



Roth in-plan conversions and the CRSP 403(b)

Roth in-plan conversions can be a powerful retirement planning tool, but you'll want to carefully decide if it's right for you. The information below is designed to help you understand what a Roth 403(b) in-plan conversion is and what this kind of transaction may mean for you.

What is a Roth 403(b) in-plan conversion?

A Roth 403(b) in-plan conversion allows you to transfer money that you've saved on a pre-tax basis in an eligible 403(b) plan, such as the Concordia Retirement Savings Plan (CRSP) 403(b), into a designated after-tax Roth account within the same Plan.

In other words, you take all or a portion of the pre-tax dollars in your account, pay the applicable taxes, and reinvest them in the after-tax Roth option. Pre-tax dollars eligible for conversion include your own contributions, contributions from your employer and assets rolled in from a former employer's plan.

Be sure to talk to your tax advisor about how the applicable taxes may impact you.

What are the benefits of a Roth in-plan conversion?

- Designated Roth accounts provide you with additional savings flexibility within your CRSP account, allowing you to diversify your retirement assets between pre-tax and after-tax dollars.
- After-tax Roth dollars – including earnings – can be withdrawn tax free if the designated Roth account has been held for five years and you are either age 59, disabled or die.
- Saving with after-tax Roth dollars can potentially reduce future income taxes, which could allow you to keep more of what you earn on your investments.

What are the implications of a Roth in-plan conversion?

- You will be required to pay all applicable taxes on the amount that you convert from pre-tax to after-tax Roth dollars.
- Money converted must remain in the designated Roth account for five years in order to be eligible for tax-free withdrawal. Each in-plan conversion has its own five-year clock for the amount converted.
- Roth in-plan conversions cannot be reversed.

What should I consider before making my decision to convert?

Before taking action, discuss the full tax implications of the conversion with a tax advisor.

- In some situations, you may need to make estimated tax payments early in the year of the conversion. If this applies, you may want to have separate funds available to pay the estimated taxes.
- If you are a rostered minister eligible for housing allowance, you will want to weigh the special considerations that apply to you.
- If you have tax losses available for the year, this should be considered as they may be used to offset income generated by your conversion.

Some additional things to consider before completing a Roth in-plan conversion include:

- Do you expect to pay lower taxes on the conversion now than if you wait until retirement to begin taking taxable withdrawals?
- Will you need to access the money within five years of the conversion?
- How do your retirement assets fit in with your legacy and estate plan?
- Do you have cash available to pay estimated taxes if any payments are required?

What taxes are due on a Roth in-plan conversion?

You must pay income taxes on both the contributions and any associated earnings when you convert pre-tax contributions to a Roth option. Income taxes could include federal, state and local taxes. Talk with your tax advisor to determine which taxes would be applicable to you.

When do I pay the taxes associated with a Roth in-plan conversion?

Taxes are due when you file your tax return for the year in which the conversion was completed but estimated taxes may be due before your return for the year is due. You will receive an IRS Form 1099-R from Fidelity Investments at the end of the calendar year which you will use to file your yearly taxes.

Is Roth 403(b) money subject to required minimum distribution rules?

Effective Jan. 1, 2024, Roth 403(b) accounts are no longer subject to required minimum distribution rules.

If I decide this is right for me, how do I request a Roth in-plan conversion?

Contact Fidelity at 800-343-0860 to discuss your options or to request a Roth in-plan conversion. Highly trained representatives will review your account with you and provide you with available options for completing a Roth in-plan conversion.

Will I have more than one CRSP 403(b) account if I do a Roth in-plan conversion?

No, you will still have your one CRSP 403(b) account. When you review your CRSP account statement, you will see a new designated account ("source") labeled Roth In Plan Conversion, or "Roth IPC I."

Who can I contact for more information or for help making a decision?

Your personal tax advisor will be best equipped to help you make a decision. You can also contact Fidelity at 800-343-0860 for more information.

CPS Financial Educators can also talk to you about your options and general financial planning. Contact the Financial Education Team at MoneyMatters@ConcordiaPlans.org.

Important information for ministers of religion

As a minister of religion, there are special tax implications you need to consider. Roth in-plan conversions can have a major impact on housing allowance and SECA taxes – be sure to consult a tax advisor that has experience with Roth in-plan conversions and minister taxes.

If you're paying estimated quarterly taxes, you may want to consult with a tax advisor to determine if the conversion will impact your quarterly payments.