

WHAT TO KNOW ABOUT

SECURE 2.0: 529-to-Roth IRA Rollovers

The SECURE 2.0 Act allows savers to roll unused funds in a 529 plan into the beneficiary's Roth IRA without incurring federal income tax or penalties.

What are the limits?

- The 529 plan account must be open for 15 or more years, ending with the date of the rollover.
- Contributions and associated earnings that you transfer to the Roth IRA must be in the 529 plan account for more than 5 years, ending with the date of the rollover.
- The Internal Revenue Code permits a lifetime maximum amount of \$35,000 per designated beneficiary to be rolled over from 529 plan accounts to Roth IRAs.
- 529 plan assets can only be rolled over into a Roth IRA maintained for the benefit of the designated beneficiary on the 529 plan account.
- 529 plan assets must be sent directly to the Roth IRA.
- Roth IRA income limitations are waived for 529 plan rollovers to Roth IRAs.
- The Roth IRA contribution is subject to the Roth IRA contribution limit for the taxable year applicable to the designated beneficiary for all individual retirement plans maintained for the benefit of the designated beneficiary. The beneficiary must have earned income at least equal to the amount of the rollover.

Special considerations for Colorado residents

Colorado authorities have determined that a rollover from a 529 plan account to a Roth IRA by Colorado taxpayers will be treated as a non-qualified rollover and subject to the applicable state's income tax and deduction recapture provisions. Account Owners and Beneficiaries should consult with a qualified tax professional before rolling over funds into a Roth IRA.

However, an exception exists. Investors in the Scholars Choice Education Savings Plan who are not residents of Colorado may be able to roll unused 529 funds into a Roth IRA without it being treated as a non-qualified withdrawal, provided their home state is complying with SECURE 2.0.

How to submit a rollover

To request a rollover to a Roth IRA, talk to your financial professional and Roth IRA administrator to determine their ability and requirements to receive the rollover. Then, submit any required Roth IRA form available from your Roth IRA administrator and the Scholars Choice Direct Rollover Out to Roth IRA Form.

Further guidance from the IRS may clarify or change the interpretation of the legislation, so always consult with a financial or tax professional regarding your specific circumstances. Either way, 529 account beneficiaries have more options starting in 2024.

Learn more at www.scholars-choice.com

State tax treatment of a rollover from a 529 plan into a Roth IRA is determined by the state where you file state income tax. Account Owners and Beneficiaries should consult with a qualified tax professional before rolling over funds from their 529 plan to contribute to a Roth IRA. You are responsible for determining the eligibility of a 529 plan to Roth IRA rollover including tracking and documenting the length of time the 529 plan account has been opened and the amount of assets in your 529 plan account eligible to be rolled into a Roth IRA.

Scholars Choice is a registered service mark of CollegeInvest. The Scholars Choice Education Savings Plan is offered by the State of Colorado. TIAA-CREF Tuition Financing, Inc. is the Plan Manager and Nuveen Securities, LLC is the Distributor.

There are various risks associated with an investment in the Scholars Choice Education Savings Plan; principal loss is possible. The Scholars Choice Education Savings Plan's Investment Portfolios are subject to the risks of the underlying fund(s) in which they invest and other risks, as described in the Plan Description. To obtain a more complete description of the investment policies and risks of the underlying funds, please refer to the current prospectuses for the underlying funds.

Before investing, carefully consider the investment objectives, risks, charges and expenses of the Scholars Choice Education Savings Plan, including whether the investor's or Designated Beneficiary's home state offers any state tax or other benefits that are only available for investment in such state's qualified tuition program. Other state benefits may include financial aid, scholarship funds, and protection from creditors. For this and other information that should be read carefully, please request a Plan Description at 888-5-SCHOLAR (888-572-4652) or visit scholars-choice.com. If the funds aren't used for qualified higher education expenses, a federal 10% penalty tax on earnings (as well as federal and state income taxes) may apply.

Participation in the Scholars Choice Education Savings Plan does not guarantee that the account's assets will be adequate to cover future tuition or other higher education expenses, or that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other eligible education expenses or that a Designated Beneficiary will be admitted to or permitted to continue to attend any eligible educational institution. Contributions to an Account and the investment earnings, if any, are not guaranteed or insured.

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