# Tax efficient asset location between an IRA and a Roth IRA

## *A tale of two investors*

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Meet Jane. She puts stocks in her Roth IRA because they should grow more over time, and bonds in her regular IRA and taxable (RMD) accounts.

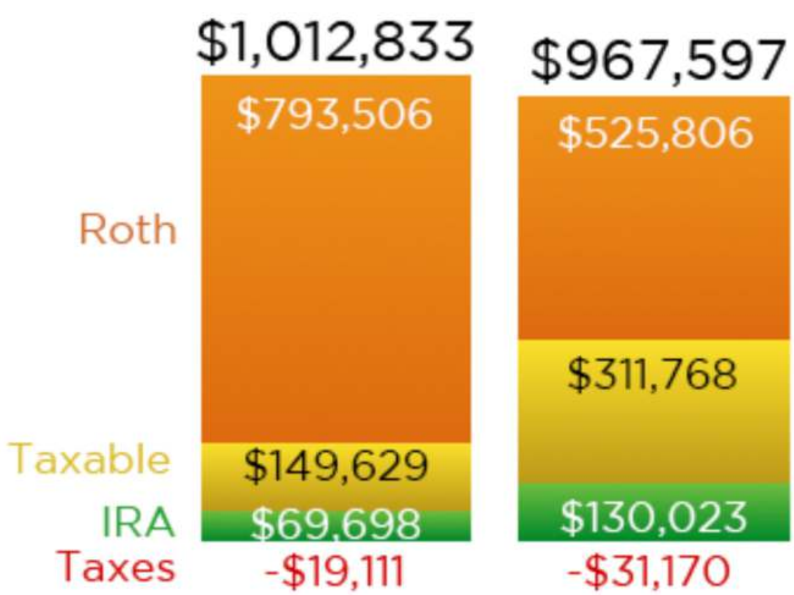
Meet John. He has no idea how to allocate his investments between his accounts so he's going to balance them all 50% stock/50.


## Their Situation:

Age 60
IRA: $100,000
Roth IRA: $100,000
50/50 Stock/Bond Mix
Annual Rebalancing
Stocks earn: 8%
Bonds earn: 3%
Tax Rate: 15%


Because they both need to take IRS required minimum distributions (RMD's) from the IRA at age 70 and 1/2, they will start paying taxes then. If stocks earn more than bonds, John will have higher RMD's and therefore pay more in taxes because he balanced his accounts.

### How do the strategies compare after 30 years?




**Jane wins!**

*$45k more in assets
*Paid $11k less in taxes
*Has half the remaining IRA balance (still taxable)
*A MUCH LARGER Roth

**SORRY JOHN!**

*A LOT LESS MONEY
*Paid A LOT MORE TAXES
*Has a much larger IRA left (still taxable)
*A MUCH SMALLER Roth

Savings
.75%
yearly

While both in identical situations, Jane used smart Roth asset location strategies and got a $45,236 benefit over 30 years. This is an increase of .75% per year on her original $200,000. John wasn't so smart. He paid more in taxes and still has a much larger IRA left (still taxable).