

Tomorrow's Scholar® 529 Plan Rollovers from 529 Plans to Roth IRAs



... connecting to the future

Starting in 2024: A new provision expands the rollover capabilities of 529 plans.



On December 29, 2022, President Biden signed the Consolidated Appropriations Act, 2023 into law. This legislation contains the SECURE 2.0 Act of 2022 which included a key provision for 529 plans that allows for tax- and penalty-free rollovers from 529 plans to Roth IRA accounts **starting in 2024**. The provision is effective for 529 plan distributions made after December 31, 2023.

529 plans continue to broaden and adapt, making them one of the most effective and flexible ways to saved for a loved one's future.

Key Considerations and Requirements

The IRS is expected to issue additional guidance that may impact 529 plan account rollovers to Roth IRAs, including the **below** referenced conditions.

Account Age

- The Account must have been open for 15 or more years, ending with the date of the rollover

Eligible Funds

- Contributions and associated earnings that you transfer to the Roth IRA must have been in the Account for more than 5 years, ending with the date of the rollover

Eligibility

- The rollover is into a Roth IRA maintained for the benefit of the Beneficiary on the Account
- The rollover must be sent directly to the Roth IRA
- It is currently unclear if changing the account beneficiary resets the 15-year clock.

Lifetime Rollover Limit

- \$35,000 maximum lifetime rollover limit

Applicable Roth IRA Rules

- Normal Roth IRA contribution limits would apply
- Normal Roth IRA earned income requirements would apply
- A rollover would reduce the amount of regular Roth IRA contributions that can be made for that year
- Roth IRA income limitations are waived for 529 plan rollovers to Roth IRAs
- Earnings and contributions would be treated like any other Roth account or rollover, meaning they grow tax free and are distributed tax free for eligible distributions

State tax treatment of rollovers from 529 Plans to Roth IRAs varies by state. For Wisconsin income tax purposes, a rollover to a Roth IRA will be treated as a Qualified Withdrawal and will not be subject to income tax or a penalty.

You should consult with a qualified tax advisor before taking any such actions. You are responsible for determining the eligibility of a 529 plan to Roth IRA rollover including tracking and documenting the length of time the 529 plan account has been opened and the amount of assets in your 529 plan account eligible to be rolled into a Roth IRA. To request a rollover to a Roth IRA, please first contact your Roth IRA administrator to determine their ability and requirements to receive the rollover. Then, submit any required Roth IRA form available from your Roth IRA administrator and the Plan rollover form found online at <https://529wi.voya.com> or by calling the Plan directly at 1-866-677-6933.

For more information on Tomorrow's Scholar 529 Plan, please visit TomorrowsScholar.com.



Tomorrow's Scholar® is a state-sponsored 529 college savings plan administered by the State of Wisconsin. Voya Investments Distributor, LLC, a Delaware limited liability company provides investment management, administrative and distribution services for the Tomorrow's Scholar® Plan.

An investor's or a designated beneficiary's home state may offer state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program. Please consider this before investing.

Earnings component of non-qualified withdrawals may be subject to federal and state taxes and the additional federal 10% tax.

The tax information herein is not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding tax penalties. Taxpayers should seek advice based on their own particular circumstances from an independent tax advisor.

Investments in Tomorrow's Scholar 529 Plan are subject to certain charges, which will reduce the value of your Account as they are incurred. Please see the Program Description for details of charges or fees that apply to the specific Tomorrow's Scholar savings plan.

Investments in Tomorrow's Scholar 529 Plan are subject to investment risks, including the loss of the principal amount invested, and may not be appropriate for all investors.

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