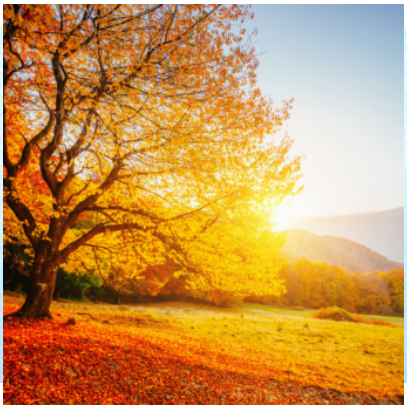

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Final SECURE 2.0 Roth Catch-Up Rule: What's Changing in 2026?

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If you're age 50+ and earning more than $145,000, your retirement savings are about to change. Starting January 1, 2026, your "catch-up" contributions, the extra amounts above the normal retirement plan limit, must be made on a Roth (after-tax) basis.

Originally slated for 2024, the IRS pushed the deadline to 2026. Our retirement plan specialist Mike Maguire noted: "The new Roth Catch-Up provision is a significant change for not only higher earning employees, but also employers, recordkeepers and payroll companies. There may be some confusion at the start but our Retirement Plan Team at Grimes & Company has already begun working with our corporate and small business clients to be prepared for this change."

WHAT'S CHANGING IN 2026

If your wages from your employer were more than $145,000 in the prior year, any catch-up contributions you make the next year must be Roth.

- Threshold: $145,000 in W-2 "Social Security wages," indexed for inflation.
- Who's Affected: Workers age 50+ above the threshold.
- Which Plans: Employer retirement plans like 401(k), 403(b), 457(b).
- Not Impacted: IRA catch-ups ($1,000 extra for age 50+) and SIMPLE/SEP IRAs.

Example: Maria, age 55, earns $160,000 in 2025. She contributes a $7,500 catch-up pre-tax, which saves her roughly $1,800 in taxes that year (assuming a 24% bracket). In 2026, her catch-up must be Roth. That same $7,500 will cost $1,800 more upfront, but it grows tax-free and won't be subject to Required Minimum Distributions in retirement. Her colleague James earns $140,000; he can still choose between pre-tax and Roth.

WHAT TO WATCH OUT FOR

- Higher taxes today Roth contributions are taxed upfront, meaning a bigger current tax bill.

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- Cash flow impact A $7,500 Roth catch-up may cost ~$1,800 in taxes now, which affects take-home pay.
- Employer transition bumps Payroll systems are being updated; mistakes may occur early on.
- Catch-ups aren't eliminated The option remains, but high earners must use Roth.

PLANNING OPPORTUNITIES BEFORE 2026

- Confirm Roth Availability
  - Ask your HR team if your plan has a Roth option.
  - **Important:** Plans are not legally required to add Roth. But if your employer doesn't, then starting in 2026, high earners over $145,000 will not be able to make catch-up contributions at all (pre-tax or Roth). This is why many companies have added, or will add, Roth features.
- Plan for Tax Impact
  - Review withholding and cash flow. Paying taxes now may feel like a bigger "out-of-pocket" hit, but it creates tax-free retirement income later.
- Watch the Threshold
  - Earnings close to $145k? Timing of bonuses, deferred comp, or stock awards may affect whether you fall above or below the limit in a given year.
- Leverage Other Accounts
  - Explore IRAs, HSAs, or deferred comp plans if the Roth requirement strains cash flow.

Important Planning Note: Starting in 2025, workers ages 60–63 can make even higher catch-up contributions. But if your income is above $145,000, those larger catch-ups must still be Roth.

THE GRIMES PERSPECTIVE

This rule represents a shift toward encouraging Roth savings. For high earners, the real question isn't just about paying taxes sooner – it's how these Roth contributions fit into your overall retirement mix.

Now is the time to review your benefits, budget for higher taxes, and rebalance your contribution strategy with your financial advisor. With planning, you can turn this change into a long-term advantage.

IMPORTANT DISCLOSURES:

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