

Secure 2.0 Act: Roth Catch-Up Contributions

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What You Need to Know

In September 2025, the United States Department of the Treasury and the IRS issued final regulations implementing a major provision of the SECURE 2.0 Act. These regulations require that certain higher-earning participants in qualified defined contribution plans make their catch-up contributions as Roth (after-tax) contributions.

Specifically, beginning January 1, 2026, participants aged 50 and older who had prior-year FICA wages of more than \$150,000 (increased from \$145,000 on November 13, 2025 by the IRS) from the employer sponsoring the plan must make their catch-up contributions as Roth (after-tax) contributions. The regulations also allow Plan Sponsors to use a “reasonable, good-faith interpretation” to implement for taxable years beginning in 2026. The final regulations also clarify joint/common-law employer wage aggregation, correction relief and permissible operational methods including a “Deemed Roth” method and various non-deemed approaches.

From a fiduciary and operational standpoint, this changes the mechanics of catch-up contributions, participant elections, payroll/recordkeeping processes and communication. Sponsors and fiduciaries must align plan design, vendor operations and participant education to potentially avoid compliance risk.

Background

Prior to SECURE 2.0, participants eligible for catch-up contributions (age 50+) could generally make them either pre-tax or Roth, depending on plan design. SECURE 2.0 introduced a new requirement: higher-earning participants must make their catch-up contributions on a Roth basis.

Implementation Frameworks

Deemed Roth Approach

Under this approach, a plan automatically treats catch-up contributions of eligible participants as Roth contributions (even if their election originally states pre-tax) provided the plan gives a reasonable opportunity to update elections. The final regs specifically permit this “deemed Roth” method and tie additional correction relief to it.

- **Spillover Approach:** The plan allows regular deferrals to be made pre-tax, and once a participant’s year-to-date pre-tax deferrals reach the annual 402(g) limit, any additional amounts that are catch-up

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contributions can “spill over” and be treated as Roth. The final regulations expressly permit certain spillover mechanics and, if implemented per the regulatory tests, treat those spillovers as consistent with the deemed Roth framework, easing correction concerns. However, spillover requires real-time tracking of deferrals and payroll coordination.

Non-Deemed Approach

If a Plan Sponsor prefers or needs alternative mechanics, the final regs allow several non-deemed methods. However, sponsors should understand that the more complex the process, the more potential for error and employee confusion.

- **Separate-Election Approach:** The plan offers a distinct election specifically for catch-up contributions (pre-tax vs Roth). For those identified as above the threshold, only Roth catch-up contributions are allowed.
- **Zero-Out Approach:** For participants subject to the Roth catch-up rule who erroneously elected pre-tax catch-up deferrals, the plan may zero out the pre-tax election and redirect those contributions to Roth. The final regulations acknowledge this method but also caution that the explicit correction relief provided for the deemed Roth approach may not fully extend to zero-out operations. Sponsors relying on this method should document their testing and corrections carefully.

Implementation Considerations for Employers

- ✓ **Determine Which Approach Fits Your Plan**
Discuss with your recordkeeper and payroll provider whether the deemed or non-deemed approach best aligns with your systems. Many recordkeepers are standardizing around the deemed method.
- ✓ **Coordinate Data Between Payroll and Recordkeeping**
Ensure that wage data used to determine eligibility for Roth-only catch-up contributions is consistent across systems. Employers must rely on prior-year wages as defined for FICA purposes.
- ✓ **Update Plan Documents and Procedures**
Amend the plan document to reflect your chosen implementation method, including how Roth-only catch-up contributions will be identified and treated. Most plan documents will be updated retrospectively.
- ✓ **Communicate with Participants**
Notify affected employees well in advance of 2026. Provide clear information explaining how after-tax Roth contributions differ from pre-tax ones in take-home pay and long-term tax treatment.
- ✓ **Plan for Testing and Auditing**
Before January 1, 2026, conduct test payroll cycles to confirm that affected participants will be properly identified, contributions can be categorized correctly and future reporting aligns with Form W-2 requirements
- ✓ **Document Good-Faith Efforts**
The IRS emphasized that good-faith, reasonable implementation during the transition period will be given flexibility. Keep records of your internal decisions and testing results.

Practical Takeaway

The SECURE 2.0 Roth catch-up rule requires significant operational updates for defined contribution Plan Sponsors. For many employers, adopting the Deemed Roth approach may offer an ideal balance of compliance simplicity, fiduciary clarity and operational efficiency. Yet, every sponsor should evaluate its own current status, impacted population, payroll systems, investment education strategy and communication plan before implementation. Early action (testing, documenting and communicating) will be key to a smooth transition in 2026 and to maintaining fiduciary best practices in retirement plan management.

For further guidance or to discuss how these changes may impact your retirement plan strategy, please [contact](#) the professionals at Fiducient Advisors.

About the Author



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Steve joined the firm in 1999. As the firm's Defined Contribution Practice Leader, Steve is responsible for thought leadership and the strategic direction of the firm's defined contribution practice. He also leads the firm's efforts behind the Fiduciary Governance program, Annual Defined Contribution Survey, Benchmark Study as well as co-leads our Defined Contribution Business Council. In his role as Senior Consultant, Steve provides broad investment consulting services to the firm's institutional clients including asset allocation, portfolio structure and rebalancing, performance monitoring, manager selection, spending policy and overall investment policy.

Steve received a BBA in Finance with an emphasis on Accounting from the University of Iowa. He obtained the title Certified Investment Management Analyst (CIMA®) from the Investments & Wealth Institute™ accreditation program at the Wharton School of Business and is a member of the Investments & Wealth Institute™, International Foundation of Employee Benefit Plans and Defined Contribution Institutional Investment Association (DCIIA). Steve has been a project leader with the nonprofit organization Chicago Cares and is an avid photographer. Steve enjoys playing golf, soccer and skiing.