



High-Earner College & Estate Tax Matrix

529-to-Roth rollovers, 5-year gift superfunding, and IRS Form 1099-Q checklist.

SECURE 2.0 529-TO-ROTH CONVERSION 4-GATE VERIFICATION PIPELINE

Gate 1: 15-Year Plan Age Clock

The 529 account must have been maintained for at least 15 continuous years prior to initiating the rollover. Changing beneficiaries does NOT restart the clock in most jurisdictions if between qualified family members.

Gate 2: 5-Year Contribution & Earnings Seasoning

No contributions made within the trailing 5-year window (nor any earnings attributable to those recent deposits) may be rolled into a Roth IRA. Only seasoned balances are eligible.

Gate 3: Annual IRA Contribution Limit Cap

Rollovers cannot exceed the beneficiary's annual IRA contribution limit (\$7,000 in 2026). The rollover consumes that year's regular Roth IRA contribution space, and the beneficiary must have earned income.

Gate 4: \$35,000 Lifetime Beneficiary Cap

Total lifetime rollovers are capped at \$35,000 per beneficiary. Spreading conversions across 5 to 6 tax years allows high-earning

5-YEAR 529 SUPERFUNDING & ESTATE TAX REDUCTION ACCELERATOR

* Lump-Sum Gift-Tax Exclusion (\$95,000 / \$190,000):

IRS Section 529(c)(2)(B) allows electing to treat a single contribution as made ratably over 5 years. An individual can contribute \$95,000 (married couple: \$190,000) per beneficiary in year 1 without incurring gift tax or consuming lifetime

* IRS Form 709 Gift Tax Return Requirement:

To elect 5-year averaging, the contributor MUST file federal Form 709 in the year of the gift and check the box in Part II. Failure to file can trigger unnecessary IRS lifetime exemption deductions.

* Immediate Estate Removal with Retained Control:

Superfunding immediately removes assets from the donor's gross estate for estate tax purposes, while the account owner retains full legal control over investments, withdrawals, and beneficiary changes.

* State Tax Recapture Awareness:

Certain states (such as CA, NY, PA) may treat 529-to-Roth rollovers as non-qualified withdrawals subject to state income tax or deduction clawbacks. Always verify custodian direct trustee-to-trustee transfer slips.

IRS REPORTING, DIRECT ROLLOVER PROCEDURES & RECAPTURE DEFENSE

* Trustee-to-Trustee Direct Transfer:

NEVER distribute 529 funds to a personal checking account. The check or electronic transfer MUST go directly from the 529 plan custodian to the Roth IRA custodian for the benefit of the beneficiary (FBO Beneficiary).

* Form 1099-Q Distribution Coding:

In January following the rollover, the 529 administrator issues Form 1099-Q. Box 1 reports gross distribution. Verify with tax preparer that Box 6 indicates distribution to beneficiary or direct trustee rollover.

* Form 5498 IRA Contribution Receipt:

In May following the rollover year, the Roth IRA custodian files Form 5498 with the IRS reporting the rollover contribution in Box 2. Ensure total amount matches exactly and does not trigger excess contribution flags.

* Beneficiary Name Matching:

The beneficiary on the 529 plan MUST match the named owner on the recipient Roth IRA. You cannot roll funds from parent-owned 529 directly into a parent's Roth IRA unless the parent was designated as the 529 beneficiary.

* Strategic Decade Compounding Multiplier:

A \$35,000 Roth IRA rolled over in early adulthood compounds into over \$1,000,000 completely tax-free over a 40-year horizon at an 8.5% annualized broad-market index return.

