

“Super Roth” FAQ

What is a Super Roth or Mega Roth strategy?

“Super Roth” or “Mega Roth” refers to the strategy of moving voluntary after-tax contributions to Roth. An “evergreen” election is when (as the voluntary is contributed) a Roth conversion is done each time automatically as the voluntary contributions are made to the account. This allows for there to be no taxable earnings when the conversion is done. Keep in mind that the Roth contributions need meet the definition of a qualified distribution to avoid taxable earnings*.

How do I know if the plan allows this?

You can talk to your HR representative or plan administrator or look for the option under the “manage contributions” experience on your account.

Is there a limit to how much I can convert?

Maybe. The plan may limit voluntary after-tax contribution amounts. Check the plan document for details. The IRS §415 limit (\$58,000 in 2021) will also provide the maximum amount of all contributions, including employer match, that can be contributed to your account each year.

Can I do Super Roth with my pre-tax money?

No. The Super Roth strategy applies only to after-tax contributions. Additional Roth transfer conversions might be available on the plan with pre-tax money. But remember, any conversions with pre-tax money will mean you will owe taxes on that pre-tax contribution AND any earnings received before conversion. If you have Roth contributions available, it may be a better strategy to elect Roth contributions.

How do I know if Super Roth is right for me?

Super Roth isn’t for everyone. If you want to contribute more than the IRS §402(g) max (\$19,500 in 2021) it might be an option to consider, if the plan allows. But if you do not plan to contribute more than the IRS §402(g) limit, you may want to consider the other contribution options available to you and any benefits those might provide – like employer match, leveraging Roth contributions.

You will want to carefully weigh the advantages and disadvantages of a Super Roth strategy with your tax advisor or financial professional.

Is there a possibility of refunds if the plan doesn’t pass year end testing?

Yes. After-tax funds are subject to undergo annual non-discrimination testing, which compares the amount of voluntary after-tax contributions contributed by highly compensated employees compared to the amount contributed by non-highly compensated employees. If that testing fails you may see a refund to your account.

I’ve elected Super Roth but why do I still have after-tax money in my account?

Any after-tax contributions made prior to making a Super Roth election will need to be converted by completing a one-time Roth conversion for these existing assets.

1. If you are or have made payments toward a loan that included after-tax contributions, when those payments come in they are not automatically converted to Roth. You can

request one-time conversions periodically while the loan is outstanding or you can wait until the loan is paid off and do a one-time conversion at that time. Note that there could be tax implications with the one-time conversion(s).

2. If you rolled any after-tax money into the plan this was not automatically converted to Roth. You can do a one-time election to convert the rollover money.

*A Qualified distribution is one that is made after a participant reaches age 59½, death or disability and must be made at least five years after the first Roth 401(k) contribution was made.

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