

## Background

Thanks to SECURE 2.0, many 401(k) plans will be required to include Roth deferrals or remove their catch-up provision. This change is now effective beginning January 1, 2026. It was originally set to be effective in 2024, but the IRS has permitted an administrative delay to allow the industry to respond. Still, it is important to know the requirements for this provision to prepare for this change.

## Specific requirements for the Roth deferrals

Beginning in 2026, any plan that allows for catch-up contributions, for participants age 50 or over, will be required to allow Roth deferrals. This is because any employee with pay over \$145,000 who makes a catch-up contribution will be required to treat the catch-up portion as a Roth deferral—or they can't make it.

## Further guidance

There are still a lot of open questions surrounding this provision. Like, what if an employee defers less than the deferral limit but due to a testing failure some of this deferral is treated as a catch-up? How will this be handled? When must an employee make their election to defer the catch-up as Roth? Can amounts be recharacterized later? We will need to wait for guidance to address these issues.

## Recommended action

We recommend including Roth deferrals in any new 401(k) plan and amending any current plans to allow Roth in advance of this change.

