS. WITHOUT

PROJECTED IRA BALANCE · 12/31/2037



FIRST RMD — WITHOUT CONVERTING

$50,356

FIRST RMD — AFTER 5× CONVERSIONS

$24,787

ANNUAL RMD REDUCTION

$25,569

A smaller forced withdrawal each year means roughly **$5,625** less ordinary tax annually at a 22% rate — repeating for life and lowering the IRA included in your estate. Brackets are held flat (they actually inflate), so the real benefit is likely larger.

ESTIMATED TAXES

Paying for it without a penalty

A conversion adds tax that withholding may not cover. The safe harbor is the least you must pay in — the lesser of 90% of this year's tax or 110% of last year's — to avoid an underpayment penalty. Below is the required quarterly estimate for each scenario, after $3,434 of wage withholding.

SAFE-HARBOR PLAN	A · $0	B · $80,900	C · $103,633
Projected total tax	$24,428	$44,306	$50,626
Safe-harbor minimum to pay in	$21,985	$39,876	$45,564
Covered by wage withholding	$3,434	$3,434	$3,434
Still needed from estimates	$18,551	$36,442	$42,130
Required estimate per quarter	**$4,638**	**$9,110**	**$10,532**

QUARTERLY ESTIMATE BY SCENARIO (FORM 1040-ES)

QUARTER	DUE DATE	A	B	C
Q1	Apr 15, 2026	$4,638	$9,110	$10,532
Q2	Jun 15, 2026	$4,638	$9,110	$10,532
Q3	Sep 15, 2026	$4,638	$9,110	$10,532
Q4	Jan 15, 2027	$4,638	$9,110	$10,532

The plan assumes four equal, timely installments. Because conversion income often lands late in the year, your preparer may annualize on Form 2210 Schedule AI to reduce early-quarter requirements.

ASSUMPTIONS & DATA SOURCES

What this report is built on

Every figure traces to the inputs and federal parameters below. Share these with your advisor so any number can be checked or updated.

INCOME & DEDUCTIONS ENTERED

Wages (W-2)	$110,000	Taxable interest	$2,000
Ordinary dividends	$8,000	— of which qualified	$6,000
IRA distributions (recurring)	$36,253	Pensions (taxable)	$5,908
Net long-term capital gain	$15,000	Schedule 1 (rental/passthrough)	($16,885)
Adjustments (HSA + SEHI)	$25,034	Itemized deductions	$0
Tax-exempt interest	$0	QBI deduction	$0
Foreign tax credit	$161	Net investment income	$110,691

ACTIVE FEDERAL PARAMETERS — 2026 SINGLE

Standard deduction $16,100 (+$2,050/box age 65 or blind); 0% capital-gains rate up to $49,450 of taxable income; 15% up to $545,500; NIIT threshold (MAGI) $200,000; NIIT rate 3.8%. OBBBA senior deduction $6,000 per senior (2025–2028), phased out above MAGI $75,000.

Ordinary brackets: 10% from $0 · 12% from $12,400 · 22% from $50,400 · 24% from $105,700 · 32% from $201,775 · 35% from $256,225 · 37% from $640,600.

METHODOLOGY & SOURCES

Scenarios. "Your conversion" is the conversion currently selected in the calculator ($80,900); "Fill 24%" converts up to the top of the 24% ordinary bracket, measured from your current ordinary taxable income. "No conversion" is the comparison baseline.

True cost. Each scenario recomputes the full return: ordinary brackets, the 0/15/20% capital-gains stack (conversions can displace 0%-taxed gains into 15%), the 3.8% NIIT, foreign tax credit, and any excess-APTC repayment.

Sources. IRS Rev. Proc. 2023-34 (2024), 2024-40 (2025) & 2025-32 (2026); bracket data via the Tax Foundation; 2026 IRMAA brackets; OBBBA senior deduction (2025–2028). NIIT thresholds are not inflation-indexed.

> **Not advice.** This report is an educational planning tool. It is not tax, legal, or financial advice, and is not a filed tax return. Results depend on your complete facts and circumstances. Confirm every figure with your tax advisor and verify in tax software before acting.