Retirement Tax Consultants Announces Strategy to Cut Taxes on Roth Conversions by a Minimum of 35% Using LLC Discounts

The Best Way to Save on Roth Conversion Taxes Your CPA Doesn't Know About

MCKINNEY, TX, UNITED STATES, July 2, 2025 /EINPresswire.com/ -- Retirement Tax Consultants, a leading authority in retirement tax and income planning, today announced a powerful strategy to help retirees reduce taxes on Roth IRA conversions by a minimum of 35% in the 2025 tax year. The key: applying valuation discounts to LLC interests held within IRAs.

> We are the bridge between your Accountant and Financial Advisor: We do what they don't by specializing in strategies to minimize retirement taxes"
>
> *David Hyden*

This advanced tax strategy leverages IRS-accepted valuation principles—specifically Discounts for Lack of Marketability (DLOM), Lack of Control (DLOC) —to reduce the fair market value (FMV) of assets converted from a traditional IRA to a Roth IRA. By lowering the FMV of closely held LLC interests through a qualified appraisal, taxpayers can reduce the taxable income triggered during conversion.

"Roth conversions are one of the most effective long-term tax planning tools available," says David Hyden, President and Founder of Retirement Tax Consultants. "But the tax hit can be a barrier. By properly valuing LLC interests with legitimate discounts, retirees can convert more wealth at a lower tax cost—potentially saving hundreds of thousands of dollars."

Hyden added, "Most people don't realize that keeping their money in a traditional IRA comes with Seven Major Financial Risks of Traditional IRA's—each of which a Roth conversion can either eliminate or significantly reduce."

1. Rising Tax Rates - We are living in an era of historically low tax rates. But many experts believe

that won't last. If tax rates rise—and they likely will—you'll owe more on every dollar withdrawn from a traditional IRA.

2. RMDs (Required Minimum Distributions) - Once you reach age 73 (or 75, depending on your birth year), the government forces you to start withdrawing from your IRA, whether you need the money or not. These withdrawals can quickly deplete your savings and push you into higher tax brackets.

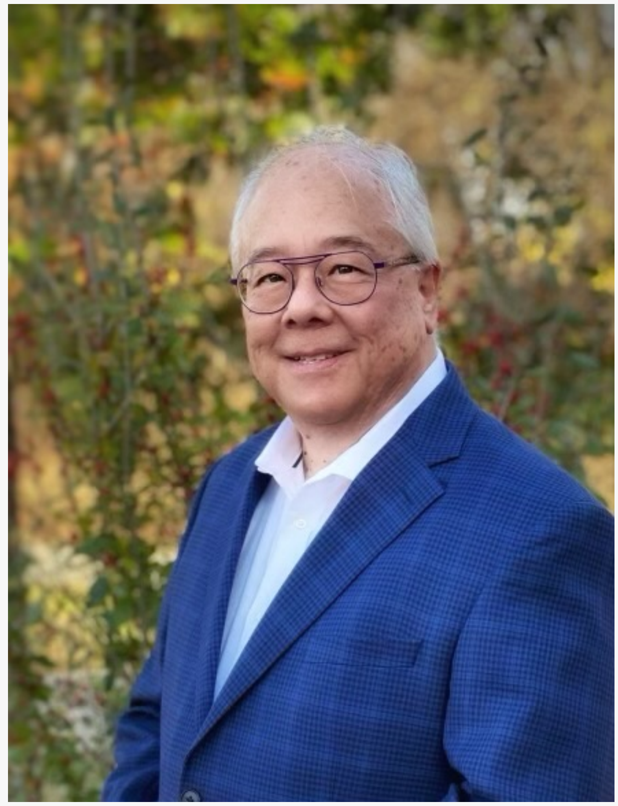
3. Taxation of Social Security Benefits - Traditional IRA withdrawals can trigger taxes on your Social Security benefits, turning what should be tax-free income into taxable income.

4. Medicare Premium Penalties (IRMAA) - Higher income from forced distributions can result in Medicare premium surcharges. These "stealth taxes" can quietly cost you thousands of dollars each year.

5. Fees on Government-Owned Money - You're paying investment management fees on your entire account balance—even the portion that ultimately belongs to the IRS. That's like paying to manage someone else's money.

6. The Widow's Penalty - After the first spouse passes, the surviving spouse often ends up paying higher taxes on the same income, thanks to single-filer tax brackets and lower IRMAA thresholds.

7. Tax Burden on Your Heirs - When your children inherit a traditional IRA, they'll have just 10 years to drain the account—and pay the taxes. Often this happens during their highest earning years, increasing the tax hit.



David Hyden, President/Founder

Now ask yourself: Wouldn't you want to reduce or eliminate these risks before they impact you and your family?

Key Highlights of the Strategy:

- Qualified Valuation Discounts: Reduces FMV of LLC interests by a minimum of 35% using DLOM, DLOC and minority interest discounts.
- IRS-Compliant Approach: Strategy follows IRS Business Valuation Guidelines and relies on qualified, defensible appraisals.
- Audit-Ready Documentation: Clients receive fully documented reports to support the valuation in case of IRS scrutiny.
- 2025 Tax Opportunity: Applies to Roth conversions completed during the 2025 tax year, offering significant planning potential before year-end.

This strategy builds on IRS guidance and legal precedents recognizing valuation discounts in estate and gift tax cases, which are now being successfully applied in Roth conversion contexts. While the approach is powerful, Retirement Tax Consultants stresses the importance of working with experienced tax professionals and certified valuation experts to ensure compliance.

Hyden added, “We have a complete Diligence Process in place to help clients understand the strategy, including IRS Revenue Rulings, relevant court cases, sample LLC Operating Agreement, LLC Valuation Report, etc.

“We believe it’s important for the client to first get a Roth Analysis completed to weigh the cost of Roth conversion vs not converting. Mitigating Tax Risk in retirement is perhaps the most important component to effective planning."

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