

# REID SHERMAN

## INVESTMENT GROUP OF

# RAYMOND JAMES®

THE OFFICIAL NEWSLETTER OF REID SHERMAN INVESTMENT GROUP

### INSIDE THIS ISSUE:

- **ROLLOVERS OF 529 FUNDS TO ROTH IRA- 1**



- **DATES TO REMEMBER- 2**



- **PRESENTATION BY ECONOMIST, DR. JEREMY SIEGEL- 2**



## SEMI-ANNUAL NEWSLETTER

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### SECURE Act 2.0 allows rollovers of 529 funds to Roth IRA

Effective in 2024, beneficiaries of 529 college savings accounts may transfer unused funds directly to a Roth IRA. The industry is still striving to clarify certain specifics, but we do know the general requirements.

This is an innovative planning opportunity for families that overfunded 529 accounts for certain beneficiaries or who may now choose to intentionally do so to take advantage of this benefit.

Of course, there are rules that must be followed. The Roth IRA must be in the name of the beneficiary and the 529 plan has to be established for a set period of time, perhaps as long as 15 years. The lifetime amount that can be transferred is \$35,000 and subject to the annual contribution limits. This means the rollover would need to be done over several years, and the Roth contribution for each year will reduce the amount that can be transferred from the 529.

Beneficiaries doing the rollovers must have earnings equal to or greater than the rollover amount. Any Roth IRA or traditional IRA

contributions made by 529 beneficiaries would count against the \$6,500 annual limit.

Rollover amounts can't include any 529 contributions or earned income on those contributions made in the preceding five-year period.

It's also important to note that income limitations on Roth IRA contributions do not apply to these rollovers. 529 contributions and earnings go into a Roth IRA in like kind (no gain or loss is recognized). It appears there are no income limits or income levels at which your contribution to your Roth would be reduced or eliminated completely when making a 529-to-Roth transfer, which is a benefit when compared to a Roth IRA.

All in all, this new law helps alleviate your concern about overfunding a 529 college savings account because it gives you the option to reposition the unused funds to a tax-advantaged Roth IRA.

This material is general in nature and provided for informational purposes only. Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover college costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. Investors should consider, before investing, whether the investor's or the designated beneficiary's home state offers any tax or other benefits that are only available for investment in such state's 529 college savings plan. Such benefits include financial aid, scholarship funds and protection from creditors. The tax implications can vary significantly from state to state. Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value.

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## REID SHERMAN INVESTMENT GROUP TEAM

### Dates to Remember

**April 17-** Last day to contribute to traditional and Roth IRAs for 2022

**April 18-** Tax day – the deadline to file your 2022 tax return and pay taxes or request an extension. Also, first quarter estimated tax payments are due, if required.

### Stock Market Holiday Closures

**May 29:** Memorial Day

**June 19:** Juneteenth

**July 4:** Independence Day

### Office Happenings

- ✓ Reid Sherman Investment Group was honored to sponsor Oxford Middle School's Teacher of the Year award to 7th grade Science Teacher, Diana Wells. Lindsay and Chuck are pictured presenting the award at the Teacher of the Year luncheon on February 9th.



- ✓ Reid Sherman Investment Group is a proud sponsor of the 26th annual Double Decker Festival held April 28-29th in Oxford

### Traditional & Roth IRA Contribution Limits for 2023

\$6,500 or your taxable income, whichever is lower

If you are 50 or older by the end of 2023, the contribution limit is \$7,500

### DID YOU KNOW?

The SECURE 2.0 legislation that passed late last year raised the required minimum distribution (RMD) age for IRAs to 73 starting in 2023.

The chart below details when you have to start taking RMDs based on your date of birth. Please contact us if you have any questions.

Date of Birth	RMD Age
Before July 1, 1949	70 1/2
July 1, 1949, through 1950	72
1951 to 1959	73
1960 or later	75

### Presentation by Economist, Dr. Jeremy Siegel



Chuck and Lindsay had the privilege of attending a session with Dr. Jeremy Siegel at a recent Raymond James conference in Charleston, SC.

Dr. Siegel is a world-renowned economist and is a regular contributor to the financial news media. He is a Professor of Finance at the Wharton School of the University of Pennsylvania. Dr. Siegel is the author of the bestselling book, *Stocks for the Long Run*, and *The Future for Investors*.

In Dr. Siegel's presentation, he offered insight into the current conditions of the market and economy. He pointed out the value of investing in good quality stocks to develop a long-term portfolio. Chuck and Lindsay were honored to personally meet with Dr. Siegel and gain insight from his presentation.