

College 529 Plan to Roth IRA

The SECURE Act 2.0 Adds a College 529 Roth IRA Conversion Option

Beginning in 2024, a new provision of the SECURE Act 2.0 will enable 529 account holders to transfer up to **\$35,000** to a Roth IRA for their beneficiary, providing tax and penalty-free benefits. This move not only helps in avoiding taxes and penalties for non-qualified withdrawals but also offers a solution for individuals with high incomes seeking to fund a Roth IRA for their children.

Understanding 529 Plans: A Wealth Building Asset

529 plans offer remarkable tax advantages, with contributions up to \$17,000 annually per individual or \$34,000 per married couple that qualify as non-taxable gifts to beneficiaries. Additionally, these accounts allow for front-loading contributions of up to \$85,000 (5 Years of Contributions) per beneficiary without incurring gift taxes. While contributions grow tax-deferred, potential state tax advantages further enhance their appeal.

Case in Point: Transforming Futures with John's Story

Consider John, a beneficiary with \$30,000 in his 529 account. Opting out of traditional education, John's parents face potential taxes and penalties on unused funds. However, using the new legislation of the SECURE Act 2.0 to their advantage, they can convert excess assets into a Roth IRA for John that delivers tax-free growth potential (subject to annual IRA contribution limits) Over time, these conversions can significantly increase John's retirement savings.

529 Summary

College 529 plans provide a strong platform for education funding that includes impressive tax advantages, and flexibility. By understanding and leveraging the potential of 529 plans, families can not only ensure sufficient assets for post-high school education but also jump start their children's retirement savings plans.



1363 Shermer Road, Suite 330 • Northbrook, IL 60062 • Office 847.521.4950
Email info@avistamail.net • Web www.avistawealth.com