

50/50 portfolio, 25% bracket, convert half

Initial state

Taxable	
Stocks	Bonds/cash
50	50

Tax Deferred	
Stocks	Bonds
50	50

Roth	
Stocks	Bonds
0	0

Convert and then market drop

Step 1 - Convert to Roth, pay taxes (25 % of 50 = 12.5)

Taxable	
Stocks	Bonds/cash
50	37.5

Tax Deferred	
Stocks	Bonds
25	25

Roth	
Stocks	Bonds
25	25

Step 2 - Rebalance

Taxable	
Stocks	Bonds/cash
43.75	43.75

Tax Deferred	
Stocks	Bonds
25	25

Roth	
Stocks	Bonds
25	25

Step 3 - 50% drop in stocks, bonds stay steady

Taxable	
Stocks	Bonds/cash
21.875	43.75

Tax Deferred	
Stocks	Bonds
12.5	25

Roth	
Stocks	Bonds
12.5	25

Step 4 - Rebalance

Taxable	
Stocks	Bonds/cash
32.8125	32.8125

Tax Deferred	
Stocks	Bonds
18.75	18.75

Roth	
Stocks	Bonds
18.75	18.75

Market Drop and then convert

Step 1 - Market drop

Taxable	
Stocks	Bonds/cash
25	50

Tax Deferred	
Stocks	Bonds
25	50

Roth	
Stocks	Bonds
0	0

Step 2 - Rebalance

Taxable	
Stocks	Bonds/cash
37.5	37.5

Tax Deferred	
Stocks	Bonds
37.5	37.5

Roth	
Stocks	Bonds
0	0

Step 3 - Convert to Roth and pay taxes(25% of 37.5 = 9.375)

Taxable	
Stocks	Bonds/cash
37.5	28.125

Tax Deferred	
Stocks	Bonds
18.75	18.75

Roth	
Stocks	Bonds
18.75	18.75

Step 4 - Rebalance

Taxable	
Stocks	Bonds/cash
32.8125	32.8125

Tax Deferred	
Stocks	Bonds
18.75	18.75

Roth	
Stocks	Bonds
18.75	18.75