



## Roth Conversions after the One Big Beautiful Bill Act

In the summer of 2025, the One Big Beautiful Bill Act (OBBBA) extended the lower tax rates of the Tax Cuts and Jobs Act (TCJA) and increased certain deductions. Many taxpayers may now have the opportunity to make lower-cost conversions in the coming years. Here's what you need to know.

Several provisions in the new legislation encourage (or in some cases require) retirement contributions to be made to Roth accounts. This is particularly true for many higher-income individuals. One such example is the requirement for catch-up retirement-plan contributions, which must now be made as designated Roth account contributions (DRACs) for those with annual incomes of more than \$150,000 in 2025.

### More Options for Median Earners

However, the OBBBA also contains several provisions that allow moderate earners to increase their Roth contributions or conversions for little to no tax cost. For example:

1. A new, temporary \$6,000 deduction is available to individuals age 65 or older with phaseouts for higher incomes (\$75,000 for single filers or >\$150,000 for those married filing jointly). This deduction would allow a couple who are both age 65 and making less than \$150,000 annually to effectively convert \$12,000 tax-free.
2. The overall standard deduction was increased for 2025 and again in 2026, adjusted for inflation. Additional deductions were enacted for tipped wages and overtime pay. Eligible taxpayers may further reduce tax liability.
3. The State and Local Tax (SALT) deduction cap has been raised to \$40,000 through 2029 for returns of less than \$500,000 before phasing out at \$600,000. This could allow eligible clients a higher itemized deduction than they previously claimed.

Each of these deductions can reduce clients' taxable incomes, allowing them to convert more retirement dollars while keeping similar tax expenses.

### Options for Framing Roth Conversions

There's more than one way to position Roth conversions for clients who may benefit. The following talking points could help you guide your clients toward strategies that complement their existing plans and goals.

1. Consider Partial Conversions: Use bracket maximization strategies to "fill up" lower tax brackets without incurring higher rates triggered by phaseouts.
2. Income Timing: If you anticipate a high-income year for a client, it may be better to elect tax-deferred retirement savings and wait before choosing to convert.
3. Understand State Income-Tax Rates: While saving on federal income taxes is important, it is also important to monitor state tax rates, as several states have ultraprogressive tax rates for higher earners. A client planning to redomicile to a lower tax state may wish to delay conversion or distribution until doing so.
4. Medicare IRMAA Penalties: Most Americans claim Medicare at age 65. An Income-Related Monthly Adjustment Amount (IRMAA) is a means-testing penalty that could greatly increase Parts B and D premiums. If the income spike is only expected during one year, Medicare premiums should revert the following year.
5. Catch-Up Contributions for High Earners: For those ages 50 and older who made more than \$150,000 in FICA wages in 2025, catch-up contributions must go to the Roth portion of their employer retirement plans. If a Roth option is not available, they will be ineligible to make catch-up contributions. If they don't already have one, it may be helpful to set up a Roth IRA to receive the proceeds of a DRAC.

Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state.

**No bank guarantee • Not a deposit • May lose value  
Not FDIC/NCUA insured • Not insured by any federal government agency**

**For financial professional use only. Not for use with the public.**

6. Qualified Business Income (QBI) Deduction: This provision allows eligible pass-through business owners to deduct up to 20% of their QBI and increases thresholds for limitations. Business owners near threshold amounts should review their income sources to avoid inadvertently phasing out of this valuable deduction.

### Don't Miss Valuable Opportunities for Proactive Planning

As changes created by the OBBBA are implemented, you can help clients take advantage of Roth accounts in ways they may previously have avoided due to tax cost. By transitioning funds from tax-deferred accounts to qualified Roth accounts, these clients can reduce future RMDs and potentially avoid threshold limitations for future deductions.

### ACTIONS YOU CAN TAKE RIGHT NOW

- Identify clients who will be affected by changes to Roth conversion rules.
- Meet to discuss options to manage new thresholds.
- Consider increasing pre-tax contributions and additional deferred nonqualified savings.

### Additional Resources and Links

[One Big Beautiful Bill Act: Key Provisions](#)

[Public Law SECURE Act 2.0](#)

[RILAs – An Evolved Approach to Help Prepare for Retirement](#)

For more information about retirement planning,  
please contact our Retirement Strategies Group at  
[RSG@PacificLife.com](mailto:RSG@PacificLife.com) or (800) 722-2333, ext. 3939.

[Annuities.PacificLife.com](https://Annuities.PacificLife.com)

**Pacific Life, its affiliates, their distributors and respective representatives do not provide tax, accounting or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.**

Pacific Life refers to Pacific Life Insurance Company and its subsidiary Pacific Life & Annuity Company. Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues.

The home office for Pacific Life & Annuity Company is located in Phoenix, Arizona. The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.

**For financial professional use only. Not for use with the public.**



THE OFFICIAL SPONSOR  
OF RETIREMENT\*