



### In-Plan Roth Rollovers

401(k) plans offer employees a range of retirement savings options which may include the ability to contribute on an after-tax Roth basis. In addition to Roth contributions, participants can leverage in-plan Roth rollovers from pre-tax sources as a tax planning tool for retirement. Below are questions and answers that cover the basic principles behind in-plan Roth rollovers.

#### What Is an In-Plan Roth Rollover?

An in-plan Roth rollover allows participants to transfer pre-tax contributions and earnings from their traditional 401(k) account into a designated Roth 401(k) account within the same plan.

#### Who is Eligible to Make an In-Plan Roth Rollover?

Generally, any fully vested pre-tax funds within the 401(k) plan are eligible for conversion. However, it is essential to check with the plan administrator for specific rules and limitations because not all 401(k) plans allow in-plan Roth Rollovers and if they do, restrictions may be imposed.

#### What are the Tax Implications?

When funds are rolled over from a pre-tax source into the in-plan Roth rollover source, they become taxable income for the year of the conversion. However, the 10% additional tax on early distributions will generally not apply. Subsequently, all future qualified withdrawals from the Roth in-plan rollover source are tax-free.

#### Are there any Conversion Limits?

The IRS has lifted restrictions on who can perform in-plan Roth rollovers. This means most 401(k) plan participants have the flexibility to execute such rollovers, unless there are plan-specific restrictions in place.

#### What are the Required Minimum Distribution (RMDs) Rules?

Roth 401(k) accounts do not have required minimum distributions during the account holder's lifetime, which can be advantageous for retirement planning.

Participants can initiate in-plan Roth rollovers at any time during their employment, provided the plan allows it. While not a good fit for everyone, 401(k) in-plan Roth rollovers can be valuable tools in a participant's retirement savings strategy. Always consult with a financial advisor to help make informed decisions regarding your retirement plan options.

If you have any questions regarding the content of this article, please do not hesitate to contact Benchmark Retirement Plan Services, Inc. for additional information.