PRE-MEETING OVERVIEW

ACCUMULATING ROTH ASSETS TAX-EFFICIENTLY

COLUMBIA THREADNEEDLE INVESTMENTS

Your success. Our priority.

What to know before your meeting

Law changes over the last decade have made it easier to acquire Roth assets through conversion. Since 2008, qualified retirement plan participants who are eligible for a withdrawal have had the ability to convert plan assets to Roth IRAs. And since 2010, affluent households are no longer prohibited from conducting Roth conversions based on their income level. In addition, beginning in 2010 for 401(k) and 403(b) plans, and 2011 for governmental 457(b) plans, participants may have the option to convert pretax and after-tax plan assets to designated Roth accounts within their plans. Finally, IRS guidance effective in 2015 potentially allows for tax-free Roth IRA conversions of 401(k) after-tax accounts.

In order to complete an in-plan conversion, the 401(k), 403(b) or governmental 457(b) plan must have a designated Roth contribution option and allow for in-plan conversions.

In-plan or Roth IRA conversions may allow you to accelerate the rate at which you can build Roth assets. Having a pool of tax-free Roth assets can provide you with additional flexibility in managing your tax liabilities in retirement and allow you to pass along tax-free assets to your heirs.

Questions to review before your meeting

Q: How will I know what my conversion options are?

A: The summary plan description (SPD) for your plan details conversion options and any eligibility requirements you must meet. If you don't have a copy of your plan's SPD, ask your human resources department or log on to your benefits website for a copy. You can also talk to your financial advisor about other ways to obtain plan information about Roth conversions and Roth conversions in general. Your employer will provide you with a special rollover/conversion tax notice that explains the tax consequences of completing either an in-plan or Roth IRA conversion. You should review this information with your tax advisor.

Q: If I am able to choose either an in-plan or Roth IRA conversion, which is better?

A: It depends on your financial situation and goals. Only you and your financial and tax advisor will be able to make that determination. While there are similarities between a Roth IRA conversion and an in-plan conversion, such as the need to include any pretax assets that you convert in your taxable income for the year, there are some key differences that you should consider, including the following.

If you convert to a Roth IRA, you may have a broader range of investment options and more opportunity to receive advisor investment advice, and you are never required to take distributions from your Roth IRA — even after attaining age 72. Plus, you can manage the conversion in a manner that is tax-free by directing the after-tax dollars to a Roth IRA and the associated pretax dollars to a traditional IRA.

If you convert in-plan, plan assets could have more comprehensive creditor and judgment protection, and your plan may include loan provisions or the ability to invest in life insurance. Unlike the Roth IRA, however, you would not be able to avoid mandatory retirement distributions. Keep in mind, when you convert in-plan from an after-tax account, you must convert associated pretax earnings, which are taxable.

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Checklist to complete before your meeting

Your financial advisor can help you review your plan documents and evaluate your conversion options. Before you meet with your financial advisor, you may want to gather some important information and documents:

- [ ] Your most recent statements from your 401(k), profit sharing or other retirement accounts
- [ ] Any hard-copy plan documents you have, such as the SPD (your HR department can provide a copy if it is not available online)
- [ ] A copy of the rollover/conversion tax notice you may have received from your employer
- [ ] The telephone number and website of your company's benefits administrator so you and your financial advisor can confirm information and clarify any points that may be unclear
- [ ] Information on other IRA or retirement accounts you may have — such as a 401(k) plan at a previous employer — to evaluate consolidating all your retirement investments
- [ ] The contact information for your tax advisor so you can address any tax-related questions

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