



Fidelity Backdoor Roth IRA Execution & Form 8606 Checklist

Step-by-step conversion pipeline and pro-rata rule safeguard guide.

#1 Step 1: Check Pre-Existing Traditional/SEP/SIMPLE IRAs

CRITICAL: Do you have pre-tax balances in any Traditional, Rollover, SEP, or SIMPLE IRA?

If YES: Pro-rata rule applies! Roll pre-tax balance into your active 401(k) first to zero out IRA balance.

#2 Step 2: Open Traditional IRA & Roth IRA at Fidelity

Open both accounts under your individual profile with \$0 balance. Link your external checking account.

Keep core cash positions in SPAXX / government money market while transfers process.

#3 Step 3: Contribute Non-Deductible Dollars to Traditional IRA

Transfer up to the annual limit (\$7,500 under 50 / \$8,600 for 50+) as an After-Tax deposit.

Do NOT invest this money inside the Traditional IRA. Let it sit in cash to prevent taxable gains.

#4 Step 4: Execute In-Plan Roth Conversion (1 to 2 Business Days Later)

Navigate to Transfers > Transfer between Fidelity accounts > Traditional IRA to Roth IRA.

Select 'Transfer all cash' and opt NOT to withhold any taxes (already non-deductible).

#5 Step 5: Invest Inside Roth IRA & Report on Form 8606

Deploy funds into target index funds (FZROX, VOO, VTI). The money now compounds tax-free forever.

Tax filing: Complete IRS Form 8606 Part I and Part II to declare basis and report \$0 taxable conversion.

THE PRO-RATA TAX FORMULA (IRC Section 408(d)(2))

Tax-Free Ratio = [Non-Deductible Basis] / [Total IRA Balances across all accounts as of Dec 31]

SAFE: \$0 Pre-Tax IRA = 100% Tax-Free

DANGER: Pre-Tax IRA > \$0 Triggers Tax

To guarantee 100% tax-free backdoor conversions, ensure your Traditional/SEP/SIMPLE IRA balance is \$0 on Dec 31.

Employer 401(k), 403(b), and governmental 457(b) balances are completely EXEMPT from this calculation.

