



2026 ROTH CATCH-UP RULES FOR HIGH EARNERS

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If you are 50 or older and earned more than \$150,000 last year, the way you make catch-up contributions to your retirement account has fundamentally changed. Effective January 1, 2026, **Roth catch-up contributions 2026** are no longer optional for high earners. They are mandatory. Under the SECURE 2.0 Act, all catch-up contributions for individuals exceeding the \$150,000 wage threshold must now be directed to Roth accounts, meaning you will pay taxes on these contributions today rather than deferring them until retirement.

This mandatory Roth catch-up provision represents one of the most significant shifts in retirement plan contribution rules in decades. For sub-ultra high-net-worth individuals accustomed to maximizing pre-tax deferrals as a cornerstone of their wealth accumulation strategy, this change demands immediate attention. The provision is not a suggestion; it is a compliance requirement that affects how your employer processes your paycheck and how you coordinate savings across your 401(k), 403(b) plan, Roth IRA, and traditional IRA accounts.

WHAT IS THE MANDATORY ROTH CATCH-UP REQUIREMENT?

The mandatory Roth catch-up requirement is a provision of the SECURE 2.0 Act that eliminates the option for high-earning employees to make pre-tax catch-up contributions to employer-sponsored retirement plans. Beginning January 1, 2026, if you earned more than \$150,000 in FICA wages during the prior calendar year (2025) and are age 50 or older, 100% of your catch-up contributions must be designated as Roth contributions.

This SECURE 2.0 catch-up rule applies to 401(k), 403(b) plan, and governmental 457(b) retirement accounts. Importantly, it does not affect your regular elective deferrals. It affects only the additional catch-up contributions available to participants 50 and older. For 2026, the key contribution limits are:

- **Standard deferral limit:** \$24,500 (the maximum elective deferral for 401(k) and 403(b) plans)
- **Standard catch-up contribution (age 50+):** \$8,000
- **Super catch-up limit (ages 60-63):** \$11,250, representing a 50% increase over the standard catch-up
- **Maximum total contribution (age 60-63):** \$35,750 (\$24,500 deferral limit + \$11,250 super catch-up limit)¹
- **Traditional IRA and Roth IRA contribution limit:** \$7,500 (plus \$1,100 catch-up if 50+). These accounts are unaffected by this mandate

If you are a high earner making the full \$8,000 catch-up contribution to your retirement account, you will now see approximately \$2,560 to \$2,960 more withheld from your paycheck annually in federal taxes alone (assuming the 32-37% marginal brackets typical of this income range), since after-tax contributions are made with dollars that have already been taxed.²

Key Definition: What Is a Catch-up Contribution?

A catch-up contribution is an additional amount that individuals aged 50 and older can contribute to a retirement account beyond the standard deferral limit. For 2026, the standard catch-up allows an extra \$8,000 in 401(k) and 403(b) plan contributions, while the super catch-up limit for ages 60-63 permits an additional \$11,250. These provisions help workers accelerate retirement savings during their peak earning years.

WHO DOES THE \$150,000 CATCH-UP THRESHOLD AFFECT?

The \$150,000 threshold is based on FICA wages (the compensation reported in Box 3 of your W-2 form) from the prior calendar year. For 2026 contributions, your 2025 wages determine your status. Notably, this threshold is not indexed for inflation, meaning more workers will become subject to this requirement over time as wages naturally increase.³

Several important nuances apply:

- **The determination is employer-specific.** If you work for multiple employers, each independently assesses whether you exceeded the threshold based on wages from that specific employer.
- **The rule is retrospective.** Your 2025 wages determine your 2026 requirements, regardless of current-year earnings expectations.
- **There is no proration.** If you earned \$150,001 last year, 100% of your catch-up contributions must be Roth.
- **IRA contributions are not affected.** This mandate applies only to employer plans. Your traditional IRA and Roth IRA contributions remain subject to existing rules and income limits.

According to Vanguard's How America Saves 2025 report, approximately 16% of defined contribution plan participants make catch-up contributions, with the highest participation rates among those earning \$150,000 or more.⁴ This change directly impacts millions of Americans in their peak earning years.

WHAT ARE EMPLOYERS REQUIRED TO DO UNDER THIS MANDATE?

The operational burden of administering the mandatory Roth catch-up requirement falls substantially upon employers and their payroll administrators. For high earners who are also business owners, executives with fiduciary responsibilities, or professionals who advise on employee benefits, understanding these obligations is essential for ensuring organizational compliance.

Identifying Affected Employees

Employers bear the responsibility of determining which employees exceed the \$150,000 FICA wage threshold. This determination must be made on a retrospective basis: wages earned in the prior calendar year establish whether an employee's current-year catch-up contributions must be designated as Roth. For 2026, employers must review each participant's 2025 FICA wages (Social Security wages reported in Box 3 of Form W-2) to identify those subject to the mandate.⁸

Notably, this determination is made on an employer-by-employer basis. If an employee works for multiple unrelated employers, each employer assesses the threshold independently using only the wages paid by that specific employer. Controlled groups and affiliated service groups, however, must aggregate wages across all member entities when making this determination.

Payroll System Configuration

Payroll systems must be configured to automatically redirect catch-up contributions to Roth accounts for affected employees. This represents a fundamental change in how contribution elections are processed. Even if an employee has elected pre-tax catch-up contributions, the payroll system must override that election and designate those contributions as Roth once the employee reaches the standard deferral limit of \$24,500.

The technical implementation requires coordination between human resources, payroll providers, and plan recordkeepers. Employers should verify that their systems can accurately track when employees transition from regular deferrals to catch-up contributions and automatically apply the appropriate Roth designation.

Plan Amendment and Roth Option Requirements

Plans that did not previously offer a Roth contribution option were required to amend their plan documents by December 31, 2025, to accommodate this mandate. If a plan fails to offer a Roth option, affected high earners cannot make any catch-up contributions whatsoever until the plan is amended. This creates a meaningful compliance risk: employees who lose access to catch-up contributions due to plan deficiencies may have claims against the employer for lost retirement savings opportunities.⁹

Communication Obligations

While the IRS has not prescribed specific notice requirements for this mandate, prudent plan administration dictates that employers communicate clearly with affected participants. Best practices include notifying employees who exceeded the \$150,000 threshold in the prior year, explaining how their catch-up contributions will be treated, and clarifying the impact on their take-home pay. This communication should occur before the first payroll period of each year to allow employees to adjust their financial planning accordingly.

Administrative Safe Harbor Provisions

The IRS has provided limited transition relief and administrative guidance to assist employers in implementing this requirement. Under IRS Notice 2023-62, employers may rely on a reasonable determination of an employee's prior-year wages when the precise figure is not yet available at the beginning of the plan year. This safe harbor recognizes the practical reality that final W-2 data may not be compiled until after the first payroll cycle of the new year.¹⁰

Additionally, if an employer erroneously allows a high earner to make pre-tax catch-up contributions, correction mechanisms exist under the Employee Plans Compliance Resolution System (EPCRS). However, these corrections involve administrative complexity and potential costs, making proactive compliance substantially preferable to retrospective remediation.

Consequences of Non-Compliance

Failure to properly administer the mandatory Roth catch-up requirement can result in operational failures that jeopardize a plan's tax-qualified status. While the IRS generally permits correction of such failures, repeated or systemic non-compliance could trigger more serious consequences, including plan disqualification in extreme cases. For fiduciaries, failure to implement required plan provisions may also expose them to ERISA's prudence and compliance standards.

HOW DOES THIS CHANGE YOUR TAX PLANNING STRATEGY?

The shift from pre-tax to Roth catch-up contributions creates both immediate tax consequences and long-term planning considerations. Understanding the trade-offs is essential for optimizing your broader retirement account strategy.

Comparison: Pre-Tax vs. Roth Catch-up Contributions

Factor	Pre-Tax (Prior to 2026)	Roth (2026 Mandate)
Tax at Contribution	Reduces current taxable income	No reduction; taxed now
Tax at Withdrawal	Taxed as ordinary income	Tax-free (qualified)
Required Minimum Distributions	Subject to RMDs at age 73	No RMDs (as of 2024)
Impact on Cash Flow	Higher take-home pay	Lower take-home pay
Estate Planning	Heirs pay income tax	Heirs receive tax-free

For many high earners, the Roth 401(k) tax benefits may prove advantageous over time, particularly if tax rates rise or if you anticipate remaining in a high bracket throughout retirement. The elimination of RMDs on Roth 401(k) balances (effective 2024 under SECURE 2.0) allows Roth assets to continue growing tax-free throughout your lifetime.⁵

As you evaluate how Roth accounts fit within your broader [retirement income withdrawal strategy](#), consider that tax diversification (maintaining balances across pre-tax, Roth, and taxable accounts) provides valuable flexibility.

HOW DOES THIS MANDATE INTERACT WITH YOUR OTHER RETIREMENT ACCOUNTS?

The mandatory Roth catch-up rule applies specifically to employer-sponsored plans: your 401(k), 403(b) plan, and governmental 457(b). Understanding how this change fits within your complete retirement account ecosystem is essential for optimizing your overall tax strategy.

Traditional IRA and Roth IRA contributions remain unaffected by this mandate. If you have a traditional IRA, you can still make deductible contributions (subject to income limits if covered by an employer plan). Similarly, Roth IRA contributions follow existing income phase-out rules: for 2026, the ability to contribute to a Roth IRA phases out between \$153,000 and \$168,000 for single filers and \$242,000 and \$252,000 for married couples filing jointly.⁶

For high earners exceeding Roth IRA income limits, the backdoor Roth IRA strategy (making a non-deductible traditional IRA contribution and converting it to a Roth IRA) remains viable. This can

complement your now-mandatory Roth catch-up contributions by providing additional after-tax retirement savings outside your employer plan.

WHAT SHOULD HIGH EARNERS DO NOW?

The transition to mandatory Roth catch-up contributions requires both immediate action and thoughtful strategic planning:

1. **Confirm Your Plan Offers a Roth Option.** Employer plans were required to add Roth features by December 31, 2025. If your 401(k) or 403(b) plan does not offer a Roth option, you cannot make any catch-up contributions until it does. According to the Plan Sponsor Council of America, approximately 89% of 401(k) plans offered a Roth option as of 2024.⁷
2. **Review Your Paycheck and Contribution Elections.** Your first paycheck of 2026 should reflect the change. If you previously elected pre-tax catch-up contributions, your plan administrator should have automatically redirected them to a Roth account. Verify this is happening correctly.
3. **Adjust Your Cash Flow Planning.** For a high earner in the 35% federal bracket making the full \$8,000 catch-up contribution, expect approximately \$2,800 less in annual take-home pay. If you qualify for the super catch-up limit of \$11,250, the impact increases to approximately \$3,938 annually.
4. **Evaluate Your Overall Retirement Contribution Strategy.** Consider redirecting some pre-tax regular contributions (within the deferral limit) to Roth as well. Business owners and self-employed professionals may explore [defined benefit plans](#) that permit substantial pre-tax contributions of \$100,000 or more annually.
5. **Coordinate Across All Retirement Account Types.** Work with your financial or tax advisor to understand how 401(k) or 403(b) plan contributions coordinate with your traditional IRA, Roth IRA, and other retirement accounts. The loss of pre-tax catch-up contributions affects your AGI, which in turn affects various tax thresholds and credits.

THE SILVER LINING: WHY MANDATORY ROTH MAY BENEFIT YOU

While the loss of choice may feel restrictive, compelling reasons exist why mandatory Roth catch-up contributions could work in your favor:

- **Tax rate uncertainty:** If tax rates rise, paying taxes now at known rates may prove advantageous.
- **No RMDs on Roth 401(k) balances:** Roth balances in employer plans are no longer subject to required minimum distributions during your lifetime.
- **Estate planning advantages:** Roth assets pass to heirs tax-free, creating multigenerational wealth transfer benefits.
- **Tax diversification:** Building Roth balances alongside pre-tax retirement account holdings provides withdrawal flexibility in retirement.

Tax diversification is particularly valuable when coordinating retirement withdrawals with [Social Security claiming decisions](#), where tax-free Roth income can help manage benefit taxation and Medicare premium surcharges.

KEY TAKEAWAYS: WHAT THIS MEANS FOR YOUR 2026 PLANNING

- **The mandatory Roth catch-up requirement is now in effect.** As of January 1, 2026, if you earned over \$150,000 in FICA wages in 2025 and are age 50 or older, all catch-up contributions to your 401(k), 403(b) plan, or governmental 457(b) must be designated as Roth.
- **Expect lower take-home pay.** Roth contributions do not reduce your current taxable income, so you will pay more in taxes now but enjoy tax-free growth and withdrawals from your retirement account later.
- **Verify your plan is compliant.** Confirm with your employer that your plan offers a Roth option. Without one, you cannot make catch-up contributions at all.
- **Consider the long-term benefits.** Tax-free growth, elimination of RMDs on Roth 401(k) balances, and estate planning advantages may offset the immediate tax impact.
- **Integrate this change into your broader wealth strategy.** Coordinate contributions across your 401(k), Roth IRA, and traditional IRA while refining your overall tax positioning.

PLANNING AHEAD: A DISCIPLINED APPROACH TO ROTH CATCH-UP CONTRIBUTIONS 2026

The 2026 Roth catch-up mandate reminds us that retirement planning operates within a dynamic regulatory environment. For sub-ultra high-net-worth individuals managing complex financial lives, staying informed and maintaining flexibility are essential.

At Palmer Wealth Group™, we help clients navigate these changes with clarity and confidence. Whether adapting to this requirement, exploring strategies to maximize tax-advantaged savings across your 401(k), 403(b), Roth IRA, and traditional IRA, or rethinking your retirement income approach, our team provides the thoughtful guidance that sophisticated wealth management demands.

If you have questions about how the mandatory Roth catch-up requirement affects your specific situation, we encourage you to reach out. Sometimes the most valuable financial conversation starts with a simple question.

Important Disclosures

This article is provided for informational and educational purposes only and does not constitute personalized investment, tax, or legal advice. Individual circumstances vary significantly, and the strategies discussed may not be appropriate for all investors.

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Roth contributions and conversions involve considerations that depend on your specific tax situation, investment time horizon, and financial goals. Before making changes to your retirement contribution strategy, consult qualified professionals.

Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.

References

1. Internal Revenue Service. (2025, November). 401(k) limit increases to \$24,500 for 2026. IRS Newsroom. The deferral limit is \$24,500; the super catch-up limit for ages 60-63 is \$11,250 under SECURE 2.0 Section 109.
2. Author calculation based on 2026 marginal tax brackets. An \$8,000 catch-up contribution taxed at 32-37% results in \$2,560-\$2,960 in additional federal income tax.
3. SECURE 2.0 Act of 2022, Section 603. The \$150,000 threshold is based on FICA wages and is not indexed for inflation.
4. Vanguard. (2025). How America Saves 2025. Data indicates highest catch-up participation among earners above \$150,000.
5. SECURE 2.0 Act of 2022, Section 325. Eliminates RMDs for Roth accounts in employer plans, effective 2024.

6. IRS Notice 2025-67. Roth IRA phase-out: \$153,000-\$168,000 (single); \$242,000-\$252,000 (married filing jointly) for 2026.
7. Plan Sponsor Council of America. (2024). 67th Annual Survey. Approximately 89% of 401(k) plans offered Roth options.
8. SECURE 2.0 Act of 2022, Section 603(b). Employers must determine affected status based on FICA wages from the preceding taxable year. Controlled groups aggregate wages across entities.
9. Department of Labor, Employee Benefits Security Administration. Plans without Roth features cannot permit catch-up contributions from affected high earners until amended.
10. IRS Notice 2023-62. Provides administrative transition relief and permits employers to rely on reasonable estimates of prior-year wages when final figures are unavailable.

Research Methodology: *This article was prepared using AI-assisted research and drafting tools. All regulatory citations, statistical references, and compliance-related content were verified against primary sources by Palmer Wealth Group™ professionals.*

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