Episode 153: The Financial Advisor's Guide to Roth Conversions

Wed, Nov 20, 2024 9:10AM • 36:18

SUMMARY KEYWORDS
Roth conversions, tax planning, financial personality, retirement income, tax brackets, future tax rates, legacy protection, Social Security, tax projections, medical expenses, tax policy, standard deduction, tax flexibility, retirement income plan, financial advisor

SPEAKERS
Briana Corbin, Rob Cordeau, Alex Murguia, Bob French, Wade Pfau

Bob French 00:00
The purpose of retire with style is to help you discover the retirement income plan that is right for you. The first step is to discover your retirement income personality. Start by going to risaprofile.com/style and sign up to take the industry's first financial personality tool for retirement planning,

Briana Corbin 00:40
thinking about converting to a Roth IRA. It's kind of like deciding whether to pay the tax man now or later today. Rob Cordeau from McLean Asset Management joins our hosts Alex and Wade to help you hedge your bets.

Alex Murguia 00:55
Hi everybody. Welcome to retire with style. I'm Alex. I'm here with Wade Pfau and a very special guest, Mr. Rob Cordeau. Hey, Rob.

Rob Cordeau 01:08
Hey Alex, good to be here again.

Wade Pfau 01:10
Likewise. Yeah, hi, Rob. And for those who haven't listened every episode, Rob Cordeau is one of our great advisors at McLean asset management who we've had on a number of episodes, who does a great job really diving into detail and giving examples of day to day financial planning. And we're excited to have you here today, Rob to talk about Roth conversions, which actually recently, some of the episodes may be not the most interesting topics in the world, but I think now with rock conversions, it is an interesting topic.

Alex Murguia 01:44
Yes, you didn't have me at tax bunching. You did not have me at

Wade Pfau 01:51

periodic payments.

Alex Murguia 01:56
I'm catching what you're throwing.

Wade Pfau 01:59
We sit on fire.

Alex Murguia 02:02
All of a sudden. Now you have my attention. Is

Wade Pfau 02:08
it the real deal?

Alex Murguia 02:09
Rob? Are you ready? Rob,

Rob Cordeau 02:10
exciting stuff. I'm ready.

Alex Murguia 02:15
All right. All right. All

Wade Pfau 02:17
right, yeah. I guess Rob, the place we should start is to really just define when we say Roth conversions, like what we're even talking about, if you give us a little bit of background there, sure.

Rob Cordeau 02:27
So, I mean, we've got our basic IRAs, 401, KS, pre tax dollars. We all know that we put the money in we haven't paid tax on it. So Uncle Sam is going to ask for a tax of entry in the future with RMDs. Roth IRA is just the opposite. We fund it with after tax dollars, and it grows tax exempt, so we never have to pay tax on those growth there's no RMDs from a Roth, at least while we're alive. So the concept behind a Roth conversion is, does it make sense to convert dollars over from a traditional pre tax Ira over to a Roth prepay that tax at the time of conversion, in the hopes of saving tax later on in life or for the next generation? So it's a neat analysis. It's a complicated analysis, but it can add up to some real significant savings, and it's one that we do a lot with clients. I would say at least 50 to 70% of our clients are asking about it, whether or not it makes sense for them. So a lot of people are focused on this as a potential saving strategy. Now,

Wade Pfau 03:38
if you ask an accountant about Roth conversions, you might get a different answer than if you ask a financial planner who's looking at the long term lifetime picture, but accountants, over time, I hear, is voluntarily paying taxes. So what's the kind of the situation there? What may be the initial knee jerk reaction? And accountant says, with the Roth conversion conversation?

Rob Cordeau 04:01

Yeah, I think their reaction is pretty similar to mine, because we do a lot of tax planning for clients, and our goal is, how do we save tax dollars? This year, we do tax projections and in the fall, and we're trying to save money and pay less. Uncle Sam, so the idea of voluntarily getting out your checkbook and stroking a check to Uncle Sam when he's not asking for that money for decades more into the future is sort of completely the opposite from our way of thinking. And I'm sure accountants are in that same camp. So and as much as I love Roth IRAs. I mean, what's not to love right there that's exempt forever. I still am reluctant to recommend a Roth conversion unless it makes mathematical sense. It's still there has to be a compelling mathematical reason for me to recommend it. Um. But you, I think you hit the nail on the head. Wade, it's about looking long term, where it's not just this. It's very myopic to look at just this one year and say, well, I could save tax dollars this year by not converting. Let's look big picture and see whether this makes sense.

Wade Pfau 05:17
And kind of the mathematical problem there is just we have to pay taxes at some point. So let's look for the opportunities to pay at the lowest possible rates, and then now this is not just for yourself or your your household, but your beneficiaries as well. If you're at the point where you think you may be leaving a legacy, looking at the what taxes are they going to have to pay versus what taxes would you pay as part of the calculation? For sure? So someone thinking about Roth conversions at what point in their life Is this likely to be like a more realistic consideration, versus less likely to provide a positive impact? Sure,

Rob Cordeau 06:00
I will say, I'll break that down into two pieces. I'll tell you when we see most people looking at it, and it's often in their peak earning years, sort of pre retirement, and then if they're retired, especially if say, they retire in their late 50s, early 60s, and there's sort of a gap before maybe Social Security income starts, or RMDs start. So they're in a spot where maybe their income, their taxable income, is lower. That's often a prime time to be looking at this. That being said, there are still some other opportunities if somebody has income that's very lumpy, and they and they're in their 30s or 40s, and they have a very low income year, that would still be a great year to take advantage of a Roth conversion. So it's not really limited to a certain age group. It's more about your current tax bracket is a greater consideration.

Wade Pfau 07:01
Okay? Yeah. And so the idea there is just when, when you have an opportunity to pay taxes at a lower rate, and as you're suggesting, if you're an early retiree, you might have a window where there's especially pre Social Security. And this could even be a an incentive to delay Social Security, in addition to all the other legacy protection aspects of that decision to do some Roth conversions at a time when you can pay those taxes at a lower rate.

Rob Cordeau 07:30
Yeah, and that's, I would say that's the most common use case, is we're bridging that gap between retirement and the start of Social Security. And it's kind of neat. I mean, we had one client that the wife was about eight years older than the husband, and we started with hers first. I prefer to start with Roth conversions in the older spouses account, because they're going to be subject to RMDs sooner, and even when they're older, if there's still money in both of them, the older person's IRA is going to be subject to the higher percentage RMD calculation, right? So, but we went, we did cereal Roth conversions for her for about six or seven years. Back then, it

used to be 70 and a half was the RMD age the year prior to her turning 70 and a half, we emptied her IRA, so all of her money had been converted to Roth. At that point, her husband was eight years younger. We flipped over and started doing conversions for him, which we could do for eight more years before he was subject to RMDs, and it by the time we get done his taxable, his taxable, Ira was a lot smaller. Is, you know, pre tax dollars. And both of their Roth IRAs were very healthy after doing those serial conversions. It just, it gave them a lot more tax flexibility once they got to R and DH,

Alex Murguia 08:54
and you were saying, that's right, Wade, you had, you had a string, go on. You're on a rhythm.

Wade Pfau 09:02
No, go for it. Alex,

Alex Murguia 09:03
you were talking about the you still don't recommend it. Obviously, this was, you know, a home run in terms of it worked out now before you decided to activate it, or, you know, to initiate the process, because this is a multi year thing, year you went a decade into doing rough conversions, decade plus for this couple what was the analysis? Because at the high level, obviously we're not going to break it down, but you are saying, you know, no matter what this is, one of these things that do the numbers work out, as opposed to just like a cracker jack, the rule of thumb, best practice. How do you weigh that potential tax head to decide, okay, let's do this or not, on an Excel. What's that break even? What are the dynamics that go into deciding on this break even before you decided on this 10 plus year quest?

Rob Cordeau 09:56
Yeah, it's, it's kind of a two pronged approach. One of. Them is is mathematical and analytical, and the other is us making some pretty difficult assumptions about the future. If I could kind of break it down, yeah.

Alex Murguia 10:11
And then the only thing, the only sensitivity that I have as you break it down, is the listener, their consumers, their we tend to attract folks that these topics are of great interest. And so, you know, how would they be thinking about this, these trade offs, right?

Rob Cordeau 10:30
And, I mean, we're doing, we're doing this using software. So we're, you know, we're analyzing their tax bracket in the current year. So we, so we have a pretty certain view of what their top marginal bracket is for this year, because we're performing a tax projection before the year's up. So that's the first phase. And if you think about a good you mentioned like a rule of thumb, if, if I'm certain that my future tax rate is going to be higher in retirement than the year than the tax rate in the year of conversion, then that's a decent indicator that this might be a good year for Roth conversion, right? Because now I can pay tax at a lower rate, and then in the future, when it's coming out, where I would be exposed to a higher rate, it'll be coming from a Roth account, I won't have to pay that higher rate. So the first phase is figure out what is the current tax bracket. Then we're going to plug that, all of our data into a more long term retirement projection software. We're looking out 20 or 30 or 40 years and get a sense for what future tax rates might be for that individual. And this is where we start getting into the second part. That's that's

challenging, right? Because so much is unknown. There are tax policy questions, right? Will, Will legislature will? Will there be legislative changes that push tax rates up higher in the future? And then there are personal unknowns for each client. Will Will one of the spouses pass away? And will we be left with a widow or widower who's on a higher tax bracket schedule because they can't do my married filing jointly? You know, there's a lot of question marks about what rates have all been, so we have to make some pretty broad assumptions to try to figure it out from there. And it's a very murky sciences. This isn't a really precise and it's because we're trying to predict 20 or 30 years.

Alex Murguia 12:37
But the high level, though. Listen, you can make a plan. Listen, we're going to do this for the next 12 years, whatever, right? Look, look at this wonderful spreadsheet. Two decimal points out. It's great. Not even Wade can. Can touch this one. Is it in MATLAB? No, no, no, that's more of a way. But let you you have that. But there's nothing to say. Three years in situation changes, you halt it. It's fine. You know, with the years that it was relevant, you still did it. And so is there no harm, no foul. There's nothing crazy was done, you know, even though you went out 12 years. So it I like the ability, from what I'm hearing, is that you'll, you'll look at it every year anyways, just to make sure it's not like year eight, you never looked at this break even again in years 234567,

Rob Cordeau 13:32
is that correct? It is. And we're looking at it every year for every client. That's why we prefer doing those tax projections every year so that. So it's the fall, we get a sense for where we are. And if there's some unknown event, some unusual situation, we'll take advantage of it. We've done it with on you. I'll give you some unusual situations, a client with a terminal disease or a really, really large medical year where they have six figure medical expenses. We'll do a Roth conversion for that person that we don't expect to live through the end of the year. We're so that we're taking advantage of that year where they're going to have much less taxable income because of this large deduction that they have. The other

Alex Murguia 14:21
piece I want to say, to say to this, because there's an existential quality to your example. It's not that you're, you're like, you know, hey, you know, hey, let's, let's every it's all about dollars and cents. But I bet you there was some gratification in executing that strategy for that person that had a terminal illness, because, you know what, they were able to bring some benefit to the family in a way that they wouldn't have otherwise, as they, you know, I'm trying to say here like it's, it's not like it's what's, you know, how can we make sure, though, that we maximize every single dollar, I bet you there was. Emotional happiness, to be able to execute something for that person, you follow what I'm getting

Rob Cordeau 15:06
at absolutely, and I didn't present it to them like I did to you, motionless financial robot. But yes, yes, thank you for

Alex Murguia 15:16
Claire, no, I, but that's the truth. There was there was there was we had a client wait once that it was to her benefit to pass away. She was going to pass away, right? And it was getting near the end of the year, and let's say there were three weeks left to the year and and she want, and it

was from a financial planning standpoint, it made sense. It was a little better. She passed away in the new year or not. You know, that kind of thing in the new year relative to the current year for whatever. I think it was a tax thing, and that became this person's like, it was a goal for this. It was weird, how holy Fauci and that's why I was thinking, you know, there were echoes of that in your story, in terms of, you know, sometimes, you know, it provides some sort of semblance of purpose.

Bob French 16:04
If you're looking for more personal advice, take a look at this episode sponsor, McLean asset management. You can learn more at McLean am.com that's m, c, L, E, A, n, a, m.com McLean Asset Management is there to help you on your path to the retirement that you deserve. And don't forget to check the show notes to get your free ebook on retirement income planning.

Wade Pfau 16:33
And it might help too, just with that large medical expense scenario that you're going to end up wasting that potential deduction if you don't have income to offset it, so that the Roth conversion can even be a way that at least you can take advantage of this big itemized deduction. Otherwise it's wasted.

Rob Cordeau 16:51
Yeah, and we see it a lot, you know, again, we talked about those bridge years between, say, 60 and 70. We have a lot of clients who maybe work part time, or they do consulting, and that income is not consistent, so they might, we might have a scenario where a client says to me, in the fall, you know, it's been a rough year. You know, I've only made $20,000 with my consulting gig. I got another $80,000 in receivables. So that's coming in, but I don't know when, and I'll say, You know what, why don't we, why don't you push that off till January? Tell them not to pay you till January. We could do a bigger Roth conversion this year, and then you can pull in that income next year. So for some clients that have got a little bit of discretion when it comes to income in a sense like that, and we can use that to remain Rob

Alex Murguia 17:39
You had mentioned because I think this speaks to a lot of things with regards to the dynamics of an advisor that, okay, your CPA may be many CPAs make great decisions, but there could be a case where there's conflicting advice between you and a CPA with regards to this strategy. Because, yeah, the CPA is paid to some extent, reduce taxes, reduce taxes, and you know, they want to show that quote, unquote value every year, as opposed to something that's more temporally in the future, so they just discount it. I'm not saying that happens. I don't want to bad mouth anyone here. I'm just kind of saying there could be a situation where there's kind of dissonance between you and ACPA with regards to a client's situation, if you recommend this strategy, let's just say this person that you did a decade plus conversion strategy on how do you get buy in, or how do you suggest that the client speak to the CPA about This strategy as well that whole rigmarole. Because the reason is, the listener listens to this, tells their advisor, tells their CPA, and the CPA or the advisor just wants it, saying, you know, brushes it off. Saying, don't worry about it, you know, what

Rob Cordeau 18:56
do you do? Yeah, I would say most of the time, we're in concert right most of the time. I think especially tax professionals, understand the tax advantages of a Roth. So I think they get it. I

think most tax preparers are more focused on looking in the rear view mirror at what happened last year. They're just compressed in the early part of the year just getting everyone's tax returns out the door. So most of those tax preparers are not really engaged in forward looking tax planning as so much as they are focused on tax preparation, right? What just happened so? But I think they get it most of the time. We are in agreement. Occasionally I've come across where we weren't. My preference is to get on the phone with that professional personally and just try to work it out and help them to see why this is an appropriate strategy, and so that we can both get on the same page. And because I try to make it a point not to. Enough not to go outside of my lane and give tax advice in an area where I shouldn't, but we're also very strong on taxes, so oftentimes we'll make a recommendation, and the accountant is usually the accountants fully on board. They get it, they appreciate that we are looking forward and doing tax planning. So usually we all get on the same page. We haven't had really any situations where we had a differential and the client had to kind of pick a side.

Wade Pfau 20:28
Yeah, in some cases, it may just be a matter of really the both parties The goal is to provide the most after tax wealth to their client. But if you haven't really thought through things, you're just as the doing the tax forms. It's okay, let's minimize taxes this year as the way to provide the most after tax wealth. And then when it's pointed out, well, we have to strategize here over the lifetime when to pay these taxes to create the most after tax wealth, and in some cases, voluntarily paying taxes today, because that can reduce the tax burden in the future in a positive manner, to lay that foundation for the most after tax wealth. Yeah, the accountant would say, okay, I get it now, so that you probably had those kinds of conversations over the years and work with folks that are on board with that sort of philosophy, I would think,

Rob Cordeau 21:19
yeah. I would say more often the conflict comes between us and the client. The client has a preconceived idea of what the most appropriate thing to do is, and and it's more convincing the client of the strategy. And ironically, it's funny with so much ink being spilled on this topic of Roth conversions. And you know, among journalists, its clients are very excited about it. And the more common response that I get is, we'll do a tax projection, and I'll present it to the client and say, Well, you know, you can convert $32,000 to Roth this year and bring you right up to the top of the 22% bracket. We think that's a recommendation for you. And the response I get, I just got one like this a couple months ago. Wait,

Alex Murguia 22:10
was it Wade? Wasn't Wade? No consulting gig, and so my mind went right to aid, no.

Rob Cordeau 22:22
So clients said 32,000 I mean, I get what you're

Alex Murguia 22:25
doing. It's not wait Never mind. You're up by like, five zeros, the right way. And the

Rob Cordeau 22:34
client said 32,000 I mean, I like the idea, Rob, but like, why don't we go big? I mean, my I have a seven figure Ira here, if you're doing 32,000 a year on conversions, or we're never going to get this whole thing converted. It's continuing. It's going to grow faster than that. I'm sorry. And so

that's the common, you know, response I get is, well, yeah, if a little bit is a good thing, then a lot. We wanted to do hundreds of 1000s. He wanted to do, like, three to 500,000 a year of Roth conversions. And I had to explain him, that's sort of like going out with your family for an ice cream and you get an ice cream cone, you're like, wow, that's delicious. I should get a half gallon and just dig into it tonight and have the whole thing right there is such a thing as too much of a good thing. And so explaining how a $300,000 Roth conversion was going to push him through a couple more tax brackets and how that would that's going to be a higher bracket than I anticipate he will ever pay in the future. It just doesn't make mathematical sense. So again, setting aside our guesswork on tax policy and future legislation, it just doesn't make mathematical sense. So that's going to be our first layer is do the math, see if there's if it makes sense, maybe to fill up brackets, and then let's put a separate layer on top of that, as let's talk about what you think future tax law might look like. Let's just have a conversation about that. I

Alex Murguia 24:10
have to stop you. This is a reoccurring theme that Wade and I have, and we ask each other every few episodes, we kind of bring it up tax policy, when, when, when you're you know when Wade's doing his book and his updates, updates coming up next year? Everyone So FYI, February. Oh, January. January. Sorry,

Wade Pfau 24:35
wait. I gotta wait till like January 8 to get the CPI number for the year.

Alex Murguia 24:39
All right, but it's coming up. But you know, when he does these updates, you know he has to do these projections that he's running in the scenarios, and he just goes with what the law is. And if the law says it's going to change in three years back to some sunset thing, whatever it is, whether that kind of be

Wade Pfau 24:54
less abstract, it's just that in 2026 the current law says we go back to the old tax rates from 20. 17, right?

Alex Murguia 25:01
But you kind of implement those. And so when we're doing projections for clients, or when you're doing your projection to give somebody, if you will, a sensible answer, what do you do? It could be a mixture of scenario analysis, where you know bad scenario, good scenario, middle of the road. It could be just tax policy, this tax policy that split the baby, you know, what do you guys not? What do you what? What is your preference for presenting this when you're doing your analysis?

Rob Cordeau 25:35
My my starting point is the same as Wade's. Let's look at what the current law is for taxes, right? And even including the sunset of the tax cuts and Jobs Act, what will it be? So assume that it will sunset. That's by the way,

Alex Murguia 25:49
include me in that positive Halo and say the same as Wade and Alex. Is that way I get some of that. I

Wade Pfau 25:54
get that credibility.

Alex Murguia 25:55
I get that street credibility,

Rob Cordeau 25:59
brilliant mind

Alex Murguia 26:02
between two Wade and Alex, we have a lot of common.

Rob Cordeau 26:09
So, yeah, that's the starting point right to see if it just makes logical sense, before we start going down the, you know, the rabbit hole of what do we think will happen with tax rates? Then I do go down that rabbit hole with the client. And some clients are very vocal about this. I'll never forget a client I had, this was about 15 years ago, and he wanted to go all in on the Roth conversions. He wanted to do very, very large he wanted to convert all of this. So this

Alex Murguia 26:36
is even different than the previous example. Yeah, different, different color, you get this kind of reaction then, like, let's

Rob Cordeau 26:43
Yeah. And so he said, I want to go all in on this Roth conversion. And I said, Why do you want to do that? And he said, Well, Rob, just look at, look at the national debt. And at the time, the national debt was 10 trillion 10 trillion I remember the the conversation and the number. He's like, Rob, this thing is ballooning. I mean, it can't go a whole lot higher than ten trillion and how, how is the government going to balance their budget? You know? I mean, there's only two ways to do it. They cut spending and they can raise taxes, and they're, I mean, there's no way the taxes are going to go down there, and there's no way they're going to stay the same. Taxes have to go up. So this was 15 years ago, right? The debt now is what, 36 trillion, so it's three and a half times.

Alex Murguia 27:30
Oh, 3.6 trillion.

Rob Cordeau 27:34
I now I think 6 trillion, right? Yeah, and, and what has happened to tax rates? We had a pretty sizable tax cut that was implemented in 2017 tax rates are lower now than they were when he and I had this conversation, when he was convinced that the only way taxes could go is up and, and he was absolutely wrong about that. So I caution clients about overconfidence, about predicting the future, even on something that we feel we're certain of right, like, like his confidence

Alex Murguia 28:13
advisors of over of predicting the future.

Rob Cordeau 28:18
And, you know, I also brought out to him, and I mentioned this to clients, that it's possible that tax revenues, the government can find a way to increase tax revenues, but your tax rate might not go up. So I said, I can give you two examples of that. We've had presidential candidates in recent memory who proposed a flat tax, right? I'm not saying that that will happen, but if you look at there's half a dozen proposals out there, and studies have been done on those, as to what would it take for a percentage tax on every American to meet the national budget for each year, and the range is, like, between, I don't know, 12 and 18% or something like that. It comes up in the mid teens. So imagine a scenario where I as a as an investor, decide I want to go all in on Roth conversions, and I'm filling up the 24 or the 32% tax bracket, and then legislation passes, and we all go to a flat tax and we're all paying 16% now, I'm going to be kicking myself that I went crazy with Roth conversions, or another example.

Alex Murguia 29:31
Well, no, no, that you went crazy front loading the Roth conversions exactly, because it could have always, like, like the example in year two. You know what? Things change and so, yeah, you're more path independent in your thinking,

Rob Cordeau 29:45
absolutely. And another alternative, probably a more realistic alternative, is the current administration is focused on raising taxes on those married couples just earning 400,000 and above and not really changing the. Taxes for those earning 400,000 or less. It's not hard to imagine someone in the White House and a certain composition of Congress that would be in favor of going even harder toward the people earning more than 400,000 and then lowering taxes on those earning less than 400,000 so that they have more money in their pockets, so they could stimulate the economy and spend more, that would be a scenario where most of our clients, most affluent Americans, are going to be showing less than $400,000 of taxable income in retirement. It takes up, it takes a lot of assets to generate 400,000 of of taxable income each year for retirement,

Alex Murguia 30:46
and sometimes when you retire. I mean, there's many folks that, when they start hitting their no go years, they even if it physically, they may not be able to spend that money.

Rob Cordeau 30:59
Yeah, yeah. Yeah. So, you know, those are a couple of scenarios where the government could raise revenues, raise taxes, but not raise taxes on you and your personal tax rate in the future, when you could have had a larger Ira pulling money out at a at a lower rate, but instead you you really went all in, leaning into Roth conversions too much. So for me, I think Roth conversions are, they're a form of hedging. If you think about it, right, you are hedging against future tax increases or maybe not. That's probably not the way to say it, but you're hedging against the possibility that your personal tax rate might be higher in the future, so you're okay paying a higher tax upfront.

Wade Pfau 31:53
Yeah, yeah. And so with some of those examples you were giving too, and sounded like I see this more generally, it's always, let's get the IRA account down to zero, but that's rarely going to

be the goal of a Roth conversion strategy. And now you may have other income sources, but at least for those who may not have much else besides Social Security, you at least want your like Ideally, your RMDs would fill up the standard deduction. And if you did 100% Roth conversion, you might just be wasting the opportunity to pay taxes at 0% which is what happens, is you feel the standard deduction. So I don't know if that applied in those cases you gave, but certainly it relates to that idea of, let's, let's let's maximize our Roth conversions, get those accounts down to zero, because rarely that's going to be an optimal way to do things. Yeah,

Rob Cordeau 32:48
you mentioned that. I think I might have mentioned about prior podcast. We had a client once who did not a prospect came to us, and she just had one account. It was a $2 million Roth, very unusual. And I asked her about it, and she said she had engaged in a lot of significant Roth conversions over the years. And it just so happened, she was a retired CFP, a retired certified financial planner, and we had to break the news to her that she had voluntarily paid tax in her peak earning years at a higher bracket. And she had, she had guaranteed that she was going to be in the 0% bracket for her entire retirement, but she had given up on taking advantage of that standard deduction, standard deductions lost on her. She didn't have any taxable income. So if you picture a married couple with, say, 30,000 of standard deduction. You give that up, that's 30 grand a year that you could be taking tax free from your IRA over 30 years, that's $900,000 so, so it's I would take your comment Wade even a step further. It is never our desire to completely remove all potential for taxable income from an IRA. I kind of want that at least some of it for that very reason. I want to use that standard deduction to offset it,

Wade Pfau 34:11
and also what we talked about before with the health expense or the long term care expense, being able to have something to apply against those deductions. Yeah,

Rob Cordeau 34:19
exactly.

Wade Pfau 34:24
Yeah. Well, I think we have a lot more to talk about here, so I maybe we should even make this into a two parter and continue our discussion next week, because I know there's a lot more questions I have. We haven't even talked about, like, the impacts of the secure Act, or what, whether market downturns present opportunities, or even where we should be paying taxes from or how much to Roth convert. So if it's okay for both of you, let's, let's stop here and continue this conversation on Roth conversions next week.

Rob Cordeau 34:53
Sounds like a plan, alrighty, okay,

Wade Pfau 34:57
so we'll catch everyone next time on retire. Style. Bye, everyone. Thank

Bob French 35:01
you. Wade and Alex are both principals of McLean Asset Management and retirement researcher. Both are SEC registered investment advisors located in Tysons, Virginia. The opinions expressed in this program are for general informational and educational purposes only,

and are not intended to provide specific advice or recommendations for any individual or on any specific securities to determine which investments may be appropriate for you, consult your financial advisor. All investing comes with a risk, including Risk of Loss past performance does not guarantee future results. So