

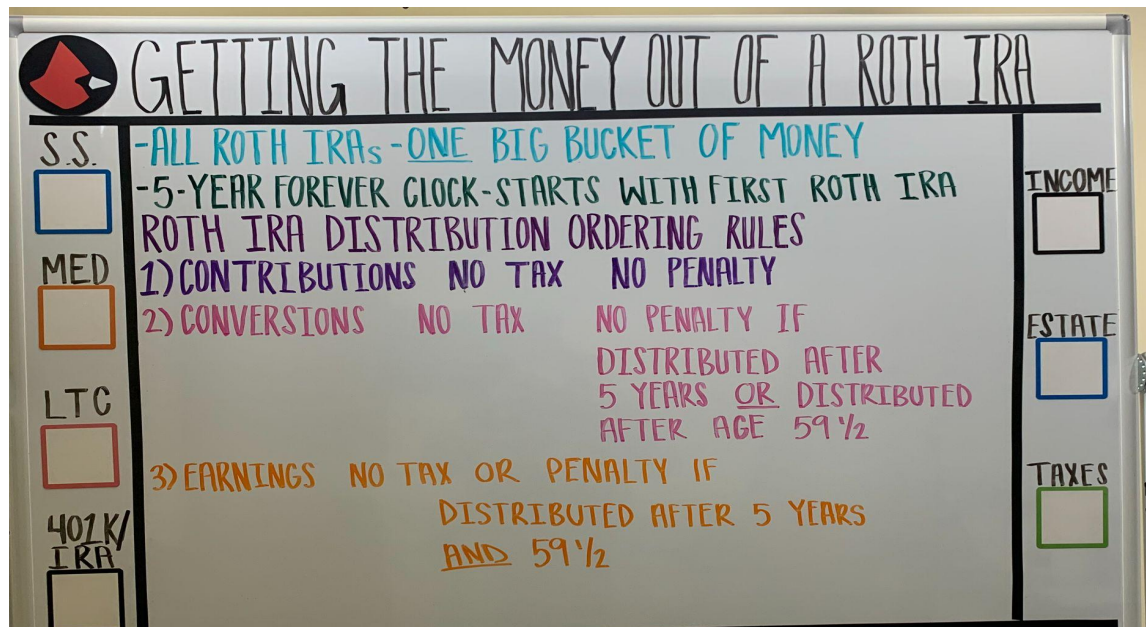


Dec 2023

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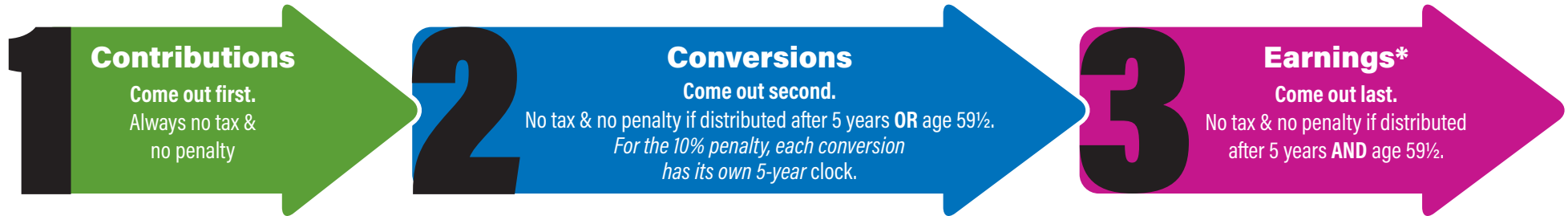
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Getting the Money Out of a Roth IRA

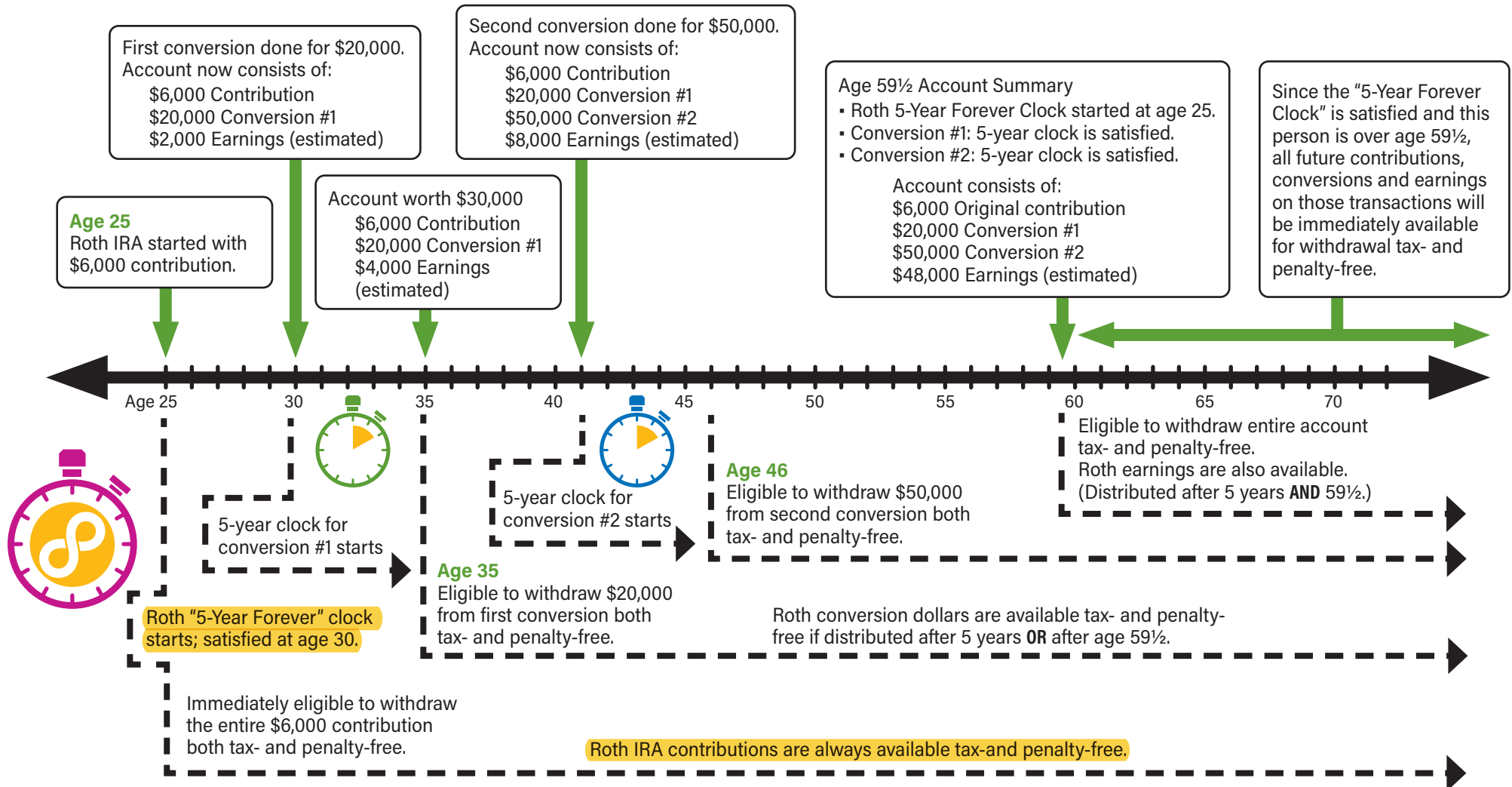


Roth IRA: 5-Year Clocks & Distribution Ordering Rules

All Roth IRA Accounts are Considered One



* Earnings are not subject to tax if withdrawn after the account owner has had any Roth IRA for 5 years **AND** is over the age of 59½, or is dead, disabled, or is taking the funds for a first-time home purchase. If the account owner is under the age of 59½ at the time of the distribution of earnings, he or she is also subject to the 10% early distribution penalty.



ROTH IRA DISTRIBUTION ORDERING RULES – KEEP IT SIMPLE

Monday, October 30, 2023

By Andy Ives, CFP®, AIF®

IRA Analyst

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Within the 400-page Ed Slott advisor training manual, we include a basic chart that outlines the Roth IRA distribution ordering rules and the availability of those specific dollars. When presenting the material to a live audience, I always say it is my favorite page. Those in the crowd usually joke and ask incredulously, “You have a favorite page in this book?”

Yes. For such a simple graph, I think it will get a person through 95% of all Roth IRA distribution questions (and that percentage might be low). In fact, I keep the chart on my computer desktop and have shared it with so many people I lost count. The Slott Report format precludes me from sharing the actual chart, but I can share the words on it. Some key items I always mention during our training programs before discussing the chart:

- Remember - the IRS views ALL of a person's Roth IRAs as one big bucket of money. It does not matter how many Roth IRAs you maintain.
- This is only applicable to Roth IRAs. These ordering rules do not consider any Roth dollars a person may have in a 401(k) nor does it factor in any inherited Roth IRAs.
- Pay particular attention to the “OR” and “AND” words. These little words make a big difference as to availability of the Roth IRA funds.
- When taking a distribution from a Roth IRA, this is the order in which the dollars come out, 1 through 3. You cannot access your converted dollars until the contributions have been depleted, and you cannot access any earnings until both the contributions and conversions are gone.

Keep it simple.

Drumroll...

And now, the words on my favorite chart...

Roth IRA Distribution Ordering Rules

1. Contributions. No tax. No penalty.
2. Conversions. No tax. No penalty if distributed after 5 years OR distributed after age 59 ½.
3. Earnings. No tax or penalty if distributed after 5 years AND 59 ½.