Mandatory Roth Catch-Up Contributions in 2026

Starting in 2026, employees earning more than $145,000 in prior year FICA wages must make 401(k) and 403(b) catch-up contributions as Roth rather than pre-tax. In light of the extensive payroll coordination and planning required to administer catch-up and Roth deferrals, we wanted to provide early notification of this pending regulatory requirement.

Which employees are subject to the mandatory Roth catch-up rule?

- Employees earning more than $145,000 in FICA wages (W-2, Box 3) from their current employer in the prior year.
- Not affected:
  - Self-employed individuals with no FICA wages.
  - New hires who did not have prior-year wages from the employer.

Is a Plan Sponsor required to offer catch-up as Roth?

- While offering Roth catch-up is not required, employees earning more than $145,000 in FICA wages will not be able to make catch-up contributions if the catch-up is not made to Roth. If a Roth catch-up contribution is permitted for those in excess of $145,000, all employees must have the option to contribute to a Roth account.
- If a plan does not have a Roth option, employees earning more than $145,000 in FICA wages will have no catch-up contribution limit, preventing them from making catch-up contributions.

Why offering a Roth 401(k) option is a best practice for retirement plans:

As employers strive to enhance their retirement benefits, adding a Roth 401(k) option has become a best practice for forward-thinking Plan Sponsors. A Roth 401(k) allows employees to contribute after-tax dollars, with tax-free growth and withdrawals in retirement offering greater financial flexibility and long-term tax advantages.

Higher earners may wish to start planning now for the transition since Roth contributions are after-tax, meaning they won't reduce taxable income but will allow for tax-free withdrawals in retirement.