



Final Catch-Up Regulation Published

On September 15, 2025, the Internal Revenue Service (IRS) and Treasury Department released a final regulation reflecting statutory changes made by the SECURE 2.0 Act of 2022 (SECURE 2.0), specifically the requirement that catch-up contributions made by certain catch-up eligible participants must be designated Roth contributions.ⁱ This final regulation applies to retirement plans that permit participants who have attained age 50 to make additional elective deferrals that are catch-up contributions.

Here's What You Really Need to Know:

- The final regulation is a follow-up to a proposed regulation published in January 2025.
- Individuals age 50 and over are allowed to make “catch-up” contributions in excess of the 402(g) limits (to allow them to “catch up” on retirement contributions they may not have been able to afford earlier in their careers). SECURE 2.0 also allowed for what are now called “super” catch-up contributions, which included even higher limits for individuals aged 60-63.
- SECURE 2.0 required that individuals making more than \$145,000 in FICA wages in the prior year must have all catch-up contributions made on a Roth (after-tax) basis. This requirement does not apply to SIMPLE IRAs or Simplified Employee Pension plans (SEPs).
- Originally set to take effect in 2024, the IRS issued Notice 2023-62 to grant a two-year transition period; the effective date for the Roth catch-up provision remains January 1, 2026 (and be sure to read to the bottom for clarification on the good faith implementation period!).

Let's Dive In...

There are effectively three categories of catch-up contributions, which may be available depending on the provisions elected in the plan:

1. **Catch-up contributions for age 50 and over.** Section 603 of SECURE 2.0 required participants with compensation of more than \$145,000 (indexed) to make their catch-up contributions on a Roth basis.ⁱⁱ The provision was a required provision that was intended to be a revenue raiser for the legislation by reducing the income deducted through contributions to a pre-tax account. Under prior law, catch-up contributions to a qualified retirement plan could be made on a pre-tax or Roth basis (if permitted by the plan). Importantly, plans must ensure a Roth feature is available if any participant falls into this category, as plan sponsors are not allowed to keep Roth out of the plan's provisions to avoid compliance.

2. **Super catch-up contributions.** Remember that SECURE 2.0 also provides for the optional “super” catch-up, where participants reaching ages 60–63 may contribute up to 150% of the standard catch-up limit; for SIMPLE plans, an alternative 110% increase applies.

3. **Special catch-up contributions.** Certain plan types such as 403(b) plans and some governmental plans may also have a third type of catch-up provision available if elected in the plan document.

The remainder of this update will primarily focus on common questions-and-answers related to section 603’s Roth catch-up provision.

Who Does the New Limit Apply To?

A participant who did not have FICA wages exceeding \$145,000 (as adjusted) from the employer sponsoring the plan for the preceding calendar year would not be subject to the Roth catch-up requirement under the plan for the current year. Note that in the final regulation, the IRS confirmed that reliance on prior-year Box 3 (Social Security) wages determines who is subject to the Roth catch-up requirement. For pre-applicability years (before 2026), a reasonable, good faith approach — including reliance on Box 5 (Medicare) wages — will be respected.

Can the Plan Require Roth Catch-Ups for Everyone?

The final regulations do not include a rule permitting a plan to require that all participants’ catch-up contributions be designated Roth contributions as some had requested for administrative simplicity.

What If the Plan Doesn’t Allow for Roth?

A plan may, but is not required to, include a qualified Roth contribution program within the meaning of section 402A(b). Moreover, a plan that allows catch-up contributions, but does not have a qualified Roth contribution program, is not required to adopt a Roth provision. In that case, the plan would be allowed to permit catch-up eligible participants who are not subject to the Roth catch-up requirement to make catch-up contributions, but could not permit catch-up eligible participants who are subject to the Roth catch-up requirement to make catch-up contributions.

Are “Deemed” Roth Contributions Permitted?

Under the final regulation, as under the proposed regulation, a plan may provide that an employee who is subject to the Roth catch-up requirement is deemed to have irrevocably designated any elective deferrals that are catch-up contributions as designated Roth contributions. However, for a plan to apply a deemed Roth catch-up election to a participant (an assumption that those contributions will be considered Roth), the “deemed” Roth catch-up election must be set forth in the plan document.

What If a Mistake is Made?

The final regulation outlines both the process for corrections and provides an extended deadline for corrections; the last day of next taxable year for limit errors and the last day of the next plan year for ADP corrections. The final regulation also provides a \$250 de minimis threshold for corrections.

Note: The regulation provides transition rules for Puerto Rico, where Roth contributions are not yet recognized. Dual-qualified plans can satisfy the requirement using after-tax contributions until local law changes.

What About the Special Catch-Up Provisions?

Certain organizations sponsoring 403(b) plans (e.g., schools, hospitals, health and welfare agencies, religious organizations) have long been permitted to allow participants with at least 15 years of service with the same eligible employer to contribute up to \$3,000 extra per year, above the standard deferral limit, with a lifetime maximum of \$15,000. The special section 403(b) catch-up contributions are not subject to section 414(v), including the requirement under section 414(v)(7) that certain catch-up contributions be designated Roth contributions, according to the final regulations.

Effective/Applicability Dates

A recent Plan Sponsor Council of America survey found that fewer than 5% of plan sponsors said they were “ready to go” with these changes from section 603, while 44% were “struggling with payroll logistics.” On the other hand, nearly as many respondents (40.2%) said they expected to be ready by January 1, 2026.

Ready or not, the regulations become effective on November 17, 2025 (60 days after publication in the Federal Register). Most provisions apply to tax years beginning after December 31, 2026, giving plans time to adjust systems, documents and communications. What’s important to note is that while the final regulation generally applies with respect to contributions in taxable years beginning after December 31, 2026, the limits on catch-up contributions are effective after December 31, 2025. Between that date and the effective date of the final regulation, the IRS says a “reasonable, good faith interpretation standard applies,” though that would not appear to include waiting until 2027 to impose the Roth requirement.

Action Items for Plan Sponsors:

Plan sponsors should consider these action items as they continue to gear up for January 1, 2026:

- Work with a retirement plan consultant or other expert to review how the final regulation applies to your plan, as this update provides a snapshot for consideration.
- Confirm Roth contribution capability in plans that may cover participants above the wage threshold.
- Consider the implications of adding or not adding Roth provisions to the plan, if Roth is not already an available feature.
- Coordinate with payroll providers and recordkeepers to implement the deemed Roth election, where appropriate.
- Review plan terms regarding catch-up limits for ages 60–63 and, and for 403(b) plans, ensure compliance with universal eligibility rules.
- Coordinate any necessary participant communications related to the impacts from these changes.
- Prepare and adopt necessary plan amendments by the December 31, 2026, SECURE 2.0 amendment deadline (or later for governmental and cash balance plans).

ⁱ Internal Revenue Service. *Catch-Up Contributions; Final Regulations*, 26 CFR Part 1, Treasury Decision (TD) 10033, RIN 1545-BR11. Federal Register, No. 17865 (Sept. 16, 2025). <https://public-inspection.federalregister.gov/2025-17865.pdf>.

ⁱⁱ This requirement does not apply to SIMPLE IRAs or SEPs.



Christopher D. Cervantes, C(k)P®, CFP®, CIMA®, NQPA®

Founder & Managing
Partner 5700 Tennyson
Parkway, Suite 250
Plano Texas 75024
214.800.4451

Christopher.Cervantes@valorousadvisors.com
www.valorousadvisors.com