

# IRA Practice Test Questions and Answers

## 1. What is a 'Roth IRA ladder' strategy?

- A) Investing in bonds of different maturities inside a Roth IRA
- B) Doing annual Roth conversions and waiting five years to access each year's converted principal penalty-free before age 59½
- C) Opening multiple Roth IRAs at different institutions
- D) Gradually increasing Roth contributions each year

## 2. What is a 'mega backdoor Roth' strategy?

- A) Contributing the maximum to a Roth IRA every year for multiple decades
- B) Making after-tax 401(k) contributions above the normal limit and rolling them to a Roth IRA or converting in-plan
- C) Rolling a SEP-IRA to a Roth IRA
- D) Combining multiple Roth IRAs to maximize returns

## 3. What is the 'backdoor Roth IRA' strategy?

- A) Converting a 401(k) directly to a Roth IRA
- B) Making a non-deductible traditional IRA contribution and then immediately converting it to a Roth IRA
- C) Contributing to a Roth IRA through an employer plan
- D) An illegal tax evasion scheme

## 4. How are traditional IRA distributions taxed?

- A) As long-term capital gains
- B) As ordinary income
- C) Tax-free if held over 5 years
- D) At a flat 20% rate

**Answers: 1-B 2-B 3-B 4-B**

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