In-Plan Roth Rollover

Frequently asked questions

Mennonite Retirement Trust

Everence

What is it?

An in-plan Roth conversion (also called an "in-plan Roth rollover") allows you to transfer the non-Roth portion of your 403(b) account into a designated Roth account within the same plan.

Can in-plan Roth rollovers be made to the MRT 403(b) plan?

Yes, but only if your employer's MRT 403(b) plan allows employees to make elective deferrals into a designated Roth account and has elected the in-plan Roth rollover option. Your Plan cannot permit in-plan Roth rollovers if your employer has not elected to allow employees to make Roth elective deferrals.

What amounts are eligible for in-plan Roth rollovers?

Any vested plan balance, including earnings, can be rolled over to a designated Roth account account. This includes pre-tax elective deferral contributions made by you, your employer and employer matching contributions, and amounts you elected to roll over to MRT from another retirement plan (excluding Roth rollovers). The amount doesn't have to be eligible for a distribution.

Who can elect an in-plan Roth rollover?

You, your surviving spouse beneficiary or alternate payee who is a spouse or former spouse can elect an in-plan Roth rollover.

How can I elect an in-Plan Roth rollover?

You must complete the appropriate distribution form for your situation (in-service withdrawal or separated from service) and an in-plan Roth rollover form.

What are the tax consequences of an in-plan Roth rollover?

The amount converted is included in your gross income in the year of the conversion. Because taxes cannot be withheld on the in-Plan rollover, you may want to increase your tax-withholding from your paychecks, or make an estimated tax payment for the period in which the in-plan Roth rollover is completed. Depending on your tax situation, you may be subject to penalties if not enough taxes are paid throughout the year. Please consult with your tax advisor.

The 10 percent early distribution penalty doesn't apply to the amount of an in-plan Roth rollover. However, the distribution may be subject to the penalty tax if you withdraw the in-plan Roth rollover amount within five tax years of the rollover.

Can I withdraw the in-plan Roth rollover amount at any time?

If you make an in-plan Roth rollover from your elective deferrals and employer or matching contributions, the rolled-over funds are not available for distribution until you are terminated from employment with all employers who participate in MRT, or you are at least age 62.

If you make an in-plan Roth rollover from your rollover account (which includes amounts previously rolled over into MRT from a previous employer's retirement plan), the Roth funds are eligible for distribution at any time.

Remember, however, that there could be penalty taxes if you withdraw the in-plan Roth rollover amount within five tax years of the rollover.

Can I reverse an in-plan Roth rollover?

No. Once an in-plan Roth rollover has been completed, it cannot be reversed.

What is the benefit of a designated Roth account?

Once the money has been rolled into the designated Roth account, the assets grow tax-deferred until they are withdrawn. Since you have already paid taxes on the amount rolled over, that portion of the withdrawal is tax-free.

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The earnings will also be tax free if the withdrawal is taken after the in-plan Roth rollover account has been opened for at least five tax years, and the distribution is made on or after the date you reach age 59½, become disabled or die. If a withdrawal is taken prior to this time, the earnings will be taxable and may also be subject to the 10-percent federal-tax penalty unless an exception applies.

Why would I consider an in-plan Roth rollover?

An in-plan Roth rollover might be right for you if you:

- Want all, or a portion, of your retirement income to be federal income tax-free;
- Think your tax rate in the coming years will be higher than it is today; or
- Won't need to access the converted amount for at least five years.

An in-plan Roth rollover might not be a good option for you if you:

- Are concerned about being able to cover the taxes on the converted balance in the year of conversion and the length of time it could take to replenish your savings;
- Think your tax rate will be lower in the future than it is today;
- Are concerned that future legislation could change the tax code, making Roth accounts no longer tax-free; or
- Are an ordained minister eligible for a housing allowance designation on distributions from the Plan.

Whether an in-plan Roth rollover makes sense depends on your individual situation and overall retirement planning strategy. You should consult with your own tax, financial and/or legal advisor prior to requesting an in-plan Roth rollover.

Mennonite Retirement Trust is sponsored by Mennonite Church USA and is available to other Anabaptist congregations and organizations.
It is administered by Everence. 1110 N. Main St., P.O .Box 483, Goshen, IN 46527, (800) 348-7468, (574) 533-9511, everence.com/mrt

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