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Join the Retirement Planning Conversation



Congress Targets IRAs

This article discusses proposals only.

(Released by the House Ways and Means Committee on September 13, 2021.)

Recent retirement proposals from Congress would upend planning strategies for retirement accounts, especially Roth IRAs. These changes are *currently only proposals*, but they have been the focus of attention and intense speculation. No one knows for sure what Congress will do, but given the current climate in Washington, changes like these could gain traction. Retirement savers, especially those with larger IRAs, have many questions. Here are some answers.

are currently legal. They obviously are, because if they weren't, Congress would not need to eliminate them!

What About Roth Conversions of Pre-Tax Dollars, Are They Still Allowed?

Roth conversions of pre-tax funds would be eliminated from both IRAs and employer-sponsored plans for single taxpayers with taxable income over \$400,000 and married taxpayers filing jointly with taxable income over \$450,000. However, this proposal would not begin for 10 years. The effective date says this would apply in years after December 31, 2031.

This proposal would end Roth conversions for high earners, but Congress still wants its conversion tax dollars. Why the delay? Maybe this delayed effective date shows us that Congress still needs Roth conversion revenue so it can fill budget gaps, at least for the next 10 years.

But now that Congress has tipped its hand on this issue, it may be a good time for affected individuals to start proactively planning and begin a series of annual Roth conversions over the next decade. This conversion strategy would be even more effective if initiated prior to required minimum distributions (RMDs) beginning at

Would These Proposals Eliminate Backdoor Roth Strategies?

This proposal takes direct aim at Roth planning strategies by prohibiting both employee after-tax contributions in qualified plans and after-tax funds in traditional IRAs from being converted. Neither Roth IRAs nor Roth plan accounts would be allowed to accept after-tax dollars as conversions. **This would be effective after December 31, 2021.**

This would be an all-out ban on Backdoor Roth conversions from IRAs, Mega Backdoor Roth conversions from plans, and in-plan conversions of after-tax dollars, all regardless of income. This proposal inadvertently finally answers the question of whether Backdoor Roth conversions

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