



# The Roth Catch-Up Mandate for High Earners

What employers need to know about the Roth catch-up requirement for Highly Paid Individuals

A SECURE 2.0 provision is changing how some employees make catch-up contributions. Employers will need to prepare their payroll and plan processes now to stay compliant when the Roth catch-up mandate takes effect.

## What is the 2026 Roth catch-up rule?

Beginning in 2026, catch-up contributions made by certain Highly Paid Individuals must be deposited as Roth (after-tax) contributions, not pre-tax. This rule applies to employees who:



AGE 50 OR OLDER



EARNED MORE THAN \$150,000\*



MAX OUT THEIR 401(K)

For these individuals, catch-up contributions must be made on a Roth basis once they reach regular deferral limits. Standard employee deferrals are not affected.

## Implementation options for employers

Employers have two potential paths to comply with the new rules. The best approach will depend on payroll capabilities, recordkeeper functionality, and internal processes.

1. Automatically deem high earners' catch-up contributions as Roth.
2. Require a separate Roth election for catch-up contributions.

These options vary in how they affect payroll processing, participant communication, and plan administration. While Employers can consider which approach best matches their systems, the level of complexity they want to manage, and how the strategy aligns with their broader company goals and benefits philosophy, CrossPlans believes opting in via Deemed Election is the most administratively feasible election and process for most Plans.

## Reviewing options

### 1. Automatically deem high earners' catch-up contributions as Roth

Employers may adopt a “deemed Roth” approach where individuals identified as high earners automatically have their catch-ups treated as Roth.

Important notes:

- Participants must still have a meaningful opportunity to opt out of making catch-up contributions entirely.
- This method can reduce administrative friction and simplify payroll processing.

### 2. Require a separate Roth election for catch-up contributions

Plans may choose to have participants make a distinct election for catch-up contributions.

Key considerations:

- Contributions only qualify as catch-up after the participant reaches the annual limit.
- Applying Roth too early can cause misclassification and errors.
- Systems must apply the Roth rule only when true catch-up dollars start.

**If you'd like help reviewing these options for your plan, we're here to support you.**

A SECURE 2.0 provision is changing how some employees make catch-up contributions. If you were a client of CrossPlans in Q4 2025, you already met the obligations by distributing the appropriate notices. New Clients or unrelated Employers will need to prepare their payroll and plan process now to stay compliant when the Roth catch-up mandate takes effect.



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\*If prior year (2025) W-2 wages subject to FICA were \$150,000 or more, IRS rules under SECURE 2.0 require that catch-up contributions be made as Roth contributions beginning in the 2026 tax year.

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