

Table 4: Tax Drag When After-Tax RMDs Are Reinvested

		Counterfactual				Taxable				Roth			
Age	RMD divisor	With appreciation before RMD	RMD	End of year balance	Tax on RMD	Add to taxable	Taxable gain	Tax	End year taxable	End year Roth balance	Counterfactual after tax	Roth gain	Gain as % counterfactual
72				\$100,000						\$75,000	\$75,000		
73	26.5	\$110,000	\$3,774	\$106,226	-\$943	\$2,830	\$0	\$0.00	\$2,830	\$82,500	\$82,500	\$0.00	0.0%
74	25.5	\$116,849	\$4,166	\$112,683	-\$1,041	\$3,124	\$283	-\$42.45	\$6,195	\$90,750	\$90,708	\$42.45	0.0%
75	24.6	\$123,952	\$4,581	\$119,371	-\$1,145	\$3,435	\$620	-\$92.93	\$10,157	\$99,825	\$99,685	\$139.62	0.1%
80	20.2	\$162,866	\$7,330	\$155,536	-\$1,832	\$5,497	\$3,370	-\$506.00	\$42,065	\$160,769	\$158,717	\$2,052	1.3%
85	16.0	\$203,708	\$11,574	\$192,133	-\$2,894	\$8,681	\$8,955	-\$1,343.00	\$105,839	\$258,920	\$249,939	\$8,981	4.7%
90	12.2	\$236,540	\$17,626	\$218,914	-\$4,406	\$13,219	\$19,536	-\$2,930.00	\$225,186	\$416,994	\$389,372	\$27,622	12.6%
95	8.9	\$244,702	\$24,995	\$219,707	-\$6,249	\$18,746	\$38,410	-\$5,761.00	\$435,493	\$671,573	\$600,273	\$71,300	32.5%

Note: Tax drag is 15% marked to market annually for this illustration. This assumption produces a greater Roth gain at later ages, relative to the cost-basis accounting used in Table 6.