



September 10, 2025

What is a backdoor Roth IRA?

Roth IRAs offer substantial benefits: tax-free growth, penalty-free withdrawals and no required minimum distributions, to name a few.

But IRS income limits block direct contributions for higher earners. In 2025, single filers with a modified adjusted gross income (MAGI) above \$150,000 (and joint filers above \$236,000) can't contribute directly.

But high-income earners aren't totally locked out. It's possible to leverage backdoor Roth IRA to work around these income limits.

How Backdoor Roth IRAs Work

If you want to take advantage of a backdoor Roth IRA, the first step is to make a post-tax contribution to a traditional IRA. Then, convert that IRA to a Roth IRA. Be sure to fill out IRS form 8606 and file it with your taxes, which lets the IRS know that your preconversion contribution is not tax-deductible.

Backdoor Benefits

This strategy allows you to take advantage of a Roth IRA even if you surpass the income limits. Once you have the Roth IRA funded, you will be able to take tax-free withdrawals in your retirement years. Plus, you do not have to take required minimum distributions (RMDs).

Keep in mind that the initial conversion may still come with some taxes.

The Pro Rata Rule

While a backdoor IRA is a handy option for high earners, there are potential tax implications. If you have money in other IRAs, you should be aware of the pro rata rule. The IRS essentially lumps all non-Roth IRAs together. You could be facing a tax bill if you convert funds from your non-Roth IRAs.

Working with a professional can help you navigate the ins and outs of the financial planning tools at your disposal. Get in touch if you have any questions.

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