



## Frequently asked questions – Roth conversions in your Oklahoma SoonerSave 457(b) Plan

You're allowed to convert all or a portion of your pre-tax money within your SoonerSave 457(b) Plan to Roth contributions at any time.

### What is an in-plan Roth conversion?

An in-plan Roth conversion, also referred to as an in-plan Roth rollover or in-plan Roth transfer, involves moving pre-tax assets currently in your 457(b) Plan into a Roth contribution source within the same plan. This allows you to convert pre-tax funds to Roth status without leaving the 457(b) Plan.

### How are conversions taxed?

The amount you choose to convert will be taxed as ordinary income. This additional income may push you into a higher tax bracket. You'll pay federal and state income taxes on the conversion when you file your tax return for that year. The taxes owed on the converted amount must be paid "out of pocket" and can't be withheld from the converted amount or paid out of the plan. You may be required to make estimated tax payments in the year of conversion before you file your annual return. **You should consult with a tax advisor prior to requesting a conversion.**

Here's an example. Say you're in the **22% tax bracket** and convert \$20,000. Your income for the tax year will increase by \$20,000. Assuming this doesn't push you into a higher tax bracket, **you'll owe \$4,400 in taxes** on the conversion.

Using the same example, converting \$100,000 would mean an additional \$22,000 in taxes owed.

### Examples with 22% Tax Bracket

| Beginning 457(b) Plan account balance | In-plan Roth conversion amount                                  | Ending 457(b) Plan account balance                             | Taxes owed                                |
|---------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------|
| <b>\$100,000</b><br>(before tax)      | <b>\$20,000</b><br>(reported as taxable income on Form 1099-R)  | <b>\$80,000</b><br>(before tax);<br>\$20,000<br>(in-plan Roth) | <b>\$4,400</b><br>(from 22% tax bracket)  |
| <b>\$100,000</b><br>(before tax)      | <b>\$100,000</b><br>(reported as taxable income on Form 1099-R) | <b>\$100,000</b><br>(in-plan Roth)                             | <b>\$22,000</b><br>(from 22% tax bracket) |

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To estimate how much you'd owe in taxes by converting some or all of your account to a Roth, visit [empower.com/learning-center/calculators/retirement-conversion-analyzer.shtml](https://empower.com/learning-center/calculators/retirement-conversion-analyzer.shtml).

**Note:** *The converted amount will be taxable in the year of the conversion.*



### Can I undo an in-plan Roth conversion?

No, an in-plan Roth conversion cannot be undone.

### Who's eligible for an in-plan Roth conversion?

All SoonerSave participants with a pre-tax balance in the 457(b) Plan can request an in-plan Roth conversion.

### What are the benefits of an in-plan Roth conversion?

Roth assets, including earnings, can be withdrawn tax-free if the Roth account is at least five years old and you are age 59½ or older, disabled, or deceased. Roth assets are also not subject to required minimum distribution (RMD) payments.<sup>1</sup>

### Who might benefit from an in-plan Roth conversion?

You might benefit if you:

- Expect your tax rate to be the same or higher in the future.
- Want tax diversification — a mix of taxable and tax-free withdrawals.
- Plan to keep the money invested for at least five years.

An in-plan Roth conversion isn't for everyone. The Roth conversion could create a severe short-term tax burden. If you find that paying the taxes owed as a result of the conversion would be a burden, you may want to consider other options. **You should consult with a tax advisor prior to requesting a conversion.**

### What else should I consider?

- **Medicare premiums** – Conversions increase your taxable income, which can affect your Medicare Part B and D premiums due to IRMAA (Income-Related Monthly Adjustment Amounts).
- **Tax bracket creep** – Converting too much in one year could push you into a higher bracket.
- **Future tax bracket** – If you think you'll be in a lower tax bracket in the future, a conversion might not be to your benefit.
- **Tax code** – Because new legislation could change the tax code at any time, there's no guarantee that Roth accounts will always have the same features.

- **Current cash flow** – If you're tight on current cash flow to pay the taxes due, you may not benefit from an in-plan Roth conversion.
- **When you'll need the funds** – Do you anticipate you may need access to the funds in less than five tax years from the date of the in-plan Roth conversion? If so, an in-plan Roth conversion may not be right for you now.

### Will Empower withhold taxes on an in-plan Roth conversion?

No. The taxes owed on the converted amount must be paid "out of pocket." You may be required to make estimated tax payments in the year of conversion before you file your annual return.

### May I request multiple in-plan Roth conversions?

Yes. You may request additional conversions in the future after any conversion/partial conversion is complete. Regarding any future distribution, each in-plan conversion will carry its own five year clock.

### How do I request an in-plan Roth conversion?

You may make this request by logging in to your account at [soonersave.com](https://soonersave.com). Click on your account and download the form. After you complete the form, follow the directions on the form to submit. You may also contact Empower's Customer Care Center to request a form at (877) 538-3457.

**This FAQ is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.**

### Managing your account



[soonersave.com](https://soonersave.com)



(877) 538-3457



Download the Empower app in the App Store® or Google Play®.

<sup>1</sup> Withdrawals from a Roth account are not subject to federal taxation as long as they are qualified as defined under IRS regulations. However, state and local taxes may still apply.

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