

# Converting to a Roth IRA

There could be tax  
efficiencies available  
when doing a conversion

## Roth IRAs have limits on how much you can earn each year and still put in money.

However, a Roth conversion does not have these same rules. Changing a traditional IRA to a Roth IRA can give you tax-free income and a tax-free payout for those who inherit your account after you pass away. Also, there is no rule that says those who inherit a Roth IRA must take out a set amount each year, meaning they can take advantage of up to ten full years of tax-free growth.<sup>1</sup>

### WHAT IS A ROTH CONVERSION?

When you pull money out of an existing pretax account—in this scenario it's a traditional IRA—and convert it to a Roth IRA, you can do so in one lump sum or in several smaller amounts. The government doesn't consider this a contribution, so income limits and contribution limits wouldn't apply.



#### ADVANTAGES OF A ROTH CONVERSION

- One way to limit paying federal income taxes in retirement
- You pay taxes on your conversions, but not your withdrawals or growth on your investments
- The potential tax free growth, withdrawals, and death benefit derived from a Roth IRA will outweigh the initial tax bill of a conversion
- Unlike withdrawals from 401(k) and traditional IRA accounts, Roth withdrawals are not taxable and won't impact the calculation of Social Security retirement benefit taxes or increase your Medicare premiums<sup>2</sup>
- There's no limit on how many times you can convert funds, so you can spread out the tax bill as needed



#### DISADVANTAGES OF ROTH CONVERSION

- The value of converted assets is taxable as ordinary income each year a conversion is made
- State and local taxes may apply
- The money spent on taxes could have been otherwise invested

## Set up a Roth conversion

Because of contribution limits and income restrictions, you and your financial professional can discuss some ways to convert to the Roth and how to combat the potentially sizable tax bill that's attached. Rather than convert your whole account at once and face a steep tax bill upfront, you can do so a little at a time over multiple years.

### Let's look at the possibility of buying a Perspective II<sup>®</sup> variable annuity with the add-on benefit of Flex DB in a Roth IRA.<sup>†</sup>

In this scenario, you withdraw from your traditional IRA to fund your Perspective II Roth IRA and can use the guaranteed\* annual withdrawal amount (GAWA) from the Flex DB add-on benefit to help cover the resulting taxes on the conversion.

\* Guarantees are backed by the claims-paying ability of Jackson National Life Insurance Company.

<sup>†</sup> Add-on benefits are available for an additional cost.

<sup>1</sup> IRS, "Retirement Plan and IRA Required Minimum Distributions FAQs," accessed August 14, 2025.

<sup>2</sup> Joshua Taffer, Kiplinger, "Is a Roth Conversion for You? Seven Factors to Consider," February 27, 2024.

**Let's walk through a hypothetical scenario where you start taking steps, over time, to execute this strategy.**



**ANNUAL INCOME:**  
\$400,000

**AGE:**  
65

**TRADITIONAL IRA FOR CONVERSION VALUE:**  
\$1,000,000

Year	Traditional IRA value	Conversion amount	Total income	Tax due on annual income	Tax due on conversion	Tax due on total income	Total converted amounts	GAWA	Tax due on conversion, less GAWA
1	\$1,000,000	\$200,000	\$600,000	\$74,494	\$64,100.50	\$138,594.50	\$200,000	\$10,800.00	\$53,300.50
2	\$800,000	\$200,000	\$600,000	\$74,494	\$64,100.50	\$138,594.50	\$400,000	\$21,600.00	\$42,500.50
3	\$600,000	\$200,000	\$600,000	\$74,494	\$64,100.50	\$138,594.50	\$600,000	\$32,400.00	\$31,700.50
4	\$400,000	\$200,000	\$600,000	\$74,494	\$64,100.50	\$138,594.50	\$800,000	\$43,200.00	\$20,900.50
5	\$200,000	\$200,000	\$600,000	\$74,494	\$64,100.50	\$138,594.50	\$1,000,000	\$54,000.00	\$10,100.50
6	\$0	\$0	\$400,000	\$74,494	\$0	\$74,494	\$1,000,000	\$54,000.00	No taxes are due on conversion
7	\$0	\$0	\$400,000	\$74,494	\$0	\$74,494	\$1,000,000	\$54,000.00	
8	\$0	\$0	\$400,000	\$74,494	\$0	\$74,494	\$1,000,000	\$54,000.00	
9	\$0	\$0	\$400,000	\$74,494	\$0	\$74,494	\$1,000,000	\$54,000.00	
10	\$0	\$0	\$400,000	\$74,494	\$0	\$74,494	\$1,000,000	\$54,000.00	

By year eight, you've withdrawn more in guaranteed income than you've paid in additional taxes to complete the Roth conversion.

**From this point forward, the tax-free income you receive is in excess of what you paid to convert to the Roth IRA.**

PRODUCT:	BENEFIT:	INCOME AMOUNT:
Perspective II	Flex DB Core	5.40%

*(Hypothetical scenario based on an individual with a high net worth of \$3 million in retirement assets)*

*(Assumes no market growth)*

*(Investment fees and add-on benefit fees are not taken into consideration in the hypothetical.)*

Initially, of course, the goal is to use the GAWA to help cover the taxes on the withdrawn amount each year (in this case, \$64,100.50). However, once you've converted all \$1,000,000 into your Roth IRA, you still have the GAWA from the annuity—which grows each year, regardless of market activity. Once the taxes are paid, you have additional income to use on whatever you like. And your heirs enjoy the added bonus of the death benefit,<sup>‡</sup> which isn't reduced by allowed withdrawals.

#### THINGS TO NOTE

- If you think you'll be in a higher tax bracket in retirement than your current rate, a Roth might be something to explore.
- However, since a Roth conversion triggers taxes, you may need to allocate funds to cover the tax bill. For this reason, investors sometimes make large Roth conversions in increments as a way to trigger the tax bill in smaller increments.
- If you expect a lower tax rate in retirement than you have now, a 401(k) or other pretax account could save you more in the long run.
- If leaving a legacy is also important to you, the Flex DB add-on benefit offers a death benefit equal to the total premiums paid as long as the GAWA is not exceeded or the contract value falls to zero.

**By year 6, no taxes are due on your GAWA withdrawals.**

#### YEARS TO COMPLETE CONVERSION:

5

#### INCOME, PLUS CONVERSION AMOUNT:

\$600,000 (because you must include the conversion amount for tax purposes)

#### ANNUAL CONVERSION AMOUNT:

\$200,000

### Bottom line

The advantage of a Roth conversion strategy is that you will avoid income taxes on withdrawals from the assets you convert. The disadvantage is that this comes with an upfront tax bill, which is money out of your pocket that you otherwise could have invested. Additionally, using the Flex DB add-on benefit will provide a death benefit equal to the premiums paid, as long as you don't exceed the GAWA. However, if your goal is to minimize your tax bills in retirement and leave a legacy to your heirs, a Roth conversion can be an effective option.

<sup>‡</sup> At election, the guaranteed minimum withdrawal benefit (GMWB) death benefit is equal to the guaranteed withdrawal balance (GWB). Upon any premium payment subsequent to election, the GMWB death benefit is increased by the amount of the premium payment net of any applicable taxes subject to a maximum of \$10 million. Withdrawals up to the guaranteed annual withdrawal amount (GAWA)/required minimum distribution (RMD) do not reduce the GMWB death benefit. Amounts withdrawn over the GAWA/RMD will reduce the GMWB death benefit in the same proportion that the contract value is reduced for the excess withdrawal amount. The GMWB death benefit is not adjusted for bonuses, upon annual GWB step-up, or the application of the GWB adjustment. Not available with any other add-on death benefit. The GMWB death benefit is terminated if the contract value falls to zero. Fixed account options are not available with the election of Flex DB.

**You want to convert your traditional IRA to a Roth, but since you're considered a high-net-worth individual, you're not sure how to do it. So, what are your options? Before we get into those, let's dive into some of the basics of a Roth, as well as some advantages and disadvantages of a conversion.**

### LIMITATIONS AND TAX BRACKETS

For 2025, the limit on annual contributions to an IRA stays at \$7,000.<sup>3</sup> The IRA catch-up contribution limit for individuals who are 50 and older includes a cost-of-living adjustment each year, but remains at \$1,000 for 2025.<sup>4</sup>

If the uncertainty surrounding the current state of the economy leaves you looking for answers, talk to your financial professional. The following tables present tax facts regarding potential tax exposure you might be subject to.

Income tax 2025*—single filing		
\$0 to \$11,925	10%	
\$11,926 to \$48,475	\$1,192.50 + 12%	
\$48,476 to \$103,350	\$5,578.50 + 22%	
\$103,351 to \$197,300	\$17,651 + 24%	
\$197,301 to \$250,525	\$40,199 + 32%	
\$250,526 to \$626,350	\$57,231 + 35%	
\$626,351+	\$188,769.75 + 37%	
Income tax 2025*—married filing jointly		
\$0 to \$23,850	10%	
\$23,851 to \$96,950	\$2,385 + 12%	
\$96,951 to \$206,700	\$11,157 + 22%	
\$206,701 to \$394,600	\$35,302 + 24%	
\$394,601 to \$501,050	\$80,398 + 32%	
\$501,051 to \$751,600	\$114,462 + 35%	
\$751,601+	\$202,154.50 + 37%	
Actual blended tax range by income—(married filing jointly)		
Taxable income	Income tax bracket	Actual tax range (blended) <sup>†</sup>
\$0 to \$23,850	10%	0%–0.0%
\$23,851 to \$96,950	12%	0.0%–7.8%
\$96,951 to \$206,700	22%	7.8%–13.9%
\$206,701 to \$394,600	24%	13.9%–18.6%
\$394,601 to \$501,050	32%	18.6%–20.9%
\$501,051 to \$751,600	35%	20.9%–25.5%
\$751,601+	37%	25.5%–37%

Source: IRS, Rev. Proc. 2024-40, 2024.

Net investment tax		
	Threshold	Tax rate
Married	\$250,000	3.8%
Single	\$200,000	3.8%
Estate tax exclusion		
2024	\$13,610,000	40% tax rate
2025	\$13,990,000	40% tax rate
2025 gift tax exclusion	\$19,000/year	\$13,990,000/lifetime <sup>‡</sup>
2025 generation-skipping tax	\$13,990,000	40% tax rate

Sources: Internal Revenue Service, Rev. Proc. 2024-40, 2024 IRS, "Questions and Answers on the Net Investment Income Tax," September 13, 2024; IRS, Topic 409, "Capital Gains and Losses," January 30, 2024.

Sources: IRS, "What's New - Estate and Gift Tax," October 8, 2024; IRS, 2024-40, 2024; Social Security Administration, "Benefits Planner: Income Taxes and Your Social Security Benefit," 2024.

\* These figures do not account for the standard deduction or any itemized deductions.

<sup>†</sup> Figures for Actual tax range (blended) column were calculated by Jackson. They are based on taxable dollars and account for the 2025 standard deduction for married filing jointly. They do not account for any other itemized deductions.

<sup>‡</sup> Gifts above \$19,000/year reduce an individual's \$13,990,000 lifetime gift exclusion.

<sup>3</sup> IRS.gov, "401(k) limit increases to \$23,500 for 2025, IRA limit remains \$7,000," accessed May 1, 2025.

<sup>4</sup> Ibid.

# Talk to your financial professional about whether a Roth conversion makes sense for you.

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## What is a variable annuity?

A variable annuity is a long-term, tax-deferred investment designed for retirement, involves investment risks, and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met. Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity and are subject to conditions and limitations. There is no guarantee that a variable annuity with an add-on living benefit will provide sufficient supplemental retirement income.

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Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity. Only one add-on living benefit and one add-on death benefit may be elected per contract. Once elected, benefits may not be canceled or changed; please see prospectus for specific benefit availability. The long-term advantage of the add-on benefits will vary with the terms of the benefit option, the investment performance of the variable investment options selected, and the length of time the annuity is owned. As a result, in some circumstances, the cost of an option may exceed the actual benefit paid under that option. Add-on death benefits are terminated if the contract value falls to zero and upon spousal continuation.

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