

Roth in-plan conversions

Frequently asked questions

Q1: How can I make a Roth in-plan conversion?

A: Once you have reached the IRS contribution limit for pre-tax and Roth 401(k) after-tax contributions, the auto after-tax conversion option will switch your contributions to traditional after-tax contributions automatically. This will allow you to save above the 2021 IRS pre-tax and Roth contribution limits of \$19,500 (\$26,000 if age 50 or older).

Q2: When can I make a Roth in-plan conversion?

A: Anytime you would like.

Q3: How often can I elect a Roth in-plan conversion?

A: Conversions can be done at any time by logging in to your account at ownyourfuture.vanguard.com or by calling a Vanguard Participant Services associate at (800) 523-1188.

Q4: Can I convert a percentage of my balance to Roth, or do I need to choose a dollar amount?

A: You can choose either a percentage or a flat dollar amount.

Q5: If I convert my pre-tax contributions to Roth, do I need to pay any tax on the earnings?

A: Yes. Income tax will be due on the earnings and contributions for the year that you complete the conversion.

Q6: Can I convert traditional after-tax money as well as pre-tax money to Roth?

A: Yes.

Q7: Can I set up ongoing automatic conversion of traditional after-tax contributions to Roth?

A: Yes. You can sign up to have your after-tax contributions automatically converted to Roth with each paycheck at ownyourfuture.vanguard.com.

Q8: If I direct my traditional after-tax contributions to a money market fund and then immediately convert them to Roth, is this a way to minimize the taxes I pay as part of the Roth conversion?

A: Each day that money sits in any investment option in the investment lineup, earnings can be credited to the account. This includes money market funds. Although you must convert earnings as well as contributions in a Roth in-plan conversion, in today's environment, the interest paid by money market funds is low. Therefore, while earnings may occur, the amount would be small if an immediate conversion takes place. We recommend seeking the advice of a tax professional regarding the impact of taxes on any Roth in-plan conversion.

Q9: How do I contact Vanguard?

A: You can reach a Vanguard Participant Services associate by calling (800) 523-1188 Monday – Friday from 5:30am – 6:00pm PT.

Connect with Vanguard®

ownyourfuture.vanguard.com > (800) 523-1188

Whenever you invest, there's a chance you could lose the money.

© 2021. Adobe and the Adobe logo are either registered trademarks or trademarks of Adobe in the United States and/or other countries.

Taxes: Taking money from your retirement account can affect how much you'll have to pay in taxes. You'll owe taxes on pre-tax money. You won't owe taxes on Roth earnings as long as you are age 59½ or older and it's been at least five years since your first Roth contribution. If required by law, Vanguard will withhold some taxes for you. You may need to pay a 10% federal penalty tax if you take money out early.

Vanguard®

Participant Education

P.O. Box 2900
Valley Forge, PA 19482-2900

© 2021 The Vanguard Group, Inc.
All rights reserved.

BBBBLVQM 072021