



Knowledge is Power

September 2023 Question Of The Month?

"Hello Brian. I am 65 and planning on retirement in a few years. I am trying to do everything I can to maximize my retirement savings contributions over the next few years. I just heard about a Mega Roth IRA. What is this and how does it work? Can it help me save even more for retirement? Thank you." Daniel

Hi Daniel. This is a great question because most people are not aware of this specific retirement savings tool. Most people are aware of the tax-free Roth IRA, which has become very popular over the last several years. With the anticipation of higher tax rates in the future, many smart people are strategically moving money from their taxable retirement savings accounts into tax free Roth accounts. This is being done not only to save potential tax dollars, but also to protect retirement savings dollars from higher tax rates in the future. The Mega Roth is a souped-up version of the Roth IRA that stems from inside a company sponsored retirement savings plan, like a 401(k) or 403(b). It is a perfectly legal and tremendous beneficial tool in the current internal revenue code, but again most people have no idea this exists.

The Mega Roth is designed for people who are trying to save as much as possible for retirement in a tax efficient way. It allows participants of company sponsored retirement savings plans that allow for after tax contributions to max out their contributions to higher amounts than traditionally allowed. Once a participant contributes the maximum of \$22,500 or \$30,000 to the pre-tax 401(k) or Roth 401(k), they then can contribute an additional \$43,500 of 'after tax contributions', up to a maximum of \$66,000 or \$73,500 annually, depending on their age. Then the participant can convert those after-tax contributions directly to a tax-free Roth IRA account without owing any tax.

For the Mega Roth to be an option for you, your company sponsored retirement savings plan must allow for 'after tax contributions'. Then, the plan must allow either an in-plan Roth conversion, or the employee is permitted to roll the funds out of the plan into a Roth IRA. If your plan offers this, it very well may be an option you want to start taking advantage of right away. Not only because it can really enhance your retirement plan in a tax efficient way, but the Mega Roth may not be an option in the future. There is currently talk in parts of Congress to either eliminate this option, or reduce the amount of contributions that can be allowed in the plan and/or eliminate the ability of moving those dollars to a tax free Roth account.

Join me this weekend on The Retirement Money Matters Radio Show as we will go over this question in much more detail as well as answer many more retirement planning questions sent in from our readers and listeners. The show airs on Sunday morning at 8 am on WWKI (100.5 FM), or online at www.theretirementmoneymattersshow.com. You can also obtain this information by reaching out to us at Hayes Advisory Group at 452-PLAN (7526), 800-939-1603 or brian@hayesadvisorygroup.com.