FINANCIAL WELLNESS

FREQUENTLY ASKED QUESTIONS ABOUT 401(K) PLANS

I told my former employer that I wanted to roll over my 401(k) account balance to a traditional IRA. Can I change my mind and roll it over to a Roth IRA instead?

You can roll over money from your 401(k) to a Roth IRA if you meet certain income and filing requirements. The actions you need to take depend on whether or not the transfer of your 401(k) account balance to the traditional IRA has been completed.

For specific requirements, visit www.irs.gov.

If the rollover has not been completed:

If you elected to do a direct rollover and the money has not yet been transferred to a traditional IRA, contact your plan administrator and change your rollover designation from a traditional IRA to a Roth IRA. The plan administrator will complete Form 1099-R so that it properly reflects the rollover to the Roth IRA.

If you chose to receive the 401(k) money and roll it over yourself, simply roll it to a Roth IRA within 60 days of receipt. In this case, however, you will also have to replace the 20% withheld for income taxes if you want to roll over the entire amount that was in your 401(k) account.

You must include in your gross income the total previously untaxed amount that was in your 401(k) account.

If the rollover has been completed:

If the plan administrator has completed your original request to transfer the money to a traditional IRA or you have already completed the rollover yourself, you may move the funds to a Roth IRA through what is commonly called a "conversion." You must satisfy the MAGI and filing status conditions specified above to make the conversion.

A conversion may be accomplished by a withdrawal from the traditional IRA and subsequent contribution to the Roth IRA within 60 days, or it may be accomplished by a direct transfer from a traditional to Roth IRA.

In the case of a direct rollover, you must tell the plan administrator the type of IRA (traditional or Roth) into which you want your funds deposited, so the Form 1099-R can be filled out correctly. Properly notifying them of the type of IRA eliminates any confusion.

If you convert a traditional IRA to a Roth IRA for the year in which you transfer the money out of your traditional IRA, you must:

- Include in your gross income the previously untaxed amount
- Report the amount converted on Form 8606 and attach it to your tax return

Form 1099-R

If, in error, you told the plan administrator the funds are being directly rolled over to a traditional IRA, the Form 1099-R will show no taxes due. You should tell the plan administrator about the mistake as soon as possible so that the Form 1099-R will correctly show that taxes are due on the previously untaxed amounts.

Regardless of how the Form 1099-R is completed, an individual moving previously untaxed money into a Roth IRA is obligated to pay taxes on that money.

For more information about rollovers and IRAs, see Publication 590, Individual Retirement Arrangements (IRAs),

at www.irs.gov/publications/p590a/ar01.html#en_US_2014_publink100015265.

I'm over 50 and my employer's 401(k) plan allows catch-up contributions. Is this a one-time contribution or can I make them every year? Can I make them now for this year?

Catch-up contributions can be made by individuals who are age 50 or older at the end of the calendar year. These contributions can be made every year and are in addition to regular salary deferrals.

Most retirement plans (i.e., 401(k), 403(b), SARSEP, governmental 457(b) and SIMPLE 401(k)) allow for catch-up contributions to be made before the end of the plan year. IRAs, however, require contributions to be made by the due date of your tax return (April 15).

Article adapted from publications on www.IRS.gov.