

SECURE 2.0: Roth 401(k) Catch-Up Contributions – What Employers Need to Know



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The SECURE 2.0 Act introduces significant changes to retirement plan contributions, particularly for high-income earners. One of the most important updates affects catch-up contributions—additional contributions that individuals aged 50 or older are allowed to make to their retirement account to help boost savings. For individuals earning over \$145,000, these catch-up contributions must now be made through Roth 401(k) accounts. Here's what employers need to know to stay compliant.

What is Changing with Roth 401(k) Catch-Up Contributions?

Starting in 2024, employees with earnings exceeding \$145,000 will be required to make catch-up contributions via Roth 401(k) plans, which means the contributions will be made on an after-tax basis. This rule applies to qualified plans, including 401(k), 403(b), and 457(b) plans. However, it does not apply to SIMPLE IRAs.

This change is designed to ensure that higher-income earners pay taxes on their catch-up contributions during their peak earning years, which could help reduce their tax burden during retirement.

Why This Matters for Employers

The new rule could have significant implications for your employees and your retirement plan. High earners are typically the ones who can afford to make catch-up contributions. If your plan does not allow Roth 401(k) contributions, those employees will not be able to take full advantage of this opportunity.

What Employers Should Do Now

While SECURE 2.0 was set to take effect in 2024, the IRS announced a two-year transition period, delaying full implementation until 2026. This means employers have additional time to ensure their plans are updated to include Roth 401(k) provisions.

Next Steps

Employers should review their retirement plans to ensure they allow Roth 401(k) contributions. If your plan is not yet updated, it's important to make the necessary changes to stay compliant with SECURE 2.0.

Need assistance with updating your plan? Contact your plan administrators today to ensure your retirement plan is SECURE 2.0 compliant.