529-TO-ROTH: STILL NO NEWS ON 15-YEAR CLOCK

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It's been nearly 3½ years, and still no news. No guidance. No updates.
Background: In December 2022, the SECURE 2.0 Act was signed into law. That legislation contained an extensively discussed provision – allowing excess dollars in a 529 college savings plan to be rolled over to a Roth IRA. However, that provision included a number of significant restrictions. For example:

- *The maximum lifetime amount that can be rolled over is $35,000.*
- *Rollovers are subject to the annual Roth IRA contribution limit. So, for example, since the Roth IRA contribution limit in 2026 is $7,500, then no more than $7,500 can be rolled over from a 529 to a Roth IRA in 2026. Consequently, a full $35,000 529-to-Roth IRA rollover would need to be done over several years.*
- *The 529 beneficiary doing the rollover must have compensation in the year of the rollover at least equal to the amount being rolled over.*
- *The Roth IRA must be in the name of the 529 beneficiary – not the 529 owner (if different).*

And here's the big sticking point:

- *The 529 plan must have been open for at least 15 years.*

That rule in and of itself is not too high of a hurdle. The problem is that, here we are 3½ years later, and we still do not know if changing the beneficiary of the 529 account resets the 15-year clock. Will the existing time period applicable to the initial account opening carry over to the new beneficiary? No one on the planet has that information. Accordingly, advisors and custodians alike have been advising clients to leave the 529 beneficiary as-is until confirmation is received as to how the 15 years will be applied. Jumping the gun could result in a decade-and-a-half additional wait time to roll over excess 529 dollars to a Roth IRA.

In the meantime, while we all anxiously refresh our computers every few minutes to see if the IRS has released any 529 beneficiary change updates (sarcasm), it's important to recognize additional 529-to-Roth rules we know are in effect:

- *Rollover amounts cannot include any 529 contributions (or earnings on those contributions) made in the preceding five-year period.*
- *Any actual Roth IRA (or traditional IRA) contributions made by the 529 beneficiary will count against the permitted annual rollover amount.*

- ***There are no income limits restricting the 529-to-Roth IRA rollover for either the beneficiary or 529 owner.***
- ***The rollover from the 529 plan to the Roth IRA is a nontaxable transaction.***