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What You Need to Know About the Final Rules for Roth Catch-up Contributions

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If you contribute to a workplace retirement plan (401(k), 403(b), or 457(b)) and are over age 50, a significant shift is coming for how some make catch-up contributions, particularly those that are deemed high-income earners (defined as those that earned more than $145,000 in Federal Insurance Contributions Act (FICA) wages from their employers in the previous year).

Catch-up contributions are a way to accelerate those retirement savings as a worker nears retirement age. These allow additional workplace retirement plan contributions above the current limit of $23,000 (2025 limit). The 2025 additional catch-up limit is $7,500, allowing a total of $30,500 of an employee contribution. Your employer plan may provide for this type of additional contribution.

What's changing

SECURE 2.0 Act, passed in late 2022, introduced a new rule that would require catch-up contributions for participants earning over $145,000 in the previous year to be made exclusively on a Roth basis (using after-tax dollars instead of pre-tax dollars), originally set to go into effect in 2024. The implementation was delayed since the IRS and Treasury Department hadn't issued final guidance regarding this new law. We now have final guidance, issued on September 15, 2025, from the IRS and Treasury regarding these Roth catch-up contributions.

Previously, catch-up contributions could be made on a pre-tax basis, reducing your taxable income in the current year. Under the new rule, high-income earners will lose that immediate tax deduction, which may increase your current year's tax liability. (However, see the tax implications section below for how Roth contributions are taxed).

Timeline of the new catch-up contribution rules

The statutory effective date of SECURE 2.0 Roth catch-up changes was January 1, 2023.

Although the rules were originally set to go into effect in 2024, the IRS issued administrative transition relief through 2025 to allow plan sponsors time to comply with the Roth catch-up requirement. So, for 2024 and 2025, if your employer plan allowed catch-up contributions, even if designated as non-Roth or your employer plan didn't have Roth contribution provisions, no compliance was needed.

The full applicability of the Roth catch-up rule will generally take effect for most plans after December 31, 2026 (Certain governmental plans and plans maintained under a collective bargaining agreement get more time to adjust).

In the meantime, for 2026, employers can implement the new rules using a "reasonable, good-faith interpretation" of the new rules. Beginning in 2027, there is mandatory compliance with the final regulations.

Higher catch-up contribution limits

Don't forget that effective January 1, 2025, SECURE 2.0 increased the catch-up contribution limits for participants aged 60 to 63, offering greater retirement savings opportunities. For participants who turn 60, 61, 62, or 63, they can contribute 150% of the otherwise applicable catch-up limit. For 2025, that means a participant who turns 60, 61, 62, or 63 can contribute an additional $11,250, over and above the $23,000 current limit (versus just the $7,500 regular catch-up contribution limit) for a total of $34,250. This higher catch-up contribution limit is also subject to these new rules.

Tax implications

This change will have tax implications for those affected. In general, with Roth contributions, you pay tax now and save tax later. Roth contributions are made with after-tax dollars, meaning that you'll pay income tax on the amount contributed in the year it's made. Once in the Roth account, your investments grow tax-free. Qualified withdrawals in retirement are not taxed, which can be a significant advantage if you expect to be in a higher tax bracket later.

Therefore, catch-up contributions that will have to be made on a Roth basis will be taxed now, as opposed to your pre-tax catch-up contribution, for which you will receive an immediate income tax deduction and reduce your current year income tax liability.

Planning opportunities

Roth catch-up contributions affect income tax planning, retirement cash flow, and future distributions.

There are opportunities for Roth conversions, contribution timing, and integrating with broader estate and retirement plans.

Tax Bracket Management

If you're close to the $145,000 threshold, explore strategies to manage your taxable wages to retain flexibility in contribution types for the following year.

Roth Conversion Strategy

This change may complement broader Roth conversion strategies, especially if you are seeking tax diversification in retirement.

Estate Planning

Roth accounts can be passed to heirs with minimal tax impact, making them a valuable estate planning tool.

What you should do

This could impact the savings strategy of those over age 50 and are actively contributing to a workplace retirement plan.

- Review your income and retirement contributions to determine if you'll be affected.
- Discuss Roth vs. pre-tax strategies with your advisor.
- Coordinate with your employer to ensure your retirement plan supports Roth contributions. Employers will have several options for implementing the Roth catch-up contribution requirements for high earners. They could offer a deemed Roth catch-up election, allow the employee to make a separate election for pre-tax and Roth catch-up contributions, offer a spillover election, or offer no Roth option at all. Make sure you understand your employer's Summary Plan Description (SPD) or annual notices and make appropriate elections or opt out if desired.

Please reach out to your KeyBank advisor to discuss how the changes may impact you.

For more information, please contact your advisor.

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About the Author

In her role, Tina Myers is responsible for managing the Central Planning Team and overseeing the Key Wealth Institute and any financial planning content distributed. She works with our Key Private Client Directors of Planning & Investments and our Key Private Bank Directors of Wealth & Estate Planning to help facilitate our best thinking and advice delivery to clients.

Before joining Key, Tina worked in the public accounting industry, where she focused on taxes, specifically individual, trust, estate, and gift tax planning. She also held roles at a small public accounting firm, a regional firm, and the private client group of a large multi-national firm.

Tina earned an MTax from Virginia Commonwealth University and holds several industry-standard licensures. She received the Circle of Excellence Award for Key Private Bank in 2016 and 2018. She was selected to attend the 2024 Key Wealth Education Symposium, which recognizes top performance and extraordinary commitment to serving our clients and growing our business.

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