PRIMARK
BENEFITS
RETIREMENT ♦ PLAN ♦ EXPERTS

1810 Gateway Drive, Suite 230
San Mateo, CA 94404
Tel (650) 692-2043
www.primarkbenefits.com

Mega Backdoor Roth Is Supersized for High Earners

High earners can use the Backdoor Roth IRA strategy to effectively make Roth IRA contributions regardless of income limits.

- The annual IRA contributions limit is currently at $6,000 plus $1,000 catch-up if over age 50 by 12/31/21)
- If a 401(k) plan allows Roth contributions, there is an opportunity to defer up to $19,500 (plus $6,500 catch-up if over age 50 by 12/31/21)

What if a plan participant wants to put more into a Roth? Is that possible? If the plan allows for after-tax contributions and Roth conversions, it is.

It's A Supersize Roth

If you like the idea of a Roth, then you will LOVE the SUPERSIZE VERSION, known as a Mega Backdoor Roth IRA. It lets people save up to $38,500 in after-tax contributions and convert those to a Roth.

Here's How It Works

- Total contributions allowed in a 401(k) plan are $58,000 for 2021 (plus a catch-up, if eligible). This is made up of all employee and employer contributions.
- Once a participant maxes out the 'normal' $19,500 in Roth deferrals (plus catch-up if eligible), the plan can allow for up to $38,500 in after tax contributions (but see plan design considerations, below).
- The plan can then also offer a Roth conversion of those after-tax contributions, effectively giving the participant the opportunity to add $58,000 ($64,500 if over age 50) into his or her Roth account each year.
- Note that when the after-tax conversion occurs, taxes are due on any earnings that are converted. If the plan offers immediate conversion of after-tax contributions to Roth with each deposit, there will be no taxes due.

Plan Design Considerations

- A plan can, but is not required to, offer after-tax contributions or Roth conversions.
- After tax contributions are part of the ACP non-discrimination test, meaning they get tested along with matching contributions. The mix of participants who want to participate in the Mega Backdoor Roth 401(k) strategy needs to be just right in order for this to work as planned. The test generally will not pass if only owners or the most highly compensated employees participate in these special contributions.
- The annual additions limit includes employee deferrals, after-tax contributions AND employer contributions to the plan. You may want to cap after-tax contributions to a specified dollar limit, so the employer has room to make a contribution to the plan.

Contact:

Current Clients
650-692-2043
webinfo@primarkbenefits.com

New Accounts
833-987-2315
retirewell@primarkbenefits.com

Why Primark Benefits

- ♦ **EXPERIENCE: We've been in business since 1971**
- ♦ **EXPERTISE: Our credentialed staff are experts and leaders in the field**
- ♦ **ACCURACY: We have rigorous quality control and a compliance dept**
- ♦ **ATTENTION: Your satisfaction is our priority**

Also speak with us about how we can coordinate ***all*** your employee benefits and services including: retirement, health insurance, flex plans, COBRA, and even payroll processing!