



GoTaxGurus Guide: Mega Backdoor Roth Strategy

This guide is designed to help high-income earners and retirement savers understand and implement the Mega Backdoor Roth strategy. By leveraging after-tax 401(k) contributions and Roth conversions, you can significantly expand your tax-free retirement savings.

1. What Is the Mega Backdoor Roth?

The Mega Backdoor Roth allows you to make after-tax contributions to a 401(k) plan and then convert them into a Roth IRA or Roth 401(k). This strategy bypasses the normal Roth IRA income limits, enabling you to supercharge your retirement savings.

2. Who Can Use It?

To qualify, your employer's 401(k) plan must:

- Allow after-tax contributions beyond the standard employee deferral limit.
- Permit either in-plan Roth conversions or in-service rollovers to a Roth IRA.

3. 2025 Contribution Limits

In 2025, the total defined contribution limit (employee + employer + after-tax) is \$70,000, with up to \$81,250 allowed for those age 50 or older. The amount you can allocate to the Mega Backdoor Roth is the difference between this limit and your standard deferrals plus employer contributions.

4. How It Works: Step-by-Step

1. Max out your pre-tax or Roth 401(k) contributions (up to \$23,500 in 2025, plus catch-ups if eligible).
2. Contribute additional after-tax dollars up to the overall plan limit.
3. Convert those contributions to a Roth IRA or Roth 401(k) quickly to minimize taxation on earnings.

5. Why This Matters

- Bigger retirement savings: Funnel more into tax-free Roth accounts.
- Income flexibility: Works even if your income exceeds Roth IRA thresholds.
- Strategic growth: Long-term tax-free compounding can provide significant wealth-building potential.

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6. Drawbacks & Considerations

- Not all employer plans permit the necessary features.
- Conversions of earnings may trigger taxable income.
- Requires careful timing and coordination to avoid mistakes.

Why This Matters for GoTaxGurus Clients

- Advanced savings: High earners gain access to Roth benefits usually off-limits.
- Time-sensitive: Contribution rules can change; act while the option is available.
- Expert guidance: IRS insiders can help you implement without costly errors.

Next Steps

Action Item	Due Date
Confirm your 401(k) plan allows after-tax contributions & conversions	Before making contributions
Max out regular 401(k) contributions (\$23,500 limit in 2025)	Throughout 2025
Calculate contribution room toward \$70,000/\$81,250 cap	Early 2025
Schedule conversion/rollover to Roth IRA/401(k)	Immediately after contributions

Need help implementing the Mega Backdoor Roth? GoTaxGurus can guide you through plan review, calculations, and conversions—ensuring you stay compliant while maximizing your retirement savings. Schedule your consultation today! you're eligible for—so you pay only what you must, legally and strategically. **Book your consultation today!**

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