# Make a tax-smart move

**A partial Roth conversion can be a savvy strategy for an IRA if you're facing tax-bracket-busting withdrawals in your future.**

Partial Roth conversions can reduce taxes on your "never-been-taxed" retirement money. They trigger an immediate tax liability—but the trade-off is a big tax benefit down the road. Paying taxes on your own schedule instead of Uncle Sam's may help you pay less, and make your wealth last longer.

## A simplified process

### This tax-savvy strategy can be as simple as checking a box

We make it easy to open a Roth IRA for partial conversions with Lincoln fixed indexed annuities. When you open a traditional IRA, you just check a box to open a matching Roth account—giving you two contracts with identical allocations and effective dates.

You can continue converting money from your Lincoln IRA to your Lincoln Roth in future years, and we'll waive any surrender charges.

The amount of the initial premium for each contract determines if higher or lower rates are received. Future partial conversions of the Lincoln Traditional IRA into the established Lincoln Roth contract are allowed at any time and are not subject to subsequent premium limits.

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# 6 powerful tax benefits with a Roth IRA

### Lock in lower tax rates

Although Roth IRA conversions require you to pay taxes on the amount you convert, you can lock in your current tax rate if your rates might be increasing—which can easily happen if you were a successful saver and then have to take RMDs. Withdrawals from a Roth typically are not taxable.[1]

### Tax-efficient timing

We all have to pay taxes, of course. But if you pay now, and your assets grow over time, they should not be taxable down the road.[1]

### Unsustainable national debt

The historically low tax rates under current legislation will sunset in 2026. At the same time, our deficit is over $30 trillion. It could trigger much higher tax rates over time—a compelling reason to lock in today's rates.[2]

### No forced withdrawals for Roth IRA owners

In a traditional IRA, you must take Required Minimum Distributions (RMDs) at age 72. Sometimes this can create too much income—and too much in taxes.

### Help lower taxes in retirement

What happens if you have a big expense, such as a renovation, or a once-in-a-lifetime trip? If you take out a chunk of money from your traditional IRA to pay for it, it might come with a new tax bracket and large tax bill. You can take tax-free income from your Roth account to cover it.[1]

### Leave a tax-free legacy

With the passing of the SECURE Act, your family could be hit with higher taxes on an inherited IRA, since they can no longer "stretch" the income over their lifetimes.[2] Roth IRAs can be a good strategy to help grow your legacy long term and tax-free. While they will be required to take the money out within 10 years, your loved ones will not have to pay taxes if you established any Roth IRAs more than five years ago.

[1] Withdrawals may be subject to taxes and/or the 10% early withdrawal penalty depending on your circumstances. Please consult a tax professional for more information.

[2] TheStreet, May 4, 2022: https://www.thestreet.com/retirement-daily/saving-investing-for-retirement/consider-partial-roth-conversions

## Partial Roth conversions: Solving a tough tax challenge for older Americans

It's not just young investors who can get hit with a large tax bill later in life. If you've diligently stashed away retirement funds in an IRA over many years, a big tax bill might be lurking with mandatory RMDs at age 72. Partial Roth conversions can help soften the impact.

### Meet Peter and Elaine

- Recently retired at age 65
- $3 million retirement portfolio, including a $1 million IRA
- Concerned about the impact RMDs will have on their taxes at age 72.

**In order to avoid a bigger tax hit in a higher tax bracket, Peter and Elaine work with their financial and tax professionals.**

1. They transfer Peter's IRA to two Lincoln fixed indexed annuity contracts. The first contract is $900,000, and the second is $100,000.
2. They convert the $100,000 contract to a new Roth IRA, with an identical allocation and effective date to their first contract.
3. Over the next several years, they can convert the remaining $900,000 into the newly established Roth contract—without facing any surrender charges.
4. An added benefit is that each spouse is better protected from the "widow's penalty."
5. If the assets are passed to their loved ones, they may be protected from potential higher taxes resulting from the SECURE Act.

### What's the "widow's penalty?"

**"The widow's penalty is often an unexpected and unwelcome surprise to a surviving spouse who has not had to deal with the disadvantages of being a single tax filer for decades."**

Doing partial Roth conversions while both spouses are alive (and married filing their taxes jointly) can help soften the impact for the surviving spouse, who might face a higher tax liability, even though they might have less income.

Source: TheStreet, May 4, 2022: https://www.thestreet.com/retirement-daily/saving-investing-for-retirement/consider-partial-roth-conversions

## Talk to your financial professional—and your tax professional

An in-depth conversation with knowledgeable professionals can help you determine if this strategy makes sense for your portfolio and tax situation.

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