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# 529 College Savings Plan to Roth IRA Rollovers



MAY 7, 2025 | BY: THE RETIREMENT PLAN ADMINISTRATION TEAM

**SECURE Act 2.0** introduced a groundbreaking opportunity for families with 529 college savings plans. Unused funds from 529 plans may be rolled over into a **Roth IRA** for the plan's beneficiary—offering a tax-free and penalty-free way to turn education savings into retirement savings.

This provides flexibility and ensures that money saved for education can continue to grow and benefit the next generation in retirement.

## What Is the 529-to-Roth IRA Rollover?

Under these rules, beneficiaries of a 529 plan can roll over unused funds into a Roth IRA, subject to several conditions. This allows families to avoid penalties on leftover 529 funds while providing the beneficiary with a strong start on their retirement savings.

## **Key Requirements**

To take advantage of this provision, the following conditions must be met:

- 1. Plan Age: The 529 plan must have been open for at least 15 years.
- 2. Contribution Timing: Contributions made in the last five years, including any associated earnings, cannot be rolled over.
- 3. Lifetime Limit: The total amount that can be rolled over during the beneficiary's lifetime is capped at \$35,000.
- 4. Contribution Limits: Annual rollovers must adhere to the Roth IRA contribution limits (currently \$7,000 for individuals under 50 and \$8,000 for those 50+).

## Key Benefits of This Rule

- Tax-Free Growth: Funds transferred into a Roth IRA grow tax-free and can be withdrawn tax-free in retirement.
- Avoid Penalties: Leftover 529 funds can be repurposed without incurring the usual 10% penalty for non-qualified withdrawals.
- · Boost Retirement Savings: Provides beneficiaries, particularly young adults, with a strong financial foundation for retirement.
- · Flexibility for Families: Eliminates concerns about overfunding a 529 plan, ensuring that savings are not wasted.

#### What Should You Do Next?

If you have a 529 plan, now is the time to review your options:

- · Check the plan's age and contribution history to determine eligibility.
- Discuss how this rollover might fit into your broader financial plan with a financial advisor.

For business owners, consider how this information can complement your company's benefits strategy and support your employees' long-term financial health.

## **Contact Us for Guidance**

If you have questions about the SECURE Act 2.0, 529-to-Roth IRA rollovers, or other provisions, we're here to help. Reach out today to learn more about how this change can benefit you, your family, or your employees.



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