

UNDERSTANDING 529 ROLLOVERS TO A ROTH IRA



The Impact of the SECURE 2.0 Act of 2022 on 529 Savings Account Holders

The SECURE 2.0 Act of 2022 permits an additional type of qualified distribution for 529 plan assets by allowing limited tax and penalty-free 529 plan rollovers to Roth IRA accounts beginning in 2024.

This increased flexibility may help to address the needs of account owners whose beneficiaries have leftover funds in their 529 account.

To request a rollover to a Roth IRA, please download and complete the [Direct Rollover Out to Roth IRA Form](#)

This information is for educational purposes only and is not intended as tax advice. Please consult a qualified tax specialist regarding your individual situation before making a 529 distribution to a Roth IRA. Please contact Learning Quest if you have questions specific to your account.



New in 2024, unused 529 funds can be rolled over to Roth IRA accounts.

The SECURE (Setting Every Community Up for Retirement) Act 2.0 was signed into law on December 29, 2022, as part of the larger federal Consolidated Appropriations Act of 2023. The Act was established with several provisions in order to help Americans to save for their future.

Distribution Restrictions Under the SECURE 2.0 Act

There are several key provisions of the Act as it relates to these rollovers, including:

- The 529 account must have been open for more than 15 years.
- The funds must be rolled over to a Roth IRA owned by the 529 account beneficiary and must be paid in a direct trustee-to-trustee transfer.
- The rollover amount cannot exceed the annual Roth IRA contribution limits.
- The eligible rollover amount (including earnings) must have been in the 529 account for at least 5 years.
- There is a \$35,000 lifetime cap on Roth IRA rollovers for each 529 account beneficiary.
- Roth IRA income limitations are waived for 529-to-Roth IRA Rollovers; however, the annual amount rolled over to a Roth IRA for the beneficiary cannot exceed their "earned income" amount for the contribution year.

The 529 industry is continuing to examine and work through aspects of the SECURE 2.0 Act legislation, including clarifications and operational items, and additional information will be provided as it becomes available.

In addition, whether a 529 rollover to a Roth is also a qualified distribution for state taxes will depend on each state. Note to Kansas taxpayers: Effective January 1, 2024, 529 distributions to Roth IRAs will be considered a qualified expense for state income tax purposes.

**Please contact Learning Quest if you have questions specific to your account. Thank you. learningquest.com/info
By Phone: (800) 579-2203 Weekdays, 8 a.m. to 5 p.m., Central time**

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Please consult your tax advisor for more detailed information regarding the Roth IRA or for advice regarding your individual situation. Taxes are deferred until withdrawal if the requirements are met. A 10% penalty may be imposed for withdrawal prior to reaching age 59 ½.

Before investing, carefully consider the plan's investment objectives, risks, charges and expenses. This information and more about the plan can be found in the Learning Quest Handbook, available by contacting American Century Investment Services, Inc., Distributor, at 1-800-579-2203, and should be read carefully before investing.

If you are not a Kansas taxpayer, consider before investing whether the beneficiary's or your home state offers a 529 Plan that provides its taxpayers with state tax and other benefits not available through this plan.

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