

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

In-Service Withdrawal: Employee takes a distribution from a qualified, employer-sponsored retirement plan, such as a 401(k)/403(b) while the employee is still employed.

This can occur without penalty in certain circumstances:

- Employee reaches age 59 ½
- Withdrawal of up to \$10,000 for purchase of first home
- Employee declares hardship or extreme financial need

Note: Approximately 70% of retirement plans in the US allow in-service withdrawals. Make sure you check with your employer to see if you are eligible under your plan.

Why: Taking an in-service withdrawal can be done to pursue different investment options not offered by the employee's current plan that they find more suitable. In this situation, the employee would make a rollover into an IRA.

Mega Backdoor Roth: An advanced retirement savings technique that allows individuals to contribute additional after-tax funds to their 401(k)/403(b) plan and then convert those funds into a Roth IRA. This strategy can be particularly beneficial for high-income earners who have already maxed out their traditional 401(k)/403(b) contributions.

Here are some key rules to keep in mind:

1. **Contribution Limits:** The total annual contribution limit for a 401(k)/403(b) plan, including both pre-tax and after-tax contributions, is \$66,000 or \$73,500 for those 50 and older in 2023. The regular 401(k)/403(b) contribution for 2023 is \$22,500 or \$30,000 for those 50 and older. Additional contributions are made on an after-tax basis.
2. **After-Tax Contributions:** After-tax contributions are made with funds that have already been taxed. These contributions are subject to the overall contribution limit mentioned above, therefore the maximum after-tax contributions is \$43,500 for 2023.
3. **In-Service Withdrawals:** Some 401(k)/403(b) plans allow for in-service withdrawals of after-tax contributions, which can then be rolled over into a Roth IRA.

(continued on the other side)

Note 1: If your plan offers an employer match, the contributions made by the employer cannot be included in the rollover amount.

Note 2: Not all 401(k)/403(b) plans offer the option for after-tax contributions or in-service withdrawals. Reach out to your plan administrator or EWM to determine if your plan allows for a Mega Backdoor Roth and to understand the specific rules and limitations that apply.

**To learn more about Endowment Wealth Management
and our Fee-Only Fiduciary Advice:**

Call: (920) 785-6010

Visit: www.EndowmentWM.com

Disclosures: Information contained herein is intended for informational, illustrative and/or educational use only and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purpose nor shall it be construed to be the provision of individualized investment, tax or legal advice. Endowment Wealth Management, Inc. (“EWM”) is not soliciting or recommending any action based on this material. This is neither an offer nor a solicitation to buy/or sell securities in any state or jurisdiction where EWM is not registered, or notice filed and does not qualify for an exemption from such registration and notice filing requirements. Prior to making any investment or financial decisions, an investor should seek individualized advice from a personal financial, legal, tax and other professional advisors that consider all of the particular facts and circumstances of the investor’s own situation. All investments involve risk and potential loss of capital and, unless otherwise stated, are not insured or guaranteed.

While the content herein has been obtained from sources that we consider reliable, we do not represent that the information is accurate, complete, or current and it may be relied upon as such. Reliance upon any information in this material is at the sole discretion of the reader. Content is subject to change without notice.

Endowment Wealth Management, Inc. (“EWM”) is registered as an investment adviser with the SEC. Registration does not imply a certain level of skill or training. A copy of EWM’s disclosure documents, including Form ADV Part 3 (Client Relationship Summary), Form ADV Brochure Part 2, and Privacy Statement, are available upon request.