

# SECURE 2.0 Roth Catch-Up Provision Effective January 1, 2026

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Changes to the SECURE 2.0 Act will impact certain participants making catch-up contributions to your retirement plan **beginning January 1, 2026**.

## What's Changing

Under SECURE 2.0, participants who earn more than \$150,000 in FICA wages in the prior calendar year and are age 50 or older will be required to make all catch-up contributions on a Roth (after-tax) basis.

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## What This Means for Your Plan

To ensure a smooth transition, plan sponsors will need to:

- Work with your payroll provider to correctly identify participants age 50 and older earning over \$150,000 in FICA wages and making catch up contributions in order to process their catch-up contributions as Roth contributions.
- This does not apply to the Special 15-year catch-up.

Early identification will help ensure your plan remains compliant and that all necessary system and payroll adjustments are made before the effective date.

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## We're Here to Help

To help you better understand the SECURE Act 2.0- Roth Catch-up changes, we've included some **"Frequently Asked Questions"** as well as specific **"Employer Scenarios"** in the pages below.

If you have questions about this provision or need assistance evaluating your plan's readiness, please don't hesitate to contact us for assistance. Thank you for your continued partnership and proactive approach in preparing for this important regulatory change.

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## Frequently Asked Questions

Below are some of the “Frequently Asked Questions” we have seen regarding SECURE Act 2.0- Roth Catch-up.

### What is the SECURE Act 2.0?

The SECURE Act 2.0 is a federal law passed in December 2022 that made several changes to retirement savings rules. One major change affects “**catch-up contributions**” for employees age 50 and older who contribute to employer-sponsored retirement plans like 401(k), 403(b), or 457(b) plans.

### What are catch-up contributions?

Catch-up contributions allow employees age 50 or older to contribute extra money to their retirement plan beyond the standard annual limit. For example, in 2025, the regular limit is \$23,500. The catch-up limit allowed an additional \$7,500, for a total possible contribution of \$31,000.

Please Note: Some catch-up limits have increased for the 2026 plan year. The new limit for 401(k) and 403(b) employees age 60-63 is \$11,250. The new limit for SIMPLE Plan employees age 60-63 is \$5,250.

### What changed under SECURE Act 2.0?

Beginning in the **2026 tax year**, employees that are age 50 or older **and** earned more than \$150,000 (indexed for inflation) in FICA wages from their current employer in the previous year (2025) must make their catch-up contributions on a Roth (after-tax) basis.

### Who is affected by this new Roth catch-up rule?

This rule only applies to employees age 50 or older, and whose prior-year (2025) FICA wages from their employer sponsoring the plan exceed \$150,000 (adjusted annually for inflation).

### When does the Roth catch-up requirement take effect?

Originally scheduled for 2024, the IRS issued a two-year administrative delay, so enforcement begins in 2026. This means:

- 2023–2025: You can still make catch-up contributions as **pre-tax or Roth**, regardless of income.
- 2026 and beyond: If you earned more than \$150,000 in the prior year, your catch-up contributions must be Roth.

### What if my employer’s plan doesn’t offer a Roth option?

If a plan does not offer Roth contributions, high earners will not be able to make catch-up contributions at all under the new rule. The plan can, however, amend their documents to allow a Roth option as of 2026. This amendment would need to be completed before the first of December 2025 to allow for notices to be sent to employees.

### Does this change affect my regular (non-catch-up) contributions?

No. The Roth requirement applies only to catch-up contributions. You can still choose between pre-tax or Roth for your regular deferrals, regardless of income.

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## Employer Scenarios

Below are some of “Employer Scenarios” we have seen regarding SECURE Act 2.0- Roth Catch-up.

### ***An employee aged 52 earns \$180,000 in 2025 and makes a catch-up contribution in 2026.***

Since they earned more than \$150,000 in 2025, the catch-up must be Roth. The employer’s payroll system must:

- Identify eligible employees based on prior- year FICA wages
- Automatically route their catch-up contributions to the Roth source in the plan

Example using 2025 limits: The employee deferral election is pre-tax and their rate is set to maximize their contributions to the \$31,000 limit. The payroll provider would process the \$23,500 deferrals as pre-tax, however the \$7,500 will need to be withheld as Roth to satisfy the new catch-up rule.

Action Step: Work with payroll provider to ensure the system can flag “Roth-Required” employees and automatically switches the withholding to Roth once the Employee reaches the deferral limit. If the software cannot automatically make this adjustment a second option may be to adjust the deferral rates for pre-tax and Roth to satisfy the goals of the employee election.

### ***Our plan only allows for pre-tax deferral and does not have a Roth feature available.***

Starting in 2026, high earners (>\$150,000) cannot make catch-up contributions unless a Roth source is added.

Action Steps: Amend the plan to add a Roth Contribution feature before 2026 OR communicate with high earners that catch up contributions will not be available.

### ***In a group of 20 employees age 50+, 12 earn above \$150,000 and 8 earn below.***

- Those above the threshold must have Roth catch-ups
- Those below the threshold can choose Roth or pre-tax

Further example: Employee is age 63 is not a high wage earner and elects Pre-tax employee deferrals and meets the limit of \$23,500 the catch up can be contributed to either pre-tax or Roth, unlike the other employee who earned above the \$150,000 in 2025.

Action Step: Ensure Payroll can handle both pre-tax and Roth catch-up contributions concurrently and can flag “Roth-Required” employees.

### ***A high wage earner (earning more than \$150,000 in 2025) was not flagged in 2026 and made all the contributions to the pre-tax source, and it was not caught until 2027.***

The IRS recommendation is to require the participant to convert the catch-up amount to Roth by completing an in-plan Roth conversion. A 1099-R will be issued to the participant in the amount of the catch-up contributions however this will be reported as income in the 2027 tax year rather than 2026.