

Bill Seeks to Fix Roth Rollover Glitch



The bill is intended to help plan participants with small retirement account balances whose funds get automatically rolled into IRAs upon leaving a job. However, it may also help the more than 1.1 million workers who participate in state-mandated auto-IRA programs, most of which are Roth IRAs.³

In late 2025, lawmakers in both the House and Senate reintroduced legislation to help ensure that retirement plan participants with low balances don't lose track of their savings during a job change. The bipartisan Retirement Rollover Flexibility Act attempts to correct a long-standing glitch in the nation's retirement-savings system: While traditional IRA assets can be rolled into a new employer's plan (if allowed by the employer), Roth IRA assets cannot.

What's the problem?

When employees leave a job, they are generally asked to choose one of the following options for their retirement savings:

- Leave the money in the current plan
- Roll the money into an IRA or a new employer's plan
- Cash the money out (and potentially pay income taxes and a 10% early-distribution penalty on any tax-deferred contributions and earnings, unless an exception applies)

Workers with account balances of less than \$7,000 who don't make a decision are likely to face a unique risk: Most employers will roll their money into an IRA established on their behalf, known as a Safe Harbor IRA. In 2025, there were approximately 1.7 million of these types of rollovers.¹

In such cases, traditional pre-tax contributions and earnings go into a traditional IRA, while Roth assets get rolled into a Roth IRA. Consequently, an employee's retirement savings could become fragmented across multiple accounts, making them easier to neglect or forget entirely.

For this reason, the SECURE 2.0 Act, passed in 2022, included a provision designed to make it easier for organizations to provide "auto-portability" services without running afoul of current regulations. Such organizations can track participants as they move from one employer to another, helping to ensure their retirement savings move with them.

But here's the issue: Although SECURE 2.0 helped address the challenge of managing small-balance accounts, it didn't fix the Roth IRA glitch.

The proposed legislation

The bill, which is currently in the House Ways and Means and Senate Finance Committees, attempts to rectify the Roth problem specifically for those affected by an automatic low-balance rollover. Another positive development? It could also help employees in state-mandated auto-IRA plans (which are typically Roth accounts) bring their assets with them if they move to a job with a traditional 401(k)-type plan. Currently,



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these mandated IRA plans, which are growing in number across the United States, are utilized by more than 1.1 million participants.²

For more information on the bill's progress, please visit [congress.gov](https://www.congress.gov) and search for H.R. 6450.

Note: *Accounts with less than \$1,000 can be distributed directly to the employee upon leaving a job, which may result in income taxes and a 10% penalty, unless an exception applies.*

1) CNBC, March 9, 2026

2-3) AARP, February 6, 2026

This content has been reviewed by [FINRA](#).

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