

FINANCIAL EDUCATION

Roth Catch-Up Provision for High Earners

A new rule starting in 2026 changes how high earners can contribute catch-up dollars to their 401(k).

If you're age 50 or older and contributing to a 401(k), a new rule may affect how you make catch-up contributions, especially if you earn over a certain amount. Here's what you need to know to stay informed and prepared.

What is the new Roth catch-up rule?

Beginning in 2026, certain 401(k) catch-up contributions must be made as Roth (after-tax) contributions instead of pre-tax. This change applies only to higher-earning individuals and is part of the broader SECURE 2.0 Act of 2022.

Here's a breakdown of the key changes:

Roth Required for High Earners: If your wages from your employer in 2025 are more than \$145,000 (based on FICA income), your catch-up contributions starting in 2026 must go into a Roth account.

No Pre-Tax Option: You won't be able to make catch-up contributions on a pre-tax basis if you're over that wage threshold.

Applies Only to Catch-Up Contributions: Standard contributions are not affected, only the additional amounts for those age 50+.

Does this new rule apply to you?

This new requirement applies to higher-earning employees who are nearing retirement and eligible to make catch-up contributions. If all three of the following apply to you, the Roth requirement will go into effect for your future catch-up contributions:



AGE 50 OR
OLDER



EARN MORE
THAN
\$145,000



MAX OUT
YOUR
401(K)

If you earned less than \$145,000 in the previous year, you can continue to choose between pre-tax or Roth for your catch-up contributions (if your plan offers both options).

Considerations for Employees

Here are a few things to keep in mind as you prepare for this change:

Check if your plan has a Roth option

Not all 401(k) plans offer a Roth option. Check with your employer to confirm.

Impact on your paycheck

Because Roth catch-up dollars are made after-tax, you may notice a change in take-home pay and tax treatment later.

Actions may or may not be needed

You won't need to do anything right away unless your employer or plan provider notifies you.

If you have questions about how this rule may affect your retirement savings strategy, reach out to your plan administrator or contact us for more information.



Employer-Sponsored Retirement Plans Team

ESL Investment Services
225 Chestnut St.
Rochester, NY 14604

585.339.4343
retirementplans@is.esl.org
www.esl.org/wealth/investment-services

Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products may be offered through LPL or its licensed affiliates or ESL Investment Services, LLC. ESL Investment Services, LLC, member FINRA/SIPC, provides referrals to LPL and its affiliates. Neither ESL Investment Services, LLC, a subsidiary of ESL Federal Credit Union, nor ESL Federal Credit Union are affiliated with LPL or its affiliates. ESL Federal Credit Union **is not** registered as a broker-dealer or investment advisor. Products and services are offered through LPL or its affiliates by LPL registered representatives doing business as ESL Investment Services. Representatives are dually registered with ESL Investment Services, LLC and LPL, and may also be employees of ESL Federal Credit Union. Securities and insurance offered through LPL or its affiliates are:

NOT INSURED BY NCUA OR ANY OTHER GOVERNMENT AGENCY	NOT CREDIT UNION GUARANTEED	NOT CREDIT UNION DEPOSITS OR OBLIGATIONS	MAY LOSE VALUE
--	-----------------------------	--	----------------

This material was created for educational and informational purposes only and is not intended as ERISA, tax, legal, or investment advice. If you are seeking investment advice specific to your needs, such advice services must be obtained on your own separate from this educational material.

©401(k) Marketing, LLC. All rights reserved. Proprietary and confidential. Do not copy or distribute outside original intent.