



Case of the Week: Where Can A Roth IRA Roll?

Our ERISA consultants on the Columbia Management Resource Desk regularly receive calls from financial advisors who have questions about Roth IRA rollovers. Through our relationship with the Columbia Management Learning Center, we frequently guide Columbia Management's financial advisor partners through the IRS rules that govern rollovers of Roth IRAs.

A recent call with a Merrill Lynch advisor in Minnesota is representative of a common Roth IRA rollover scenario.

The advisor had a client who was considering converting a pre-tax 401(k) account to a Roth IRA. After converting to a Roth IRA, the client was hoping to roll the Roth IRA back into the Roth 401(k) plan. The client and his advisor were wondering: **Can a Roth IRA be rolled into a Roth 401(k)?**

Highlights of Recommendations

If distributions are available from a 401(k) plan, a conversion/rollover to an IRA is available. However, under Treasury Regulation 1.408A-10, Q&A 5, Roth IRAs cannot be rolled back to Roth 401(k) accounts.

(link to Treasury regulations

http://edocket.access.gpo.gov/cfr_2009/aprqtr/pdf/26cfr1.408A-10.pdf

The following points outline the rules.

- Pre-tax 401(k) accounts can be rolled to Traditional IRAs
- Pre-tax 401(k) accounts can be converted to Roth IRAs
- Roth 401(k) accounts can be rolled to Roth IRA accounts
- Roth IRA accounts *cannot* be rolled to Roth 401(k) accounts

Conclusion

In summary, if a 401(k) account is converted to a Roth IRA, the Roth IRA cannot be rolled back into the Roth 401(k) portion of the 401(k) plan—or any other portion of the 401(k) plan, for that matter. Owners of Roth IRAs may only roll them over to another Roth IRA. The ins and outs of Roth rollovers can be tricky. With the expert guidance of the Columbia Management Learning center, advisors can confidently assist their clients with various Roth rollover scenarios.