



Mega Backdoor Roth 401(k) Eligibility & Math Matrix

Calculate your Section 415(c) after-tax space and automate in-plan conversions.

THE CORE MEGA BACKDOOR FORMULA:

After-Tax Space = IRS Overall Limit – Employee Elective Deferrals – Employer Match Dollars

Gate 1: Voluntary After-Tax Contributions

Does your employer 401(k) allow voluntary after-tax payroll deductions? (Note: After-tax != Designated Roth 401k). If NO: You cannot execute a Mega Backdoor Roth.

Gate 2: In-Plan Roth Conversion or Rollover

Does the plan support automated daily in-plan conversion to Roth 401(k) or in-service distribution to an external Roth IRA? If NO: Earnings accrue taxes upon withdrawal.

Gate 3: Section 415(c) Headroom Math

Calculate headroom: IRS total limit (\$71,000) minus elective deferrals (\$24,000) minus employer match = after-tax space.

Gate 4: Section 401(a)(17) Compensation Ceiling

Compensation above statutory cap (\$355,000) cannot be factored into percentage match calculations. Verify match formulas against the statutory legal ceiling.

THREE-STEP EXECUTION PROTOCOL AT FIDELITY / VANGUARD / SCHWAB

1. Max Pre-Tax or Roth 401(k) First

Elect full deferrals (\$24,000) to secure complete employer match before funding after-tax space.

2. Adjust Payroll Contribution to 'After-Tax'

Select the 'After-Tax' line item on NetBenefits. Calculate contribution percentage: [Headroom / Salary].

3. Enable Automatic Daily In-Plan Conversion

Call brokerage (or enable online checkbox) to convert every after-tax payroll deposit to Roth instantly.

WORKED EXAMPLE: \$180,000 SALARY (50% MATCH ON FIRST 6%)

Elective: \$24,000

\$5,400

After-Tax Space: \$41,600

1. Employee Elective Max = \$24,000 | 2. Employer Match = \$5,400

3. Mega Backdoor Space = \$71,000 – \$24,000 – \$5,400 = \$41,600 After-Tax Roth Conversion!

All earnings after in-plan Roth conversion grow 100% tax-free with zero mandatory RMDs under SECURE 2.0.

