

In-Plan Roth Conversions

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The option of converting to a Roth account within an employer-sponsored retirement plan – as opposed to rolling assets over to a Roth IRA – is now available. The Small Business Jobs Act, signed into law on September 27, 2010, made this option immediately available, albeit in a more limited way than had been hoped.

Historically, the only way to convert assets held in a retirement plan to a Roth account was to take a distribution as soon as permitted by the plan, pay taxes on the distribution and roll the assets over to a Roth IRA. With the elimination in 2010 of the \$100,000 compensation limit on those who could make Roth conversions, more participants have taken this route, often investing in higher cost IRAs and draining the assets in the employer-sponsored plan. Both plan sponsors and participants have wanted the option to make Roth conversions *within* the sponsor's retirement plan.

The new statute leaves many questions unanswered. Although the joint committee report that accompanied the legislation provides some additional insight, the report is not law. The IRS is working on issuing guidance to answer these questions quickly. The timing is critical because Roth conversions made in 2010 are entitled to special tax treatment, with income inclusion spread out over 2011 and 2012.

Learn [here](#) which plans are affected and how to make this option available to plan participants.

Contact Us

Please contact Mary Jo Larson or any member of the Warner Norcross & Judd Employee Benefits Group if you have any questions about converting to a Roth account.