Money Matters

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Skloff Financial Group Question of the Month:

Maximizing Contributions to Multiple Employer Retirement Plans

Then Completing In-Service Withdrawals and Rollovers to Jumbo IRAs

By Aaron Skloff, AIF, CFA, MBA

Q: Because I work for multiple employers and have my own business I earn $600,000. Can I contribute to multiple employer retirement plans? If so, how can I maximize my contributions?

The Problem – Higher Earners Disqualified from Contributing All of Their Earnings to Multiple Employer Retirement Plans
The days of pension plans are quickly fading. Social Security did not offer a cost of living adjustment to its benefits for 2010, 2011, or 2016 – an alarming trend. Furthermore, the IRS limits how much responsible savers can contribute towards their employer retirement plans.

The Solution – Maximizing Contributions to Multiple Employer Retirement Plans
The IRS allows you to contribute to multiple employer retirement plans. **The IRS places an $18,000 annual limit ($24,000 if age 50 or over) on employee contributions (elective deferrals) cumulatively across 401(k)s and 403(b)s and the same limits cumulatively across 457(b)s.** It also places a $53,000 limit ($59,000 if age 50 or over) on the combination of employee elective deferrals, employer contributions and employee after tax contributions. As along as the employers are unrelated and not a controlled group (a parent-subsidiary employer that owns 80% of another employer or a brother-sister employer with five or fewer owners with a controlling interest in another employer), the limits are per employer. **You can have multiple employer retirement plans with $53,000 cumulative contribution limits and one with $59,000.**

Let's take the example of maximizing cumulative Roth, employer and after tax contributions across multiple employers.
Employer 1: Contribute $18,000 (or $24,000 if age 50 or over) as an elective deferral to the Roth 401(k) to receive a $18,000 employer match and contribute $17,000 after tax to meet the $53,000 (or $59,000 if age 50 or over) limit. **Employer 2:** Contribute as a $43,000 after tax contribution to the Roth 401(k), after a $10,000 employer contribution to meet the $53,000 limit. **Employer 3:** Your contributions are prohibited to the Roth 401(k) because your employer's $53,000 contribution meets the $53,000 limit. **Employer 4:** Contribute $18,000 (or $24,000 if age 50 or over) as an elective deferral to the Roth 457(b). **Employer 4:** Also contribute $53,000 as an after tax contribution to the Roth 403(b) to meet the $53,000 limit. **Employer 5:** Your contributions are prohibited to the Solo Roth 401(k) because your employer's $53,000 contribution, which is technically you for a Solo Roth 401(k), meets the $53,000 limit.

Create Jumbo IRAs with In-Service Withdrawals and Rollovers

After maximizing contributions, you can then complete a tax free in-service withdrawal and rollover of the after tax portion if under age 59 ½ to a **Roth IRA**, or Roth 401(k) and after tax contributions if age 59 ½ and over, if your employer offers this option. And you can complete a tax free in-service withdrawal and rollover of employer contributions to a **Rollover IRA** at any age, if the employer offers this option.

Fortunately, you can repeat this process every year. The following chart summarizes the process.

Maximizing Contributions to Multiple Employer Retirement Plans
Then Completing In-Service Withdrawals and Rollovers to Jumbo IRAs

Contributions	Under Age 50	Age 50 And Over	Pre-Tax Employer Match	Pre-Tax Employer Profit Share	Under Age 50 After Tax	Age 50 And Over After Tax	Under Age 50 Total	Age 50 And Over Total
Employer 1: Roth 401(k)	$18,000	$24,000	$18,000	$0	$17,000	$17,000	$53,000	$59,000
Employer 2: Roth 401(k)	$0	$0	$0	$10,000	$43,000	$43,000	$53,000	$53,000
Employer 3: Roth 401(k)	$0	$0	$0	$53,000	$0	$0	$53,000	$53,000
Employer 4: Roth 457(b)	$18,000	$24,000	$0	$0	$0	$0	$18,000	$24,000
Employer 4: Roth 403(b)	$0	$0	$0	$0	$53,000	$53,000	$53,000	$53,000
Employer 5: Solo Roth 401(k)	$0	$0	$0	$53,000	$0	$0	$53,000	$53,000
Total	**$36,000**	**$48,000**	**$18,000**	**$116,000**	**$113,000**	**$113,000**	**$283,000**	**$295,000**
Jumbo Roth IRA		**Age 59 1/2 And Over**			**Under Age 50 After Tax**	**Age 50 And Over After Tax**	**Under Age 59 1/2 Total**	**Age 59 1/2 And Over Total**
Total		**$24,000**			**$113,000**	**$113,000**	**$113,000**	**$137,000**
Jumbo Rollover IRA			**Pre-Tax Employer Match**	**Pre-Tax Employer Profit Share**				**Any Age Total**
Total			**$18,000**	**$116,000**				**$134,000**

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Often Overlooked – Backdoor Roth IRA
In addition to the Jumbo IRAs described above, you can also contribute another $5,500 (if you are under the age of 50) or $6,500 (if you are 50 or over) to a Backdoor Roth IRA.

Action Steps – Maximize Contributions to Multiple Employer Retirement Plans and Create Jumbo IRAs
Maximize contributions to multiple employer retirement plans and create Jumbo Roth and Jumbo Rollover IRAs by completing in-service withdrawals. Make the convoluted Internal Revenue Code work to your advantage and enjoy a successful retirement.

Aaron Skloff, Accredited Investment Fiduciary (AIF), Chartered Financial Analyst (CFA), Master of Business Administration (MBA) is CEO of Skloff Financial Group, a Registered Investment Advisory firm specializing in financial planning, investment management and benefits for small to middle sized companies. He can be contacted at www.skloff.com or 908-464-3060.