# ROTH CONVERSIONS

## Why the Opportunity Cost Argument is Invalid

Some people believe there is a lost opportunity cost by doing a Roth conversion—that the funds used to pay the conversion tax could have been otherwise invested, and that investment return opportunity is lost.

## False: 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. Let's look at the math:

| NO ROTH CONVERSION | WITH ROTH CONVERSION |
|---|---|
| $100,000 Traditional IRA Balance | $100,000 Traditional IRA Balance |
| X 2 (Doubles in value over lifetime) | **- $30,000** (30% tax) |
| $200,000 | $70,000 |
| **- $60,000** (30% tax) | x 2 (Doubles in value over lifetime) |
| **$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.**

***"When tax rates increase, anything tax-free becomes immediately more valuable!" – Ed Slott, CPA***

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