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## IN-PLAN ROTH CONVERSIONS

*You might have a chance to go Roth with your 401(k) or 403(b) account.*

Provided by Christopher J. Ricci, Financial Advisor

**Big news for participants in 401(k), 403(b) and 457 retirement plans.** The Small Business Jobs Act of 2010 contained an interesting sidelight concerning employer-sponsored retirement plans. Some of these retirement plans are now allowing in-plan Roth conversions. This means:

- You may be able to “convert” a portion of the pre-tax dollars you have saved to after-tax dollars without having to arrange a rollover to a Roth IRA.
- You may even be able to “go Roth” in 2010, which will allow you the chance to optionally split the taxable income resulting from the Roth conversion across the 2011 and 2012 tax years. That tax break is scheduled to sunset at the end of this year.<sup>1</sup>

**Are you eligible for this opportunity?** Not everyone is. Before you plan to arrange this Roth conversion, you must meet certain conditions:

- You must be older than 59½, or
- You must have assets in a 401(k) or 403(b) account at a previous employer that could potentially be rolled over to your current employer’s plan. Alternately, you could roll assets from a previous employer’s plan that are now held in your present employer’s plan (as long as they are being held separately) or do a Roth conversion of distributions from a defunct defined-benefit pension plan that have been rolled over into your 401(k) or 403(b) plan.<sup>1</sup>

In order for you to do this, your employer’s retirement plan also has to meet a certain condition. The plan document has to allow after-tax Roth contributions. In 2010, only about a third of employers have plans that allow the Roth 401(k) option - but that may increase with this new development.<sup>1,2</sup>

**Some public service employees will soon have this option.** The opportunity won’t be limited to the private sector for long. Beginning in 2011, Roth accounts will be allowed within governmental 457(b) plans for the first time.<sup>3</sup>

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### **Citations**

1 [bankrate.com/financing/retirement/converting-to-a-roth-401k/](http://bankrate.com/financing/retirement/converting-to-a-roth-401k/) [11/4/10]

2 [sibson.com/publications-and-resources/compliance-alert/archives/?id=1534](http://sibson.com/publications-and-resources/compliance-alert/archives/?id=1534) [10/27/10]

3 [tiaa-cref.org/public/about/news/articles/gen1010\\_239.html](http://tiaa-cref.org/public/about/news/articles/gen1010_239.html) [11/9/10]

4 <http://montoyaregistry.com/Financial-Market.aspx?financial-market=401k-an-overview&category=2> [12/8/10]