

# GUIDE TO ROTH IRA CONVERSION ROLLOVERS



If you are interested in saving in a Roth IRA, you can move your DCP after-tax balance to a Roth IRA through a conversion rollover. Here are the considerations and steps to complete the process.

## Potential Benefits of a Roth IRA Conversion Rollover from the DCP After-tax Account

There are several benefits of a Roth IRA conversion rollover versus keeping your money in the DCP After-tax Account:

### ENJOY POTENTIAL TAX-FREE WITHDRAWALS IN RETIREMENT (INCLUDING ON EARNINGS)

- Earnings on your DCP after-tax contributions that are converted into a Roth individual retirement account (IRA) may be withdrawn tax-free in retirement, provided that certain conditions are met. Consult a tax professional regarding your specific situation.

### AVOID ROTH IRA CONTRIBUTION LIMITS (BASED ON INCOME)

- Roth IRA conversion rollovers are not subject to annual Roth IRA contribution and income limits.

### CHOOSE FROM MORE INVESTMENT OPTIONS, INCLUDING STOCK

- While the DCP after-tax option offers a wide range of low-cost UC-managed investment funds, Roth IRAs offer access to a large universe of mutual funds, ETFs, and other investment vehicles, including the ability to purchase individual stocks and bonds.

### WATCH YOUR MONEY GROW TAX-FREE FOR LONGER

- Your Roth IRA account is not subject to required minimum distributions (RMDs are also known as MRDs) at age 73 so your money can keep growing tax-free until you need it.

### LEAVE A TAX-FREE INHERITANCE TO YOUR HEIRS

- Beneficiaries will be subject to the minimum required distribution rules. Distributions are required to commence in the year following the year of the account holder's death.<sup>1</sup>

**Remember, you should contact a tax professional to find out if a Roth IRA conversion rollover is right for you and how it works with your DCP After-tax Account.**

<sup>1</sup> Spousal beneficiaries will not be subject to RMDs (MRDs) if the inherited assets are rolled into the spouse's own Roth IRA; non-spousal beneficiaries will be subject to RMDs (MRDs) according to their life expectancy table.

### FIVE THINGS TO CONSIDER

1. You are subject to a five-year account holding period requirement to qualify for tax-free withdrawal of earnings.
2. If you are required to take a required minimum distribution (RMD or MRD) in the year you convert to an IRA, you must do so before converting to a Roth IRA. Subsequently, RMDs (or MRDs) of a Roth IRA are not required during the lifetime of the original owner.
3. You will owe taxes on the amount of pre-tax assets (includes earnings of after-tax contributions) you convert to a Roth IRA. This could also include a 10% penalty if you are under age 59.5 or don't meet other conditions. Consult a tax professional regarding your specific situation.
4. IRAs are protected under federal bankruptcy law; state law creditor protection of IRAs varies. Consult your legal advisor for more detailed information.
5. Mutual funds in Roth IRA accounts typically charge a higher management fee than the UC funds.

## Here's how to convert:

If you have an existing balance in your DCP After-tax Account and want to convert it, be sure you understand the tax consequences. Contact a tax professional first to find out if a Roth IRA conversion rollover is right for you.

### 1. Enroll/contribute in the DCP After-tax Account.<sup>1</sup>

You can enroll online and update your contribution amount at [netbenefits.com](https://netbenefits.com) or by calling Fidelity at **800-558-9182**. Contributions are deducted from your paycheck on an after-tax basis and posted to your DCP as after-tax.

### 2. Establish a Roth IRA (if you do not already have one).

If you do not have a Roth IRA and want to rollover DCP contributions, you can open a Roth IRA account with the company of your choice. If you choose to open a Fidelity Roth IRA, visit [Fidelity.com](https://Fidelity.com) or call **800-558-9182**.

### 3. When you are ready to move your money, call Fidelity at 800-558-9182 to process the conversion rollover.

If there are any earnings in the DCP account, you can choose to move the earnings to the UC 403(b) or 457(b) plans, where they would continue to grow tax-deferred until distribution, and leverage the low-cost funds available through the UC Retirement Savings Program. Alternatively, you can roll the earnings to a rollover IRA, where they would continue to grow tax-deferred until distribution or include them in the conversion rollover to the Roth IRA and pay taxes on the earnings portion.

- For non-Fidelity IRAs, a check made payable to the IRA company and FBO "your name" will be mailed to you. You can then deposit the rollover check with the financial institution.
- If you select a Roth IRA with Fidelity, the value of the asset will move electronically to your Fidelity Roth IRA account and your UC 403(b) or 457(b) plans or Fidelity Rollover IRA (if applicable). You will need to make investment elections for the IRA assets.
- Roth Conversions are reportable events to the IRS. You will receive a 1099R in the first quarter of the following year. After-tax contributions should not have tax liability however, converted earnings may be taxable.

**You can move your funds to a Roth IRA as often as you want.** You can convert whenever you wish, as often as you wish. Call Fidelity at **800-558-9182** each time you want to convert.

<sup>1</sup>Save up to \$69,000 in the DCP (2024 limit). All DCP contributions (pretax and after-tax) count towards the \$69,000 limit. This includes contributions made by you and UC in the Pension Choice DC Supplement or Savings Choice accounts.

*Investing involves risk, including risk of loss.*

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

Please Note: Financial strategies discussed in this document are meant to provide a high-level description of the features and benefits that are available to you through the UC Retirement Savings Program. The University of California (UC) reserves the right to amend, modify or terminate any and all of its benefit plans at any time for any reason. The tax information presented is for general educational purposes only and is in no way representative of the benefit that may be payable to you, as your individual situation may be different. Any tax information should not be taken as financial or tax advice, as UC provides neither. You should consult a tax advisor or financial planner for clarification and details on any topic in this document prior to taking action.

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