

In-Plan Roth Conversions + Global Workers

Can you benefit from an IPRC?

As you consider an **in-plan Roth conversion (IPRC)**, you probably have several questions, like how exactly does it work? Can I benefit from one? Does my foreign-earned income affect this process?

For global workers, like you, these are just a few of the many factors to consider. So to help you make a well-informed decision, GuideStone® created this useful Q&A to see if an IPRC is right for your unique situation.

What is an IPRC?

An IPRC allows you to convert taxable funds inside of your 403(b) retirement account (including both employee and vested employer contributions, as well as earnings) into Roth elective deferrals. These funds are then generally tax-free upon withdrawal in retirement if you've reached age 59 ½ and it has been at least five years since your first Roth contribution.

How does taxation work for an IPRC?

The taxable portion of your conversion is reportable in the year in which you initiate the IPRC. For example, if you convert \$10,000 of tax-sheltered contributions and earnings, your income will increase by \$10,000 in the current tax year. However, these funds are then treated as Roth contributions going forward, and qualified distributions in retirement are not taxed. It's also important to note that taxes cannot be withheld from IPRC amounts. In other words, if additional taxes are due, you will need to pay them from a separate pool of money – not your 403(b) account.

How can I benefit from an IPRC if I'm serving overseas?

Global workers often claim the majority of their earnings through the foreign-earned income exclusion, which excludes money earned overseas from U.S. federal income tax. This means that many global workers are in a lower tax bracket during the time they serve overseas.

Therefore, incurring additional taxable income by converting contributions to Roth during the period when most of your income is excluded from U.S. taxation can be advantageous depending on your individual tax status.

But remember that earnings from time spent in the U.S. on stateside assignment or leave of absence do not count as foreign-earned income and could result in an increased amount of taxable income.

If I complete an IPRC while I'm overseas, does it count as foreign-earned income?

No, an IPRC does not count as income that is foreign-earned and is therefore subject to taxation. However, the taxes due on an IPRC can sometimes be mitigated by tax deductions and exclusions, particularly if the rest of your income falls under the foreign-earned income exclusion.

Roth Recap

What is a Roth contribution?

A Roth elective deferral is a contribution option within your 403(b) that allows you to make after-tax contributions in exchange for fully tax-free qualified withdrawals (including both contributions and earnings) during retirement.

Fact or fiction?

You cannot contribute to a Roth IRA when you are claiming all of your earnings under the foreign-earned income exclusion.

Fact. But while you are unable to make Roth IRA contributions when all of your income is foreign-earned, you are able to make Roth contributions into your 403(b) plan.

Remember, an IPRC is not moving money to a Roth IRA, but rather converting funds to Roth inside of your 403(b) plan.



How do I know how much I can convert to an IPRC without incurring additional taxes?

It is important to talk to your tax preparer to determine how much money you can convert without incurring additional taxes. You should also note that converted amounts are taxable in the year of the conversion.

What is the deadline to complete an IPRC?

Conversions must be completed by December 31 to be included for the current tax year.

What else do I need to know?

Conversion Requirements

Only contributions and earnings that are fully vested may be converted.

Contribution Limits

IPRC amounts do not count toward your 403(b) contribution limits.

Social Security Considerations

If you are drawing Social Security benefits, an IPRC could potentially impact the taxability of those distributions.

Next Steps

The benefits of converting non-Roth contributions to Roth can be significant; however, everybody's situation is unique. As you consider an IPRC, it's a good idea to speak with your tax preparer to make sure you understand how an IPRC can impact your tax situation.



Ready to get started?

Call us at 1-888-98-GUIDE (1-888-984-8433).

In-Plan Roth Conversion Application

Complete this form if you are electing an in-plan Roth conversion into your designated Roth account. Complete, sign and return to: **Benefits Administration, GuideStone, 5005 LBJ Freeway, Ste. 2200, Dallas, TX 75244-6152** or send by email to info@GuideStone.org. If you have any questions or would like to speak to a customer solutions specialist, please call GuideStone® at **1-888-98-GUIDE** (1-888-984-8433) Monday through Friday, between the hours of 7 a.m. and 6 p.m. CT.

Reset Form

1. PARTICIPANT INFORMATION

Participant name: _____ Social Security number (last four digits): _____
Home address: _____
City: _____ State: _____ ZIP code: _____
Daytime telephone: (_____) _____ Home telephone: (_____) _____
Email: _____ Birth date: ____/____/____ Married Single

2. CONVERSION

- A. I elect to convert \$ _____ OR _____% of my eligible, vested account to a designated Roth account. (If I am due a Required Minimum Distribution (RMD), the RMD will be paid out prior to processing the conversion.)
- B. Convert from all plan(s)/fund(s) proportionately and use pretax contributions and earnings first, unless I specify otherwise in this section.
- Use only the following plan(s)/fund(s): _____

3. PARTICIPANT SIGNATURE

Cannot be signed more than 180 days prior to conversion.

I certify that I have received and carefully read the enclosed *Special Tax Notice*. I authorize payment in the manner indicated on this form. I understand a conversion is irrevocable and cannot be recharacterized once it is complete. I understand the tax consequences of an in-plan Roth conversion. The taxable amount of the conversion will be included in my gross income for the current tax year. The taxable amount is the amount of the conversion less any basis (after-tax contributions), if any. In-plan Roth conversions are not subject to the mandatory 20% withholding. I may need to increase withholding or make estimated tax payments to avoid an underpayment penalty. A distribution of any funds in my in-plan Roth conversion account may be subject to a 10% premature distribution penalty if not held in the account for five years or long enough to be considered a qualified Roth distribution. GuideStone reserves the right to correct any errors.

Participant signature: _____ Date: ____/____/____

4. EMPLOYER VERIFICATION (IF REQUIRED BY YOUR PLAN)

I certify that our retirement plan has a Roth elective deferral program in the plan.

Indicate status of employee:

- Severance from employment:

Date of severance: ____/____/____

Final contribution of \$ _____ will be paid for period ending _____.

Vested percentage of employer contributions is _____% based on _____ years of service.

- In service

- Disability: Last day worked: ____/____/____

Employer name: _____ Date: ____/____/____

Signature of authorized officer: _____

Printed name and title of authorized officer: _____



