A RIDLEY LAW GUIDE

Over the Roth IRA Income Limit? Five Routes In, and What Your Heirs Get

The five ways into a Roth IRA, what each one costs in tax, the traps that catch people, and what the account does for your family after you die.

By Eric Ridley, attorney, Ridley Law · 2027 Edition · Read online with live links: ridleylawoffices.com/ways-to-fund-a-roth-ira/

Income limits only one way into a Roth IRA: the direct contribution. What you can contribute directly shrinks once your income enters the IRS range ($250,000 to $260,000 married filing jointly for 2027) and stops at the top of it. Four other routes have no income test: the backdoor Roth IRA, the mega backdoor through a 401(k), a Roth conversion, and rolling a Roth 401(k) into a Roth IRA when you leave a job. For an estate plan, the Roth is usually the best account to leave your children, because qualified withdrawals come out tax-free to them.

$7,500
Yearly IRA limit for 2026 and 2027, or $8,600 at 50 and older (IRS Notices 2025-67 and 2026-66)

$250,000
Where the 2027 Roth phaseout starts for married couples filing jointly

$75,000
2027 total that can go into one person's 401(k), not counting catch-up contributions

0
Required withdrawals from your own Roth IRA during your lifetime

This page is checked against IRS Notices 2025-67 and 2026-66, IRS Publications 590-A and 590-B, the Instructions for Form 8606, and the statutes and regulations linked below. It is general information, not tax or legal advice for your situation.



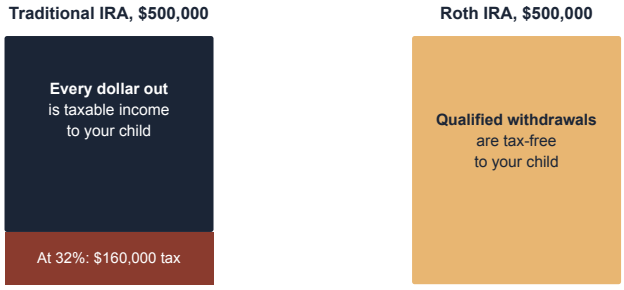
Only the first route has an income limit. The other four work at any income level.

Four of the five routes ignore your income.

Why an estate planning lawyer cares which account you fill

Most people think of a Roth as a retirement question. I see it when an account passes to a family. Your kids pay income tax on a traditional IRA they inherit. Every dollar they take out is income to them in the year they take it, and an IRA doesn't get the step-up in basis that a house or a brokerage account gets at death. That's because a traditional IRA is generally treated as income in respect of a decedent (26 U.S.C. § 1014(c); 26 U.S.C. § 691).

A Roth IRA works the other way. Qualified withdrawals aren't income at all (26 U.S.C. § 408A(d)(1)). Your kids still have to empty it within 10 years in most cases, but they keep what comes out.



Both must be emptied within 10 years for most adult children. Only the traditional IRA can also require yearly withdrawals.
Example made up. The 32% bracket is an assumption, not a prediction.

Why the Roth is the account your kids would pick.

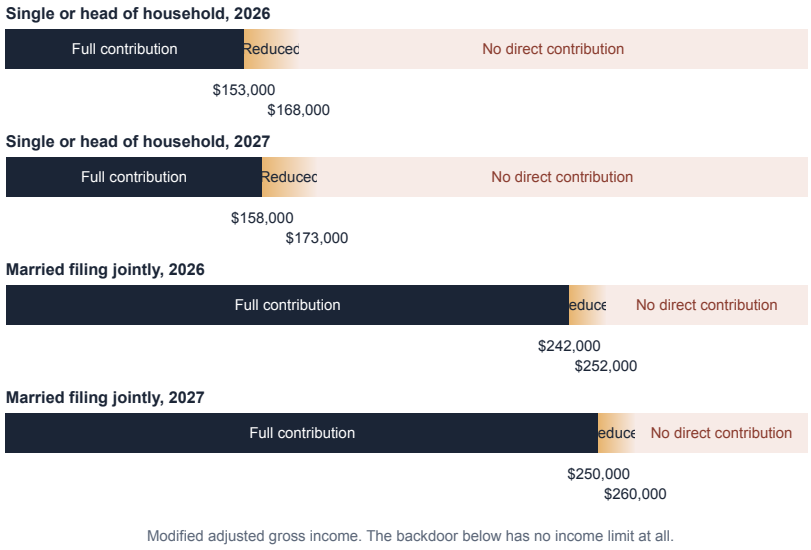
A Roth also helps you while you're alive. You never have to take required withdrawals from your own Roth IRA, and a Roth 401(k) no longer requires them either (IRS Pub. 590-B; Treas. Reg. § 1.401(a)(9)-5(b)(3)). The money can sit and grow until you need it, or until your family does.

1. The direct contribution

A direct contribution is money from your pay going straight into a Roth IRA. The limit is $7,500 a year for both 2026 and 2027, plus a $1,100 catch-up at 50 and older, for $8,600 (IRS Notice 2025-67; IRS Notice 2026-66). You need earned income at least equal to what you put in. If you file jointly, a spouse with no paycheck can contribute based on the working spouse's income (IRS Pub. 590-A).

You have until your tax return is due, not counting extensions, to make a contribution for the year. Contributions for 2026 can go in until April 15, 2027 (IRS Pub. 590-A).

The limit is income. Once your modified adjusted gross income passes the bottom of the range, the amount you can put in shrinks, and above the top you can't contribute directly at all. If you're married filing separately and lived together during the year, the range is $0 to $10,000, so the direct door is closed almost no matter what you earn.

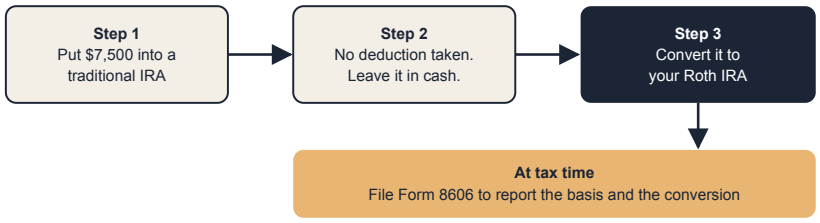


Direct contributions phase out over these income ranges. 2026 contributions stay open until April 15, 2027.

If you put in too much by mistake: a direct contribution can still be recharacterized as a traditional IRA contribution by the due date of your return, including extensions. That fix exists for contributions only. A conversion can't be undone (IRS Pub. 590-A).

2. The backdoor Roth IRA

The backdoor uses two moves that are each allowed on their own. You put money into a traditional IRA and take no deduction for it. Then you convert that IRA to a Roth. There's no income limit on contributing to a traditional IRA without a deduction, and there's no income limit on converting (26 U.S.C. § 408A). If you're married, each of you can do it with your own IRA.



Tax on the conversion: close to zero, but only if you hold no other pre-tax IRA money on December 31.

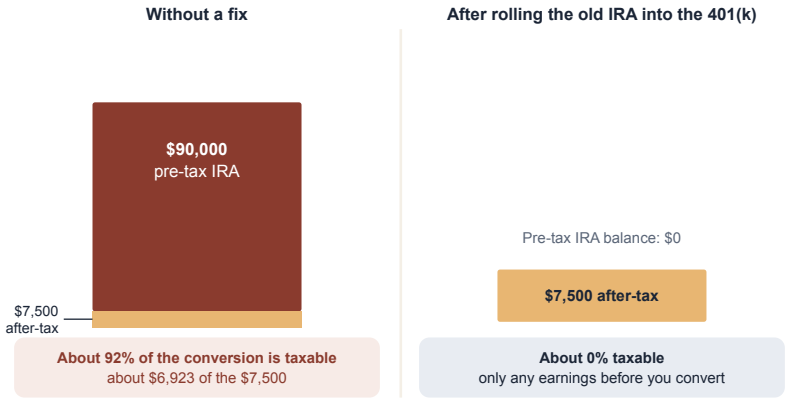
The backdoor is two legal steps, done on purpose.

1. **Open a traditional IRA and a Roth IRA** at the same brokerage, if you don't already have them.
2. **Contribute $7,500** (or $8,600 at 50 and older) to the traditional IRA. Leave it in cash so it doesn't earn much before you convert.
3. **Convert it to the Roth IRA** a few days later. Any small earnings in between are taxable when you convert.
4. **File Form 8606 with your return.** It records the after-tax money you put in so you aren't taxed on it a second time (Instructions for Form 8606).

The pro-rata rule is where people get hurt

The IRS doesn't let you pick which dollars you convert. When you convert, Form 8606 adds up the value of all your traditional, SEP and SIMPLE IRAs as of December 31 of that year, and treats each dollar you convert as the same mix of taxed and untaxed money (Instructions for Form 8606). The date that matters is December 31, not the day you convert.

Say you left a job years ago and rolled $90,000 of 401(k) money into an IRA you've never paid tax on. You add $7,500 of after-tax money for the backdoor. Your after-tax share is $7,500 out of $97,500, or about 7.7%. So about 92% of the $7,500 you convert, about $6,923, is taxable, even though you meant to convert only the after-tax money.



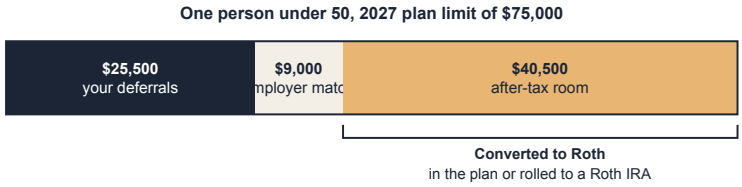
The pro-rata rule counts every pre-tax IRA you own on December 31.

The usual fix is to move the pre-tax IRA into your current employer's 401(k) before December 31, if the plan accepts incoming rollovers. Money in a 401(k) isn't counted on Form 8606. The rule also runs person by person, with a separate Form 8606 for each spouse, so your spouse's IRA doesn't count against your conversion (Instructions for Form 8606).

> **Check before you start:** a SEP IRA from self-employment counts as a pre-tax IRA here. So does a SIMPLE IRA. People forget about both.

3. The mega backdoor Roth

This one runs through your 401(k), not an IRA, and it can move far more money. The tax code caps what can go into one person's 401(k) each year from every source: your own deferrals, your employer's match and any after-tax contributions. For 2027 that cap is $75,000 (it was $72,000 for 2026) (26 U.S.C. § 415(c); IRS Notice 2026-66). Your own deferrals are capped at $25,500 ($24,500 for 2026). If you're under 50 and your employer adds $9,000, that leaves $40,500 of room for after-tax contributions.



The mega backdoor uses room in your 401(k), not your IRA.

It only works if your plan allows both of these:

- ✓ **After-tax contributions** beyond your regular deferrals. These aren't the same as Roth 401(k) deferrals.
- ✓ **A way to get that money to Roth:** an in-plan Roth conversion, or an in-service withdrawal you can roll to a Roth IRA.

When the after-tax money and its earnings leave the plan together, IRS Notice 2014-54 lets you send the after-tax part to a Roth IRA and the pre-tax earnings to a traditional IRA, as long as you tell the plan before the rollover (IRS Notice 2014-54). Converting often keeps those earnings small. Ask your HR department or the plan's summary plan description whether the plan offers both features. Many don't.

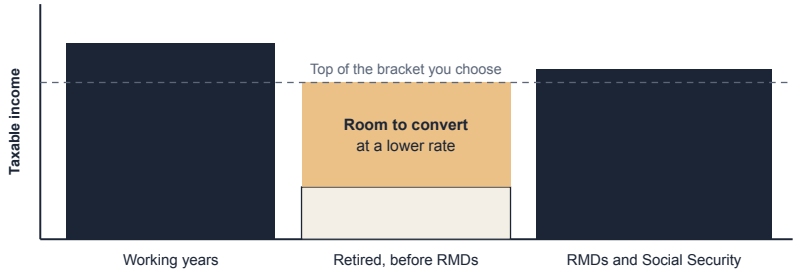
4. The Roth conversion

A conversion moves pre-tax money, from a traditional IRA or an old 401(k), into a Roth IRA. The amount you convert is ordinary income in the year you convert. There's no income limit and no dollar cap (26 U.S.C. § 408A). California taxes the conversion the same way, because California follows the federal Roth rules (FTB Publication 1005).

Before you convert:

- ✓ **It's permanent.** Since 2018 a conversion can't be recharacterized, so you can't undo it if the market drops the next month (IRS Pub. 590-A).
- ✓ **Each conversion has its own five-year clock** for the 10% early-withdrawal penalty if you're under 59½. It's separate from the clock that makes earnings tax-free (IRS Pub. 590-B). The Roth IRA five-year rule page walks through both clocks.

A conversion makes the most sense in a year when your income is low and you expect it to be higher later. For many people that's the stretch after they stop working and before required withdrawals and Social Security push their income back up.

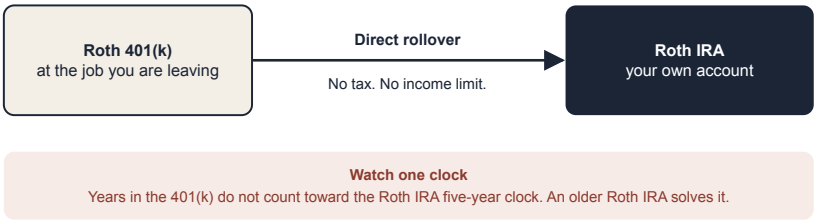


Schematic, not to scale. The gap years are usually the cheapest time to convert.

Converting during life also changes the math for your heirs. You pay the tax now, at your rate, instead of your children paying it later at theirs, often in their own peak earning years. And the cash you spend on that tax is no longer sitting in your estate when you die.

5. The Roth 401(k) rollover

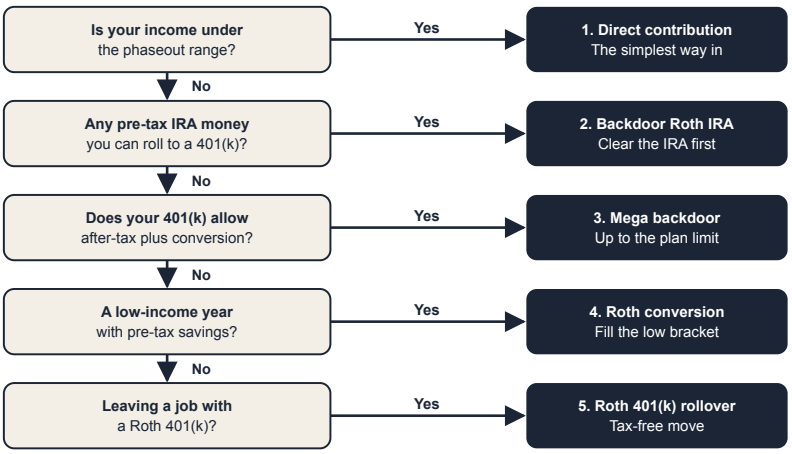
When you leave a job, you can move your Roth 401(k) straight into a Roth IRA by direct rollover, with no tax and no income limit (Treas. Reg. § 1.408A-10). From then on the money sits in an account you control, under a beneficiary form you can check and update, instead of with a former employer's plan your family may not know about.



A Roth 401(k) moves to a Roth IRA without tax when you leave the job.

One timing trap: the years your money spent in the 401(k) don't count toward the Roth IRA's five-year clock. If the rollover opens your first Roth IRA, that clock starts the year of the rollover. If you already have an older Roth IRA, its clock governs (Treas. Reg. § 1.408A-10, Q&A-4). That's one more reason to open a small Roth IRA early.

Which way in fits you



More than one can apply in the same year. Most high earners use 2 every year and 4 when a low year comes.

Start at the top and stop at the first yes.

Way in	Income limit	How much a year (2027)	Tax when it goes in	Watch out for
1. Direct contribution	Yes, phases out	$7,500, or $8,600 at 50+	None; it's already-taxed pay	The phaseout and the earned-income rule
2. Backdoor Roth IRA	No	$7,500, or $8,600 at 50+	Close to none, if no pre-tax IRA	The December 31 pro-rata rule; Form 8606
3. Mega backdoor	No	Up to the $75,000 plan total, less deferrals and match	Only on earnings before conversion	Your plan has to allow it
4. Roth conversion	No	No cap	Ordinary income, federal and California	Can't be undone; the five-year penalty clock
5. Roth 401(k) rollover	No	Whatever is in the Roth 401(k)	None	The Roth IRA five-year clock starts fresh

What happens to the Roth after you die

A Roth IRA passes by the beneficiary form on file with the custodian, not by your will or your trust. If the two disagree, the form controls. That makes the beneficiary form one of the most important documents in your plan, and it's the one people fill out in two minutes at the bank.

For most adult children, an inherited Roth IRA has to be empty by December 31 of the tenth year after the year you die. Because a Roth owner is treated as dying before required withdrawals start, your children don't have to take anything out in years one through nine (IRS Pub. 590-B). The best move for them is often to leave it alone and take it all late in year ten, after a decade more of tax-free growth.



An inherited Roth gets the 10-year deadline without the yearly withdrawals.

- ✓ **Your spouse** can treat your Roth IRA as their own if they're the sole beneficiary, and then never has to take withdrawals (IRS Pub. 590-B).
- ✓ **A minor child of yours, a disabled or chronically ill heir, or someone not more than 10 years younger than you** can stretch withdrawals longer. For a minor child, the 10-year clock starts at the age of majority (26 U.S.C. § 401(a)(9)).
- ✓ **If your own five-year clock hasn't run** when you die, earnings your heirs take out before it finishes can be taxable to them. The clock keeps running after your death (IRS Pub. 590-B).
- ✓ **A trust can be the beneficiary**, but it has to be written for it. See see-through trusts for IRAs. For a child on public benefits, a trust is usually the only safe choice.

More on this side of it: leaving your IRA to your kids, the inherited IRA 10-year rule, and the inherited IRA calculator.

When the Roth isn't the better choice

Paying tax now only wins if the rate you pay today is lower than the rate someone pays later. If you're in a high bracket while working and will be in a modest one in retirement, the deduction on a pre-tax 401(k) is worth more than a Roth. The same math applies to your heirs: a traditional IRA costs a child in a low bracket far less than it costs a child who is a surgeon.

This is where the estate plan and the accounts meet. If you're leaving money to both a charity and a child, give the charity the traditional IRA. A charity pays no income tax, so the IRA reaches it whole. Give the child the Roth. Owning both kinds of account is what lets you make that split, and a beneficiary form on each one is how it actually happens.

Checklist before you do any of this

- ✓ Pull your income for the year and compare it to the phaseout range for your filing status.
- ✓ List every traditional, SEP and SIMPLE IRA you own, and what each will be worth on December 31.
- ✓ Ask your 401(k) plan whether it takes incoming IRA rollovers, allows after-tax contributions, and allows in-plan Roth conversions.
- ✓ Run any conversion past your tax preparer before December 31, since it can't be undone.

- ✓ Keep every Form 8606 you file. Your heirs may need them to prove which dollars were already taxed.
- ✓ Check the beneficiary form on every Roth account, and name a backup.

Common questions

Is the backdoor Roth IRA legal?

Yes. Each step is allowed on its own: a nondeductible traditional IRA contribution and a conversion with no income limit. You report both on Form 8606.

Can I do a backdoor Roth if I have an old rollover IRA?

You can, but the pro-rata rule will make most of the conversion taxable. Rolling that IRA into your current 401(k) before December 31 usually solves it, if the plan accepts it.

Does California tax a Roth conversion?

Yes. California follows the federal Roth rules, so a conversion is California income in the year you convert, and qualified withdrawals aren't taxed by California either.

Do my kids pay tax on an inherited Roth IRA?

Usually not, once your Roth has been open five tax years. They still have to empty it within 10 years if they're adult children, but there are no yearly withdrawals before the last year.

This page is general information about federal and California tax rules, not tax, legal or investment advice for your situation. The IRS adjusts most of these limits every year. The people and numbers in the examples are made up.

SOURCES

- IRS Notice 2025-67 (2026 limits) and IR-2025-111: irs.gov/pub/irs-drop/n-25-67.pdf
- IRS Notice 2026-66 (2027 limits) and IR-2026-136: irs.gov/pub/irs-drop/n-26-66.pdf
- IRS Publication 590-A, Contributions to Individual Retirement Arrangements: irs.gov/publications/p590a
- IRS Publication 590-B, Distributions from Individual Retirement Arrangements: irs.gov/publications/p590b
- Instructions for Form 8606, Nondeductible IRAs: irs.gov/instructions/i8606
- IRS Notice 2014-54, allocation of after-tax amounts to rollovers: irs.gov/pub/irs-drop/n-14-54.pdf
- 26 U.S.C. §§ 401(a)(9), 408A, 415(c), 691, 1014(c): law.cornell.edu
- Treas. Reg. §§ 1.401(a)(9)-5, 1.408A-6, 1.408A-10: law.cornell.edu
- Franchise Tax Board Publication 1005, Pension and Annuity Guidelines: ftb.ca.gov

Questions about your own plan?

Ridley Law helps California families with trusts, wills, trust administration and probate from Port Hueneme, serving Ventura, Santa Barbara and Los Angeles counties. The first call is free and runs 30 minutes.

ridleylawoffices.com · (805) 244-5291

General information, not legal, tax or investment advice for your situation. Reading this guide does not create an attorney-client relationship. Ridley Law does not sell insurance or investments. You may share this PDF freely in unaltered form.