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Commco Comments

Timely Information and Updates for Employers and Retirement Plan Sponsors

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When was the new Roth catch up rule originally intended to take effect?

FAQ: 2026 Roth Catch Up Contribution Rules for Employers

Starting January 1, 2026, employees aged 50 or older who earned more than $145,000 in FICA (Social Security) wages from their employer in the prior year must make any catch up contributions to their employer-sponsored retirement plan on a Roth basis.

This change was introduced under the SECURE 2.0 Act and was originally slated to become effective in 2024, but was delayed. On September 15, 2025, the IRS issued the final version of the new regulation, which varies in some points from the proposed version. While the final version cites an effective date of 2027, employers are still required to implement the changes in 2026 based on a good faith understanding of the proposed version of the regulation.

Who is affected by these rule changes?

Only employees who meet all of the following criteria:

- Age 50 or older as of the end of the current calendar year.
- Have catch up contributions available in their plan (401(k), 403(b), or governmental 457(b)).
- Earned more than $145,000 in wages subject to FICA from the employer in the preceding calendar year.

Is the $145,000 threshold indexed for inflation?

Yes. The $145,000 wage threshold will be indexed for inflation annually. This means the limit may increase each year.

What if the plan does not offer Roth contributions?

If a retirement plan does not offer Roth contributions, employees over the income threshold will be unable to make catch up contributions beginning in 2026.

Employers who wish to add a Roth provision should consult their plan's third party administrator (TPA) as soon as possible. Roth provisions can be added mid-year if needed and still enable same-year catch up contributions, as long as the necessary plan amendment takes effect prior to those contributions being made.

Does this affect employer contributions?

No. The Roth catch up rule only affects employee catch up contributions. Employer matching and other contributions are not required to be Roth.

How should employees be notified?

Plans may notify participants during open enrollment or annual updates. Depending on the company demographics, employers may wish to direct personalized commmunication to any employees who have been previously making catch up contributions and will be subject to this change of rule.

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Can an impacted employee opt out?

If an employee who is subject to the new rules does not wish to use the Roth money type, they may opt out of making catch up contributions altogether and choose to have their deferrals stoppped at the ordinary annual limit for employees under age 50. Employers should maintain documentation of any such elections, which can be done via a form, online designation (if available from your provider), or saved email.

What does the employer need to do to comply?

- Communicate this change to impacted employees and ensure they know their options and who to contact for additional informaiton and details.
- Track FICA wages for each employee to determine eligibility. Remember, the rule is based on the final figure from the prior year. An employee's FICA wages in 2025 will determine if the rule applies to them in 2026, and so on. Some employees may be subject to the requirement in some years but not others, if and as their income fluctuates.
- Ensure the plan offers Roth contributions if catch up contributions are allowed. Consult the plan's TPA if a document amendment is needed.
- Prevent pre-tax catch up contributions for high income earners (>$145,000).
- Work with their recordkeeper and payroll providers to align systems and ensure proper withholding, reporting, and contribution routing.

What are the consequences of non-compliance?

If a plan fails to comply, it risks plan disqualification or other IRS penalties.

Who can I ask if I have other questions?

Consult your third party administrator or financial advisor, or email our office at newsletter@thecommco.com.