

401(k)/403(b) In-Service Rollovers & Mega-Backdoor Roth Conversions

In-Service Rollover:

Transferring funds from a qualified, employer-sponsored retirement plan, such as a 401(k)/403(b) while you are still employed at the company. The main advantage to completing an in-service rollover is to expand your investment options and unlock more flexibility with your retirement account. Depending on your 401(k) Plan, an IRA could also offer lower expenses and fees!

Notes:

- To avoid penalties, you must reach age 59.5 before completing an in-service rollover.
- Some plans allow earlier rollovers under specific conditions (hardships or rolling after-tax funds)
- Be sure you check with your employer to see if your plan allows in-service withdrawals.

Mega-Backdoor Roth Conversion:

A strategy that allows individuals to contribute large amounts of money to a Roth IRA or Roth 401(k) by utilizing after-tax contributions to a 401(k) plan and then converting those funds into Roth accounts.

In most 401(k) plans, you are limited to contributing \$23,500 for 2025. Some plans allow after-tax contributions beyond the regular pre-tax limits. Depending on your age and plan specifications, the total 401(k) contribution limit can be as high as a whopping \$81,250 in 2025!

High-income earners who exceed Roth IRA income or contribution limits can use this strategy to get more money into Roth accounts. Here are some advantages to your funds being in a Roth account:

- 1) Tax-free growth
- 2) Tax-free qualified withdrawals
- 3) No RMDs for Roth IRAs
- 4) Estate Planning Benefits

(continued on the other side)

Notes:

- Employer match contributions cannot be included in a Mega-Backdoor Roth Conversion.
- Not all 401(k)/403(b) plans offer the option for after-tax contributions or in-service withdrawals. Reach out to your plan administrator to understand the specific rules and limitations that apply to your 401(k).

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