## Roth IRA: 5-Year Clocks & Distribution Ordering Rules

All Roth IRA Accounts are Considered One

Contributions Come out first. Always no



## Conversions Come out second.

No tax & no penalty if distributed after 5 years **OR** age 591/2. For the 10% penalty, each conversion *has its own 5-vear* clock.



Earnings\* Come out last No tax & no penalty if distributed after 5 years AND age 59 I/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\* Earnings are not subject to tax if withdrawn after the account owner has had any Roth IRA for 5 years AND is over the age of 59 1/2, or is dead, disabled, or is taking the funds for a first-time home purchase. If the account owner is under the age of 59 1/2 at the time of the distribution of earnings, he or she is also subject to the 10% early distribution penalty.

First conversion done for \$20,000. Account now consists of: \$6.000 Contribution \$20,000 Conversion #L \$2,000 Earnings (estimated)

Second conversion done for \$50.000. Account now consists of: \$6,000 Contribution \$20,000 Conversion #L \$50.000 Conversion #2 \$8,000 Earnings (estimated))

## Age 59 I/2 Account Summary

- •Roth 5—Year Forever Clock started at age 25. •Conversion #I: 5—year clock is satisfied. •Conversion #2: 5—year clock is satisfied.

Account consists of:

\$6.000 Original contribution \$20,000 Conversion #L \$50.000 Conversion #2 \$48,000 Earnings (estimated)

Since the "5-Year Forever Clock" is satisfied and this person is over age 59 l/2, all future contributions, conversions and earnings on those transactions will be immediately available for withdrawal tax- and penaltyfree.



Account worth \$30,000 \$6.000 Contribution \$20,000 Conversion #1 \$4.000 Farnings (estimated).

Roth "5-Year Forever" clock

starts; satisfied at age 30.

5-year clock for conversion #1 starts

Eligible to withdraw \$20,000 from first conversion both tax- and

5-year clock for

conversion #2 starts

second conversion both tax- and

Eligible to withdraw \$50,000 from penalty-free.

Eligible to withdraw entire account taxand penalty-free. Roth earnings are also available. (Distributed after 5 years AND

Roth conversion dollars are available tax- and penalty-free if distributed after 5 years **OR** after age 59 1/2.

Immediately eligible to withdraw the entire \$6.000 contribution both taxand penalty-free.

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