

Roth Opportunities
*After the One Big
Beautiful Bill Act*



The One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, brought a wide range of tax updates, but one of the most meaningful changes for everyday savers is the expanded window of opportunity for Roth strategies. By extending today's lower tax rates and introducing new deductions, the law makes it easier (and often more cost-effective) to shift money into tax-free retirement accounts.

For many people, the years ahead may be an ideal time to look at Roth conversions or Roth contributions. The rules are familiar, but the landscape has changed in ways that make these strategies more appealing than they've been in a long time. If you're thinking about how taxes might affect your retirement income, your financial advisor can help you decide whether taking advantage of this window makes sense for your situation.



1. What the OBBBA Means for Roth Planning

The OBBBA changed a lot of things about the tax code, but for anyone thinking about retirement, one theme stands out: Roth strategies just became more compelling. Some of the law's updates make conversions less expensive, some make timing more flexible, and some simply clear the path so more people can take advantage of tax-free growth. Here's what that means in practice.

1. LOWER TAX RATES EXTENDED

One of the biggest advantages tucked into the OBBBA is the extension of today's lower tax brackets. These rates were first created back in 2017 under the Tax Cuts and Jobs Act, and they were originally set to expire. The OBBBA changed that, making the lower brackets permanent.

For anyone considering a Roth conversion, that's meaningful. When you convert pre-tax money into a Roth IRA, you pay taxes on the amount you convert. Doing that in a world with lower income-tax rates means the "cost" of converting is reduced. If tax rates rise in the future, or if your income goes up on its own, you could end up paying more later for the exact same move.

***In simple terms:** Converting at today's rates may be cheaper than converting in a higher-tax future.*

2. NO INCOME LIMITS FOR ROTH CONVERSIONS

Another important point: the OBBBA didn't restrict who can perform a Roth conversion. There are still no income limits. Whether you earn \$50,000 or \$500,000, you can move pre-tax retirement money into a Roth IRA if it fits your strategy.

That keeps two key pathways open:

- Direct Roth conversions, where you move money from a traditional IRA or 401(k) into a Roth IRA
- Backdoor Roth contributions, a popular method for high earners who don't qualify for direct Roth IRA contributions

Both remain fully intact under current law. That level of flexibility is rare in the tax world, and it's part of why many advisors see the next few years as an ideal time to take action.

3. ESTATE PLANNING ADVANTAGES

Roth accounts also shine when it comes to leaving money to the next generation. Because Roth IRAs grow tax-free and qualified withdrawals are tax-free, they can be a powerful tool for reducing the tax burden on your heirs.

A few highlights:

- Loved ones inherit assets that can be withdrawn tax-free.
- The money can continue to grow tax-free while it sits in the account.
- Spouses have the option to treat an inherited Roth IRA as their own.
- Non-spouse beneficiaries generally need to empty the account within 10 years, but the distributions themselves aren't taxed.

Altogether, this can make a Roth IRA one of the more efficient ways to pass wealth down. With the OBBBA keeping tax rates low and conversions accessible, many families are taking a fresh look at Roth strategies as part of their long-term legacy planning.



2. New and Expanded Deductions That Lower the Cost of Conversions

One of the most overlooked benefits of the OBBBA is that it gives taxpayers more ways to offset the income created by a Roth conversion. In other words, the law doesn't just make the timing better, it also makes the math easier.

A Roth conversion adds to your taxable income for the year, but with higher deduction limits now in place, you may be able to convert more without bumping yourself into a higher tax bracket. Here are the deductions doing the heavy lifting.

1. SALT DEDUCTION CAP INCREASE: UP TO \$40,000 (2025–2030)

For years, the \$10,000 cap on state and local tax (SALT) deductions has been a thorn in the side of many taxpayers, especially in higher-tax states. The OBBBA loosens that limit significantly. Between 2025 and 2030, the SALT deduction cap jumps from \$10,000 to as much as \$40,000, depending on filing status.¹ That's a major shift and a useful one.

If you itemize your deductions, the higher cap can:

- Lower your taxable income in the year you convert
- Make room for a larger Roth conversion inside your current tax bracket
- Reduce the overall tax you owe on the converted amount

Think of it as extra breathing room. If you live in a state with high property taxes or income taxes, you may finally be able to take full advantage of those expenses and pair them with a Roth strategy that benefits from the lower taxable income.

2. NEW SENIOR STANDARD DEDUCTION

Beginning in 2025, adults age 65 and older get an additional bump in their standard deduction:

- \$6,000 for single filers
- \$12,000 for married couples filing jointly

This is on top of the regular standard deduction. For retirees, this extra deduction can do more than lower taxes. It can open the door to:

- Bigger Roth conversions without creeping into the next bracket
- More flexibility when coordinating Social Security, pension income, or part-time work
- Smoother retirement-income planning overall

This is one of those changes that might not grab headlines but can make a meaningful difference when combined with a staged conversion strategy.

3. CHARITABLE DEDUCTION TIMING ADVANTAGE

The OBBBA also creates a small but important window for people who regularly give to charity. Here's how it works:

- In 2025, there is no AGI floor on charitable deductions.
- Starting in 2026, a floor of 0.5% of AGI will apply.²

That means donors who typically give every year might benefit from "bunching" contributions into 2025. Doing so may lower their taxable income at the very moment they complete a Roth conversion.

For someone already planning to support their favorite causes, this becomes a smart way to double up on impact. More support for charities today, and more tax-free growth for retirement tomorrow.

¹ Fidelity. "What is the One Big Beautiful Bill Act and what does it mean for me?" October 22, 2025. www.fidelity.com/learning-center/personal-finance/one-big-beautiful-bill

² Journal of Accountancy. "How OBBBA Alters Charitable Deduction Strategies for 2025 and 2026." October 2025. www.journalofaccountancy.com/newsletters/pfp-digest/how-obbba-alters-charitable-deduction-strategies-for-2025-and-2026/

3. Key Roth Planning Opportunities After the OBBBA

With the OBBBA now in place, many savers are finding that Roth strategies fit more naturally into their long-term plans. Lower tax rates, new deductions, and flexible contribution rules give people a wider range of tools to use, especially in the years between 2025 and 2030. Here are some of the biggest opportunities that stand out in today's landscape.

1. A MORE FAVORABLE WINDOW FOR ROTH CONVERSIONS

Thanks to the OBBBA, the next several years offer a rare chance to convert pre-tax retirement dollars to Roth at a potentially lower tax cost. The formula is simple:

- Federal tax rates stay low, because the OBBBA made the TCJA brackets permanent.
- New deductions, like the expanded SALT cap and senior deduction, can help reduce the taxable income triggered by a conversion.
- No income limits apply, so anyone can convert, regardless of earnings.
- Roth benefits stay the same, including tax-free growth and no required minimum distributions for the original owner.

Put together, this creates one of the most attractive Roth conversion windows consumers have seen in years. For many households, it may be the first time the tax math genuinely leans in their favor.

2. BACKDOOR ROTH STRATEGY STILL AVAILABLE

One of the most common questions after any major tax bill is whether Congress has touched the backdoor Roth strategy. Under the OBBBA, the answer is that it's still fully available. You can still:

- Contribute to a nondeductible traditional IRA
- Then convert that contribution into a Roth IRA.

This pathway is especially valuable for high-income households that are shut out of making direct Roth IRA contributions. With Roth accounts becoming more central in retirement planning, especially with future tax-rate uncertainty, keeping this strategy on the table is a meaningful win.

3. ROTH CATCH-UP CONTRIBUTIONS BECOME MANDATORY IN 2026

Starting in 2026, workers age 50 or older who earned more than \$145,000 in the previous year will be required to make their catch-up contributions as Roth contributions within their employer plans.

This rule doesn't change Roth conversions themselves, but it does nudge more people toward building tax-free retirement savings. It also means that by 2026, many earners in their peak career years will begin accumulating Roth dollars automatically, even if they've never done so before. For savers who want more tax-free income later in life, this mandatory shift works in their favor.

4. MULTI-YEAR OR "STAIRCASE" CONVERSIONS

A Roth conversion doesn't have to be an all-or-nothing decision. In fact, many people are better served by spreading conversions over several years, a strategy sometimes called a "staircase conversion."

This approach can help you:

- Convert just enough each year to stay within a comfortable tax bracket
- Avoid unexpected Medicare IRMAA surcharges
- Use deductions strategically, year after year
- Keep your income more predictable as you transition into retirement
- Reduce the impact of future required minimum distributions

Staircase conversions are often a good fit for people who are retiring gradually, phasing into part-time work, or delaying Social Security. With a bit of planning, these small annual conversions can add up to a meaningful pool of tax-free savings over time.

4. Important Considerations Before Converting

Roth conversions can be incredibly valuable, but like any tax strategy, they work best when you understand the details. A conversion changes your taxable income for the year, which can affect Medicare premiums, Social Security taxation, state taxes, and even the timing of other financial decisions. None of these are deal-breakers, but they are important pieces of the puzzle. Here's what to keep in mind.

1. MEDICARE IRMAA

When you complete a Roth conversion, the amount you convert gets added to your income for that tax year. This matters because Medicare uses your Modified Adjusted Gross Income (MAGI) from two years prior to determine whether you owe Income-Related Monthly Adjustment Amounts (IRMAA).

A larger-than-expected conversion can result in:

- Higher Medicare Part B premiums
- Higher Medicare Part D prescription drug premiums
- A two-year impact, since IRMAA looks back at your income over a fixed window

This doesn't mean you shouldn't convert. It simply means you'll want to be intentional about the amount and timing. A financial advisor can model conversion amounts and help you avoid tipping into the next IRMAA tier unnecessarily.

2. SOCIAL SECURITY AND TAX INTERACTIONS

Roth conversions can also affect how your Social Security benefits are taxed. When your income rises in the year of a conversion, it may temporarily increase:

- The portion of Social Security that becomes taxable
- Certain income-based phaseouts or thresholds

For most people, this is a short-term inconvenience, not a lasting issue. The key is timing. If you're planning to claim Social Security soon (or already have), your advisor can help coordinate the two so one doesn't unexpectedly work against the other.

3. STATE TAX IMPACT

Not all states treat Roth conversions the same way. Depending on where you live:

- A conversion may be fully taxable, partially taxable, or exempt from state income tax
- Some states offer special deductions or exclusions for retirement income
- SALT or charitable deductions may offset more of the conversion cost at the state level

Because state rules vary widely, this is an area where personalized planning matters. A conversion that makes perfect sense federally might look different once state taxes are factored in, or it may be even *more* attractive once state-level deductions are included.

4. USING CASH TO PAY THE TAX

One of the biggest factors in whether a Roth conversion pays off is how you cover the tax bill. Conversions are typically most advantageous when you can pay taxes using non-retirement dollars, such as cash savings or after-tax investments.

Why? Because using money from the retirement account itself to cover taxes:

- Shrinks the amount that ends up in the Roth
- Reduces long-term growth potential
- May even trigger early withdrawal penalties if you're under 59½

Think of it this way: the goal is to get as much money as possible into the Roth so it can potentially grow tax-free for as long as possible. Funding the tax bill from outside the retirement account helps make that happen.

5. When a Roth Conversion Makes Sense—and When It Doesn't

A conversion often makes sense if you:

- Expect higher taxes down the road, either because of future tax law changes or your own rising income in retirement.
- Want to reduce your future required minimum distributions (RMDs) and keep more control over your retirement income.
- Plan to leave assets to children or grandchildren, since Roth dollars pass down tax-free.
- Prefer more flexibility in retirement, with less taxable income and fewer surprises from RMDs or Social Security taxation.
- Have cash outside your retirement accounts to pay the tax bill triggered by a conversion.
- Can take advantage of the expanded SALT deduction or the new senior deduction, which can help offset the added income from the conversion.

If several of these apply, the numbers may lean strongly in your favor.

WHEN TO AVOID OR DELAY A CONVERSION

On the other hand, a conversion might not be ideal if you:

- Expect your income to be significantly lower in a future year, giving you a better opportunity to convert at a reduced tax rate.
- Are sitting near a Medicare IRMAA threshold, where even a small increase in income could raise your premium for two years.
- Would need to use the converted funds themselves to pay the taxes—this reduces the long-term benefit and may trigger penalties if you're under 59½.
- Live in a state where state income tax is high and deductions are limited, which can make a conversion more costly than it appears at the federal level.

A Roth conversion can be a powerful way to help build tax-free retirement income, but it isn't a one-size-fits-all decision. The OBBBA has opened a particularly attractive window for many households, yet timing, income level, and personal goals still play a major role in whether a conversion is the right move for you. Here's a clear look at situations where a conversion may be beneficial—and when you might want to wait or take a more gradual approach.

A financial advisor can help you compare different timing scenarios so you can find the most efficient path.

HOW THIS WORKS IN REAL LIFE

Here's a simple example to show how the new rules can come together. Maria and James, both 67, file jointly. They expect about \$110,000 in taxable income in 2025. Thanks to the OBBBA, they also qualify for:

- A \$30,000 SALT deduction,
- A \$12,000 senior standard deduction, and
- Enough room to comfortably stay inside the 22% federal tax bracket.
- Their advisor recommends converting \$40,000 from James's traditional IRA to a Roth IRA in 2025.

What happens?

- Their deductions help absorb much of the conversion income.
- They're able to stay in the 22% bracket, avoiding any jump into a higher rate.
- Their future RMDs will be smaller, giving them more flexibility later in retirement.
- Their children will eventually inherit tax-free assets, rather than taxable traditional IRA dollars.
- Their Medicare IRMAA remains unchanged, since their total income stays below the next threshold.

By repeating a similar conversion for several years—say, three to five—they can steadily shift a meaningful share of their retirement savings into Roth accounts at a relatively low net tax cost.



6. Moving Forward With Confidence

The One Big Beautiful Bill Act has opened a rare and meaningful window for Roth planning. With today's lower tax rates now made permanent, and new deductions available to help offset conversion income, many households have more room than ever to shift savings into tax-free accounts. For those who expect higher taxes later, want to reduce their future required minimum distributions, or hope to leave tax-free assets to their families, the current landscape offers an especially compelling opportunity.

Tools like the expanded SALT deduction, the new senior deduction, and well-timed charitable giving can make conversions even more efficient. And for many people, spreading conversions over several years rather than doing everything at once creates a smoother, more strategic path toward long-term tax-free income.

At the same time, Roth planning touches multiple parts of your financial life, from Medicare premiums to Social Security taxation to state income tax rules. That's why the most effective approach is one that's tailored to your specific situation. A qualified tax professional or financial advisor can help you run the numbers, weigh the timing, and build a strategy that supports your retirement goals.

The bottom line: the OBBBA has created an opportunity worth exploring. With thoughtful planning, the years ahead may be an ideal moment to strengthen your long-term financial picture through tax-free retirement savings.

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