STRATOS
WEALTH PARTNERS

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NEW SCPMG RETIREMENT OPTIONS THAT MAY BE JUST WHAT THE DOCTOR ORDERED

Earning a larger salary, as many in the medical professions do, can block you out of some of the more tax- advantageous retirement savings plans available. Roth IRA's allow for tax-free qualified distributions in retirement, and are popular for investors who anticipate landing in a high tax bracket when they retire. While many, including self employed individuals, enjoy the benefits of the Roth's tax deductible contributions, they are restricted by income limits. The income limit for contributing the maximum to a Roth IRA in 2019 is $122,000 for singles and $193,000 for married filing jointly. In 2020 the limits raise even further to $124,000 and $196,000 respectively, per www.irs.gov stated limits.

An IRA conversion, commonly called a **backdoor Roth IRA**, can help these higher-income earners plan for retirement while enjoying some important tax advantages. The process to participate in one of these plans begins with contributing to a traditional, nondeductible IRA. At this point, a trustee-to-trustee transfer is made, and the money in your Roth IRA becomes subject to Roth IRA distribution rules.* Any future earnings from this investment would not be subject to taxes when withdrawn. Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation.

Kaiser recently announced modifications to their retirement plan options, and the chart below describes how Southern California Permanente Medical Group Employees may be able to change your contributions to maximize tax benefits. For California medical professionals who will most likely land in a higher tax bracket upon retirement and who are already beyond Roth limits, backdoor Roth IRA's may be just what the doctor ordered.

KEOGH PLAN		+	401(k) PLAN		=	
If Keogh Plan contribution level is:	**2019 Keogh contribution is:**		**Maximize Traditional Pre-Tax and Roth 401(k) After-Tax contributions up to:**	**And "fill the gaps" with Traditional After-Tax contributions up to:**		**TOTAL 2019 CONTRIBUTIONS**
100%	$37,000		$19,000 *($25,000 if 50+)*	$0		**$56,000** *($62,000 if 50+)*
70%	$32,849		$19,000 *($25,000 if 50+)*	$4,151		
50%	$22,703		$19,000 *($25,000 if 50+)*	$14,297		
25%	$10,909		$19,000 *($25,000 if 50+)*	$126,091		
0%	$0		$19,000 *($25,000 if 50+)*	$37,000		

* *The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.*

Please call us to discuss today. 949-407-7383