5 Big Changes to Roth Accounts You Should Know

The new SECURE 2.0 Act contains key provisions that give investors more access to Roth accounts.

Provision	Details	Benefit
529 account beneficiaries can roll over money from a 529 into a Roth IRA	Effective in 2024, the beneficiary of a 529 plan can roll over money from a 529 into a Roth IRA account in their name. At the time of the distribution, the 529 must have been open for a minimum of 15 years, and the amount that's rolled over to a Roth IRA must have been in the 529 account for at least five years. The rollover amount is limited to a lifetime total of $35,000 and is subject to the annual IRA limit ($7,000 for 2025; $8,000 for people 50 and older).[1]	This will allow unused money in a 529 plan to be rolled over to a Roth IRA where withdrawals are tax-free. This creates a new way to benefit 529 account beneficiaries and helps reduce anxiety about unused money in a 529 account.
Required minimum distributions (RMDs) are no longer required for Roth 401(k)s	Participants are no longer required to take RMDs from Roth 401(k) accounts. Previously, participants had to roll over their Roth 401(k) into a Roth IRA to avoid taking RMDs.	This puts the Roth 401(k) option on par with the Roth IRA (which has never required RMDs) and saves the participant the time and hassle of doing an IRA rollover.
SIMPLE and SEP IRA contributions can be made into Roth accounts	Employees can elect whether to have all or part of their employer and/or employee contributions designated as Roth contributions. This provision also applies to grandfathered SEPs.	This makes small business retirement plans more flexible. Participants who elect to designate contributions to a Roth will enjoy tax-free withdrawals.
Matching contributions can be designated as Roth contributions	If an employer offers a Roth option, participants have the option of receiving employer matching contributions on either a pretax or Roth basis.	This gives participants a tax-free income source during retirement because withdrawals from the Roth portion of qualified retirement plans are tax-free.
Catch-up contributions will be designated as Roth contributions (with limited exceptions)	All catch-up contributions to qualified retirement plans will be designated as Roth contributions (catch-up contributions can currently be designated pre-tax or Roth if permitted by the plan sponsor). Participants with compensation of $145,000 or less (indexed for inflation) are excluded from this provision.[1]	This will give participants a tax-free income source during retirement because withdrawals from the Roth portion of qualified retirement plans will be tax-free.

Your financial professional can help you understand and make the most of these new retirement provisions.

[1] There are clarifications that need to be resolved relating to this change. Please continue to monitor this change as more information becomes available.

Source: U.S. Government Publishing Office, "Consolidated Appropriations Act, 2023"

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