Retirement Income
JOURNAL

Retirement reforms cut from Build Back Better Act

By Editorial Staff *Thu, Oct 28, 2021*

The 'back door' Roth IRA will not be closed, and limits won't be placed on contributions by higher-income individuals with large account balances, NAPA Net reported.

Significant retirement-related provisions have been removed from the rapidly shrinking Build Back Better Act, according to NAPA Net, a publication of the American Retirement Association.

Dropped from the bill were provisions designed to close the so-called “back door” Roth IRA, impose contribution limits on higher-income individuals with large account balances, and prohibit IRA investments conditioned on the account holder’s status.

“A backdoor Roth IRA is a way for people with high incomes to sidestep the Roth’s income limits,” according to nerdwallet.com. If you earn too much to qualify to use a Roth IRA, you can put money in a traditional IRA, convert your contributed funds into a Roth IRA. You simply have to pay any taxes due on the distribution from the traditional IRA.

Distributions from a Roth IRA in retirement are tax-free; contributions are after-tax and principal can be withdrawn penalty-free.

Until Wednesday night, several other retirement related provisions were under consideration:

- A requirement that employers with more than 6 workers, operating for a couple of years, begin to automatically enroll their employees in IRAs or 401(k)-type plans
- The establishment of a new type of Section 401(k) deferral-only arrangement
- An increase in credit limitation for small employer pension plan startup costs, including for automatic contribution arrangements
- A credit for certain small employer automatic retirement arrangements
- Modification of the Saver’s Credit by turning it into a government-based matching contribution and making it refundable
- Clarifying the deadline to contribute to an IRA with a tax refund