

Roth IRA Distribution Ordering Rules

Ordering Rules	Qualified Distribution	Nonqualified Distribution	
		Client Has a Penalty Exception	Client Does Not Have a Penalty Exception
1 Contributory Dollars	No tax; No penalty	No tax; No penalty	No tax; No penalty
2 Taxable Conversion Dollars (Client paid taxes at the time of the conversion)	No tax; No penalty	No tax; No penalty	No tax; Subject to penalty if within 5 years of the conversion*
3 Nontaxable Conversion Dollars	No tax; No penalty	No tax; No penalty	No tax; No penalty
4 Earnings	No tax; No penalty	Subject to tax; No penalty	Subject to tax; Subject to penalty

*Roth IRA conversions have their own "five-year clocks," based on the year of conversion. If a Roth IRA owner takes a distribution of conversion dollars within five years of the conversion, the Roth IRA holder could be subject to a penalty.