

Beginning In 2026, 401(K) Catch-Up Contributions For High Earners Must Be Roth

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Starting January 1, 2026, certain employees will be required to make their 401(k) catch-up contributions on a Roth (after-tax) basis.

This change will impact both employees and employers, requiring updates to payroll, plan administration, and participant communications.

What Is the New Roth Catch-Up Rule?

Under the new rules, employees age 50 or older who earned more than \$145,000 in FICA wages from their employer in 2025 must make any catch-up contributions to their 401(k), 403(b), or governmental 457(b) plan as Roth contributions in 2026.

Employees who earned \$145,000 or less in 2025 may continue to choose either pre-tax or Roth catch-up contributions in 2026.

Key Benefits of This Rule

- **Tax-Free Growth:** Roth contributions grow tax-free and qualified withdrawals in retirement are not taxed.
- **Diversification of Tax Treatment:** Employees gain greater flexibility in balancing pre-tax and Roth savings.
- **Stronger Retirement Outcomes:** Encourages long-term, after-tax retirement savings for higher earners.
- Required Minimum Distributions (RMD) are not required from Roth balances.

What Should You Do Next?

Employers should take action now to ensure a smooth transition:

- Review your plan documents to confirm Roth contributions are available.
- Coordinate with payroll providers to update systems ahead of 2026. Payroll systems must track 401(k) deduction thresholds and designate catch-up contributions correctly. If you use a payroll service we suggest having confirmation in writing how they will implement this new requirement and what your responsibilities will be.
- Communicate with employees, especially those over the \$145,000 threshold, about how this change will affect their retirement savings strategy.
- Consult your advisor to develop a compliance and communication plan.

Contact Us for Guidance

If you have questions about the mandatory Roth catch-up rule, its impact on your retirement plan, or other SECURE Act 2.0 provisions, we're here to help. Reach out today to ensure you are prepared for the January 1, 2026 effective date.

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