

THE PARTNERS GROUP

SECURE ACT 2.0

ROTH CATCH-UP REQUIREMENT

ROTH CATCH-UP CONTRIBUTIONS

As part of the SECURE Act. 2.0, some catch-up contributions must be made on a Roth (after-tax) basis.

THE BASICS

WHAT ARE CATCH-UP CONTRIBUTIONS?

401(k) plan participants are often allowed to make "catch-up contributions" if they are age 50+. This means they can save beyond the standard IRS limit for 401(k) plan contributions. While catch-ups are optional, participants have historically been able to choose to contribute them as Roth and/or pre-tax. Going forward, those impacted by the Roth catch-up requirement will be required to make any catch-ups on a Roth basis. They will maintain the option to choose pre-tax and/or Roth savings for their 401(k) contributions up to the standard IRS limit.*

*Please note that not all plans allow Roth savings or catch-up contributions. See your plan summary for your specific plan's details.

2027 IRS CONTRIBUTION LIMITS:

Standard Limit (under age 50): $25,500

Age 50–59 & age 64+: Additional $8,500 in catch-up contributions (total of $34,000)

Ages 60–63: Additional $11,750 in catch-up contributions (total of $37,250)

DOES THIS IMPACT YOU?

Do all three of the below points apply to you? If yes, you will be subject to the Roth catch-up requirement.

- You are a Highly Paid Individual (HPI) – meaning you earned more than $155,000 in FICA wages (box 3 on your W-2) the prior year.
- You are age 50+.
- You elect to make catch-up contributions to your 401(k) plan.

CONSIDERATIONS

EXCEPTIONS TO THE RULE

The income threshold of $155,000 only applies to FICA wages. If you are paid via K-1 earnings, the Roth catch-up requirement will not apply to you.

If you change jobs mid-year or have multiple employers, the Roth requirement may not apply. The rule applies only to wages earned from the employer that sponsors the retirement plan you are currently participating in. If you change jobs mid-year and have no income or less than $155,000 in income from your current employer in the prior calendar year, this rule will not apply. Or, if you work for multiple employers, but do not earn more than $155,000 from any one of them individually, this rule will not apply.

HIGHLY PAID INDIVIDUAL (HPI)

Those making $155,000+ in FICA wages the prior year will be considered HPIs for catch-up purposes. This amount will be indexed for inflation in future years.

EXAMPLE: Monet is age 54. She earns $160,000 in FICA wages in 2026. She wants to max out her 401(k) contributions in 2027. Based on the 2027 IRS contribution limits, she can contribute: $25,500 + $8,500 in catch-up contributions.

First $25,500 in plan contributions	Monet can choose to save pre-tax, Roth, or a combination
$8,500 in catch-up contributions	Must be Roth contributions, because she made over $155,000 the prior year.

Tax Implications: If this impacts you, make sure you understand the differences between Roth & pre-tax savings; consider consulting with a tax advisor.

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