

The Evolution of the “Super Saver” Strategy

by Peter Nadeau, Partner, Senior Consultant

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How to help participants contribute up to \$70,000 per year in their retirement plan and receive attractive tax benefits

In an ever-improving retirement plan industry, guided by both regulatory and recordkeeper evolution, plan participants are now able to contribute up to \$70,000 in a 401(k) or 403(b) plan within a calendar year. For those who would benefit from saving more than the commonly referred to \$23,500 “maximum,” this solution, also known as the “Mega Backdoor Roth,” could be tremendously beneficial.¹

You may have seen articles in the past explaining a method whereby a participant looking to save beyond the then \$23,500 limit could contribute after-tax dollars to their 401(k) or 403(b) account, then remove those dollars from the plan and convert them from after-tax to Roth within an Individual Retirement Account (IRA).

In recent years the process has become significantly more efficient because many recordkeepers are now able to convert the after-tax dollars to Roth within the plan. Furthermore, some recordkeepers can now convert those dollars the day after the contribution is made, reducing the exposure to taxable investment earnings while in after-tax status. The improvements to recordkeeping capabilities have removed many of the prior complications that discouraged Plan Sponsors and participants from taking advantage of this potential benefit. In today’s environment, depending on the recordkeeper being utilized, many Plan Sponsors may consider revisiting this process to determine if it would benefit their participants.

The Process

- A participant contributes \$23,500 as a Roth (or pre-tax if that is what they prefer) 401(k)/403(b) contribution.
- Assuming there is no employer match or profit sharing, the participant contributes an additional \$46,500 of after-tax dollars. Employer contributions would reduce the amount of after-tax dollars that could be contributed.

¹ Source: IRS Notice 2024-80. 2025 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living

- o Example: If the employer match or profit sharing is \$5,000, the participant could only contribute \$41,000 of after-tax dollars. The total contribution cannot exceed \$70,000 in 2025.
- o Caveat: Participants over the age of 50 can contribute an additional \$7,500 above the \$70,000 total. Starting in 2026, participants making over \$145,000 must make the catch-up contribution as a Roth contribution.
- The participant completes required forms for the recordkeeper and converts after-tax dollars to Roth dollars. Some recordkeepers require paperwork after every contribution, whereas others can automate the process after completing paperwork one time.
- The participant now has \$70,000 (or more depending on age) of Roth dollars, all deferred within a calendar year.

This may seem appealing to some participants and Plan Sponsors. However, prior to amending the plan document(s), there are some considerations for the Plan Sponsor.

Considerations

- *Recordkeeping* – Not all recordkeepers can deliver this type of in-plan conversion from a software perspective. For those who can, the process may vary.
- *Testing* – A spike in contributions by higher income earners could trigger failures in testing. Projections can be run by most recordkeepers to determine the likelihood of a failure.
- *Taxes* – With both Roth and after-tax, the participant pays taxes today on the dollars contributed from their paycheck. If the participant was accustomed to pre-tax contributions and had not planned on paying taxes on the Roth dollars, they could be surprised by a sizable tax bill.
- *Earnings* – Any earnings on the after-tax contributions, prior to the conversion to Roth, are taxable. Therefore, most participants who want to take advantage of this conversion will want to convert the after-tax dollars to Roth as quickly as possible, to help minimize any tax implications.
- *Previously offered after-tax money* – If after-tax contributions were previously offered within the plan and are being reinstated as part of this process, previous contributions may be converted by the recordkeeper (as opposed to the more recent after-tax contributions), triggering a larger than expected tax bill due to the earnings on the “older” monies. Please confirm the tax implications on all after-tax earnings prior to executing the conversion if this is not the first time you are making after-tax contributions.

To reiterate, the reason this strategy may be so impactful is because the “super saver” plan participants may be able to contribute \$70,000 (\$77,500 for those over 50) in Roth dollars in a single calendar year. Those dollars would grow tax-free and are withdrawn tax-free. For a participant able to save \$70,000 per year, the potential impact of compounding over a long-term time horizon would be considerable.

For questions regarding the implementation of this strategy and its place in your portfolio, please contact any of the professionals at Fiducient Advisors.

About the Author



Peter Nadeau
Partner, Senior Consultant

As a Partner and Senior Consultant, Pete services institutional clients by providing advice and counsel on all areas of fiduciary responsibility and fund oversight including policy, asset allocation, manager research, portfolio construction, portfolio rebalancing, performance monitoring and overall investment policy. His focus is on defined contribution retirement plans for both corporate and nonprofit organizations. Pete joined Fiduciary Investment Advisors, LLC in 2014, which combined with Fiducient Advisors in 2020.

Prior to joining the firm, Pete spent 10 years on the recordkeeper side of the business, with roles at The Hartford, ING (VOYA) and MassMutual. He earned his MBA and MS from Albertus Magnus College and his BA from the University of Hartford. Additionally, he has obtained both the SPARK Accredited Retirement Plan Consultant (ARPC) designation and the Certified Behavioral Finance Analyst (CBFA) designation. Pete volunteers as a judge for the SIFMA Foundation's National Writing Competition and is a Board Member for Roots and Wings, which assists young adults who have aged-out of foster care. More recently, Pete has served as a guest lecturer at several universities in the Northeast and Mid-Atlantic. In his free time, Pete enjoys traveling with his wife, golfing with his son, going on hikes with his daughter and nostalgically collecting baseball cards.