Stop Overpaying:
The New Strategy for Smarter Roth Conversions

The Entrust Group

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Today's Agenda

- About Entrust
- A Roth Conversion Strategy presented by Ryan Finch, CFP
- Q&A Time

Meet Your Host

Jacob Marchini

- Over 9 Years at Entrust
- Provides Service and Support to new clients and Referral Partners
- CISP Certified

About Entrust

- Self-Directed IRA Administrators
- Knowledgeable Staff with CISP Certifications
- Monthly Educational Webinars

About Entrust

$5B

Assets Under Administration

24k+

Active Investors

40+

Years of Service

1

Point of Contact

TANGIBLE WEALTH SOLUTIONS

CHARACTER. CLASS. INTEGRITY.

IN PARTNERSHIP WITH ENTRUST

A ROTH CONVERSION STRATEGY

That May Save You Loads in Taxes

WITH TANGIBLE WEALTH SOLUTIONS

Tangible Wealth Solutions
Character. Class. Integrity.

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There is no guarantee that any strategy will be successful or achieve investment objectives including, among other things, profits, distributions, tax benefits, exit strategy, etc.;
Potential for property value loss – All real estate investments have the potential to lose value during the life of the investments;
Change of tax status – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities;
Potential for foreclosure – All financed real estate investments have potential for foreclosure;
Illiquidity – These assets are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
Reduction or Elimination of Monthly Cash Flow Distributions – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions;
Impact of fees/expenses – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits
Stated tax benefits – Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.

Oil and Gas Investment Risks

Political risk – Federal or local governments could enact regulations or legislation that could adversely affect the oil and gas industry, thereby negatively affecting your investment.
Geological risk – Oil and gas production can be negatively impacted by extraction challenges and the possibility that accessible reserves in a deposit may be smaller than estimated. There is no guarantee that any drilling operation will be successful.
Supply, demand, and price risk – A reduction in oil and gas prices, a decrease in demand, or an oversupply can reduce or even eliminate investment returns.
Cost risk – Unexpected or increased operating expenses can reduce or eliminate investment returns.
Dividend cuts – Any dividend payments may be reduced or eliminated if the company is unable to generate sufficient revenue to fund payments to investors.
Oil spill risk – Beyond the cost of repairs, cleanup, potential fines, and possible litigation, oil spills can damage the company's reputation, all of which can reduce or eliminate investment returns.

Today's Topics

Roth Conversion Fundamentals

Conversion tax impact, tax management, and valuation discount strategy

Sequencing & Asset Location

An overlooked tactic for conversions and why stacking investments matters

Self-Directed IRA Flexibility

How SDIRAs expand options for alternative assets in a Roth structure

The J-Curve Advantage

Why development fund timing creates a natural conversion window

Inheritance & RMD Benefits

Long-term advantages for your heirs and required minimum distributions

Combine with Oil & Gas Drilling Fund

Using bonus depreciation to further offset conversion tax impact

KEY STRATEGY

Roth Conversion with Valuation Discount

30–40% tax reduction

ROTH CONVERSION WITH VALUATION DISCOUNT

A tax strategy using private placement real estate funds

TANGIBLE WEALTH SOLUTIONS

Roth Conversion Fundamentals

1. Invest $100,000 from Traditional IRA into a real estate development fund
2. Custodian receives revaluation notice. Appraised value is reduced 30–40% due to illiquidity and early-stage development
3. Asset now valued at ~$60,000 for conversion purposes
4. Convert (roll over) from Traditional IRA to Roth IRA - taxable event based on reduced value
5. Pay tax on $60,000 instead of $100,000 (potential savings of $12,000-$16,000 at 30-40% bracket)
6. All future returns and capital flow back into Roth IRA completely tax-free

Key Insight: The valuation discount is not artificial — it reflects the real illiquidity and early-stage risk of development funds.

The J-Curve: Investment Fund Lifecycle

BLUEPRINT

Project Plan
& Equity Raise

→

VACANT LAND

Site Acquired
Pre-Development

→

CONSTRUCTION

Active Build
Value Depressed

→

COMPLETED

Stabilized Asset
Full Value

CONVERSION WINDOW

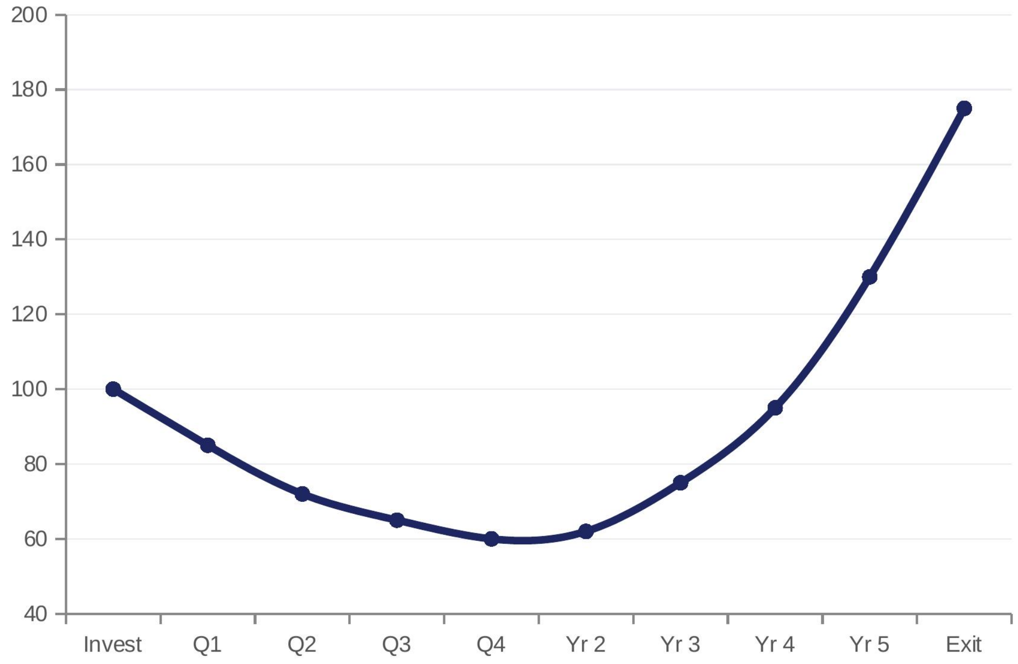
Valuation is depressed during development stage. This is when the Roth conversion may allow the most potential tax savings

Why the J-Curve Matters

Valuation appraises down because the asset is illiquid with fewer buyers, **creating a legitimate basis for a reduced fair market valuation.**

This reduced valuation means a conversion during this window creates a taxable event on the lower amount (e.g., ~$60K instead of $100K).

The J-Curve: Value Over Time



OPTIMAL CONVERSION ZONE

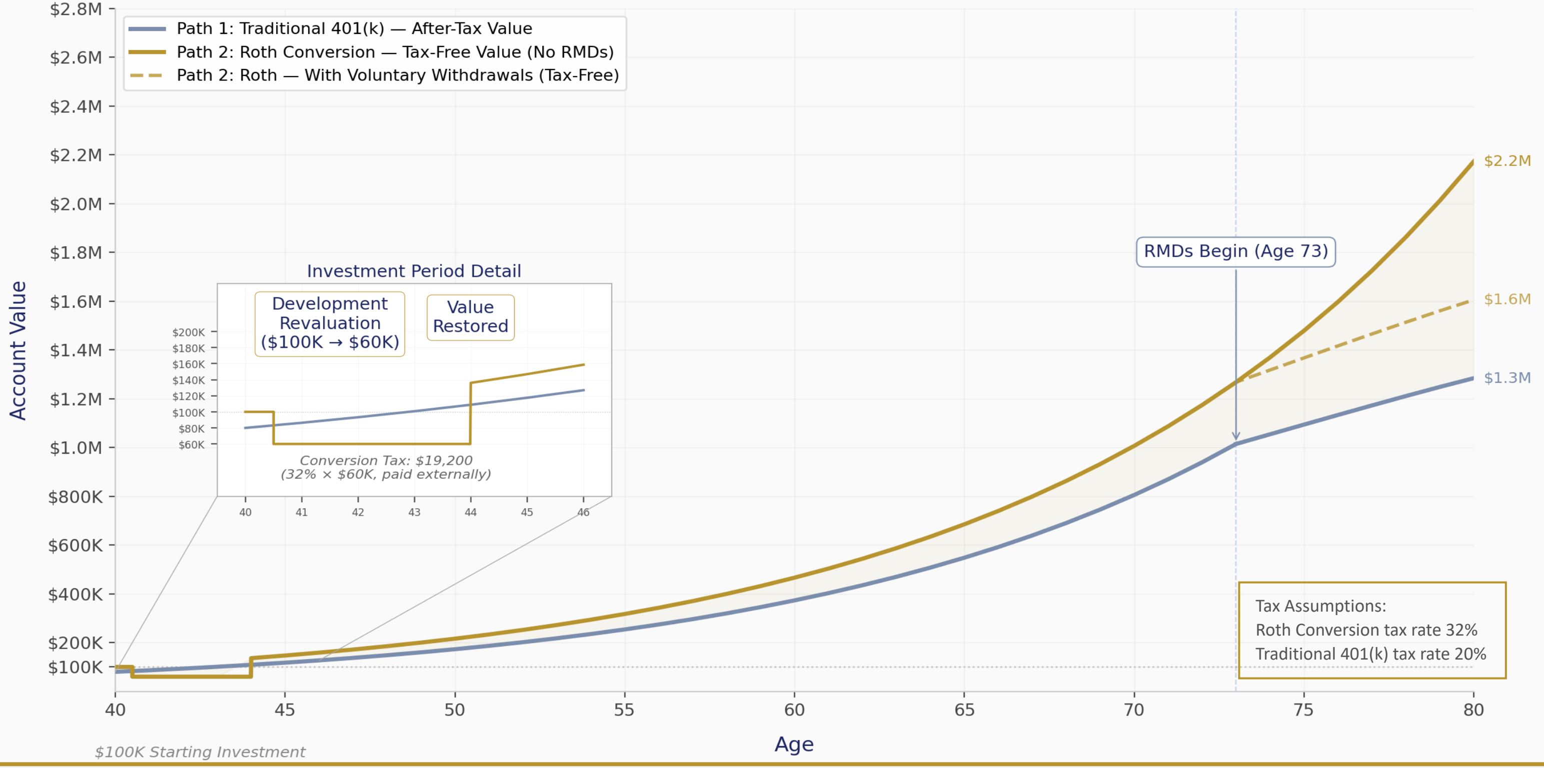
KEY TAKEAWAYS

- Value drops early due to illiquidity and construction risk
- Fewer buyers = lower fair market value for conversion
- Convert at the bottom of the J-curve for maximum tax savings
- Returns flow back into Roth tax-free as value recovers

Traditional 401(k) / IRA vs. Roth IRA

	TRADITIONAL 401(k) / IRA	ROTH IRA
Contributions	Pre-tax (tax-deductible)	**After-tax (no deduction)**
Growth	Tax-deferred	**Tax-free**
Withdrawals	Taxed as ordinary income	**Tax-free (if qualified)**
RMDs Required?	Yes starting at age 73	**No. No RMDs required**
Inheritance	Heirs pay income tax 10-year withdrawal rule	**Heirs receive tax-free 10-year rule, no tax impact**
Estate Impact	Counts toward taxable estate and increases heir's AGI	**Doesn't increase heir's adjusted gross income**

Traditional 401(k) vs. Roth Conversion with Valuation Discount



This illustration is hypothetical and for educational purposes only.

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Required Minimum Distributions (RMDs)

TRADITIONAL / PRE-TAX ACCOUNTS	ROTH IRA
1. RMDs required starting at age 73	✓ No RMDs required, ever
2. Must withdraw a minimum amount annually	✓ Your money continues to grow tax-free
3. Withdrawals taxed as ordinary income	✓ Withdrawals are 100% tax-free
4. Increases AGI (may trigger higher Medicare premiums)	✓ Does not count against AGI
5. Applies to: 401(k), Traditional IRA, 403(b), SEP IRA, SIMPLE IRA	✓ Not factored into Medicare premium calculations

The advantage of a Roth is not just tax-free income — it won't count against you for RMDs and doesn't require them.

Representative deals - names redacted for compliance

Example Fund Structures We've Seen

Fund Type	Asset Class	Hold Period	Valuation Discount	Notes
Fund A	Multi-Family Development	3–5 years	**30–35%**	Infill development in growth markets
Fund B	Multi-Family Renovation	3–4 years	**30–40%**	Value-add repositioning strategy
Fund C	Mixed-Use Development	4–6 years	**30–38%**	Ground-up urban project
Fund D	Senior Living	4–5 years	**~35%**	Specialized healthcare RE
Fund E	Self-Storage Development	3–4 years	**30–35%**	High-demand suburban locations

TAX YEAR PLANNING TIP

Some offerings won't reprice for a year or two. Clients may choose to move half in December and half in January to split the taxable conversion event across two tax years, further managing their bracket impact.

Planning Your Legacy

INHERITED TRADITIONAL IRA	INHERITED ROTH IRA
× Heirs must withdraw all funds within 10 years	✓ 10-year withdrawal rule still applies
× All withdrawals taxed as ordinary income	✓ All distributions come out completely tax-free
× No step-up in basis because funds have never been taxed	✓ No income tax impact on your heirs
× Can push heirs into higher tax brackets	✓ Does not affect heir's tax bracket
× Increases heir's AGI, potentially triggering phase-outs	✓ Doesn't increase heir's AGI or Medicare costs

If you believe these funds will go to your heirs, a Roth conversion today means they may inherit tax-free - no income tax hit, no AGI impact.

COMBINING STRATEGIES

Offsetting the tax impact of Roth conversions using Oil & Gas drilling funds

Combine: Oil & Gas + Roth Conversion

THE STRATEGY

1. Execute a Roth conversion with a valuation discount which creates a taxable event (e.g., $60K income increase)
2. Simultaneously invest in an Oil & Gas drilling fund as a General Partner (Working Interest) structure
3. Active participation in a working interest is not classified as passive activity by the IRS
4. 100% Bonus Depreciation passes through to investors as Intangible Drilling Costs (IDCs)
5. IDC deductions may offset earned income, including the Roth conversion income
6. Net result: the conversion tax impact is substantially reduced or potentially eliminated

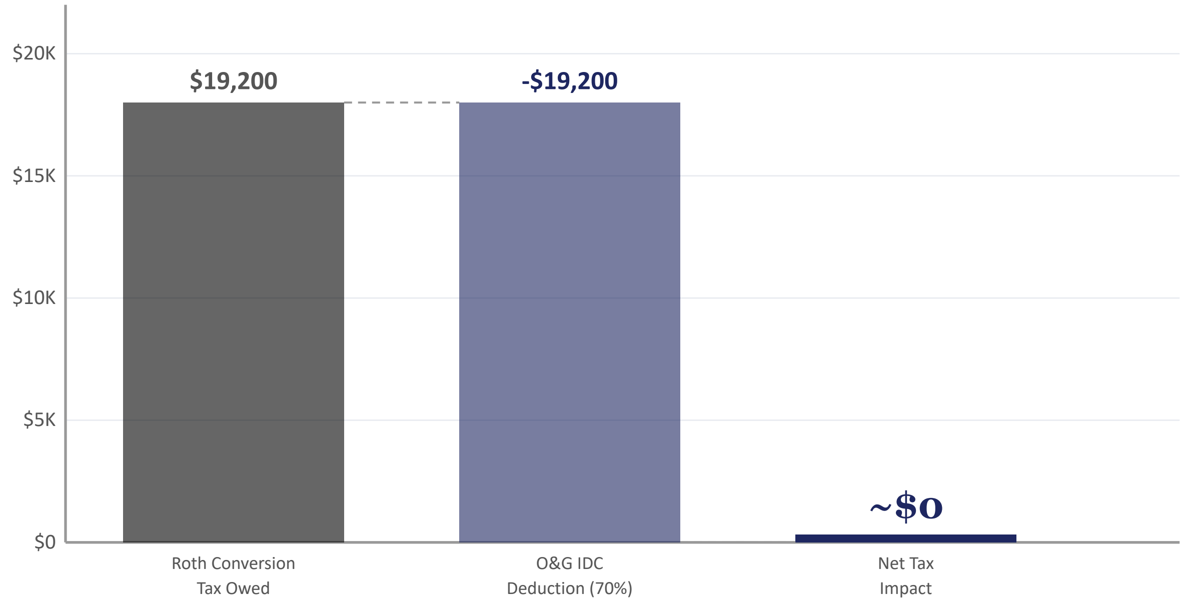
KEY TAX MECHANISM

- **Working Interest**
  Not a passive activity per IRS rules
- **100% Bonus Depreciation**
  Recent tax legislation allows accelerated IDC deduction
- **Offsets Earned Income**
  Can offset W-2 and conversion income
- **GP Structure**
  Active participation is the key qualifier

**This strategy relies on specific tax code provisions. Consult your tax professional before implementing. Investment in oil & gas carries additional risks.*

Stacking Strategy

Want to Offset the Roth Conversion Tax?



HOW IT WORKS

Roth Conversion Tax

32% tax on $60K discounted valuation = $19,200 owed

O&G Fund Investment

$91,430 into drilling fund as General Partner (Working Interest)

IDC Deduction (70%)

$91,430 × 70% = $64,001 offsets earned income

Net Tax Impact

Conversion tax fully offset. Effective cost of conversion: ~$0

Bonus

O&G fund may generate potential monthly distributions

Invest $91,430 in an O&G drilling fund structured as a GP with working interest.
The **70% IDC deduction ($64,001)** may fully offset **the $19,200 Roth conversion tax**
— potentially reducing your net tax impact to **~$0**, while also receiving potential monthly income distributions from the fund.

**Working interest is not classified as passive activity by the IRS, allowing IDC deductions to offset earned income including conversion income.*

Hypothetical Investment

$91,430 with IDC @ 70%

Below data provided for example purposes only.

Potential deduction from 2026 income of $64,001 (IDC deduction)

Tax savings in 2026 est. $19,200 (based on 32% tax bracket)

Projected income distributions (15% is tax free)

2026:	**$8,575**	($7,289 taxable)
2027:	**$10,290**	($8,747 taxable)
2028:	**$9,432**	($8,017 taxable)

Total income distributions over first 3 years **$28,297**

Taxable income distributions **$24,052**

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Thank You

Questions & Discussion

Thank you for joining us.

We’d love to hear your feedback and how you’d like to stay in touch.

Let’s Wrap Up

Getting Started With an IRA in 3 steps

Open an
Entrust Account

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Fund Your
Account

Getting Started With an IRA in 3 steps

Open an
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Fund Your
Account

Direct Custodian
to **Purchase**
Your Asset

What’s Next?

Sending you replay & additional resources

Our follow-up email will include video replay, slides, and more education

Register for May’s Webinar

Real Estate Investing With Debt vs. Equity: Which is Right for You?

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