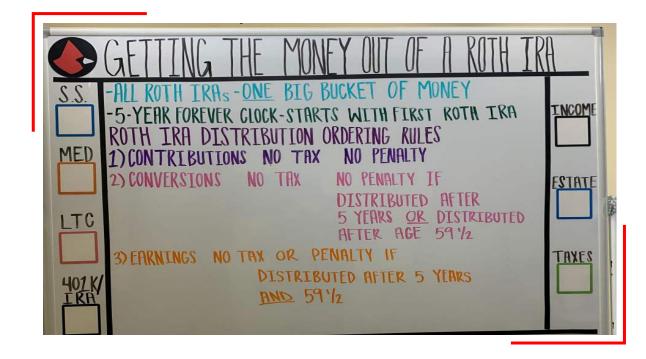
# Hans and Tom use the following chart and document to discuss getting the money out of a Roth IRA in the video with the same title.

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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

#### **Contributions**

Come out first. Always no tax & no penalty



Come out second.

No tax & no penalty if distributed after 5 years **OR** age 59½. For the 10% penalty, each conversion has its own 5-year clock.



No tax & no penalty if distributed after 5 years AND age 591/2.

\* Earnings are not subject to tax if withdrawn after the account owner has had any Roth IRA for 5 years AND is over the age of 59½, or is dead, disabled, or is taking the funds for a first-time home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.

Second conversion done for \$50,000. First conversion done for \$20,000. Account now consists of: Account now consists of: \$6,000 Contribution Age 591/2 Account Summary Since the "5-Year Forever \$6,000 Contribution \$20,000 Conversion #1 Roth 5-Year Forever Clock started at age 25. Clock" is satisfied and this \$20,000 Conversion #1 \$50,000 Conversion #2 • Conversion #1: 5-year clock is satisfied. person is over age 59½, \$2,000 Earnings (estimated) \$8,000 Earnings (estimated) Conversion #2: 5-year clock is satisfied. all future contributions. conversions and earnings Account consists of: Account worth \$30,000 on those transactions will \$6,000 Original contribution Age 25 \$6.000 Contribution be immediately available \$20,000 Conversion #1 Roth IRA started with \$20,000 Conversion #1 for withdrawal tax- and \$50.000 Conversion #2 \$6,000 contribution. \$4,000 Earnings penalty-free. \$48,000 Earnings (estimated) (estimated) 55 Eligible to withdraw entire account tax- and penalty-free. Roth earnings are also available. Age 46 (Distributed after 5 years AND 591/2.) Eligible to withdraw \$50,000 5-vear clock for from second conversion both conversion #2 starts 5-year clock for tax- and penalty-free. conversion #1 starts Eligible to withdraw \$20,000 from first conversion both Roth conversion dollars are available tax- and penalty-Roth "5-Year Forever" clock starts; satisfied at age 30. tax- and penalty-free. free if distributed after 5 years OR after age 591/2. Immediately eligible to withdraw the entire \$6,000 contribution both tax- and penalty-free.

Roth IRA contributions are always available tax-and penalty-free

### 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.

Drumrol1

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 1/2.
- 3. Earnings. No tax or penalty if distributed after 5 years AND 59 1/2.