

529 Plan to Roth IRA Rollovers

Beginning in 2024, the Secure Act 2.0 created a provision allowing unused funds to be rolled over from a beneficiary's 529 Savings Plan into a Roth Individual Retirement (IRA) Account.

Rules and limitations are as follows.

- The 529 Savings Plan account must have been owned by the beneficiary for at least 15 years
- The funds must be rolled over to a Roth IRA account that is owned by the 529 account beneficiary, not the 529 account owner
- The rollover amount cannot exceed the annual IRA contribution limits – currently set at \$6,500/year as of 2023
- The eligible rollover amount cannot include any contributions made to the 529 Savings Plan in the preceding five-year period
- There is a \$35,000 lifetime limitation on Roth IRA rollovers for each 529 account beneficiary, with all contributions both penalty & tax-free
- Roth IRA income limitations are waived for 529-to-Roth IRA Rollovers – (\$153,000 for Single Filers & \$228,000 for Joint Filers)

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As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover college costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. Investors should consider, before investing, whether the investor's or the designated beneficiary's home state offers any tax or other benefits that are only available for investment in such state's 529 college savings plan. Such benefits include financial aid, scholarship funds and protection from creditors. The tax implications can vary significantly from state to state.