

Roth catch-up playbook:

A toolkit for plan sponsors

May 2025

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* Or that intend to add it for January 1, 2026.

Vanguard will continue to make additions to this document throughout 2025.

What plan sponsors can expect from Vanguard

Vanguard is here to help plan sponsors navigate the complexities of the Roth catch-up contribution provision. Throughout the rest of 2025, we will continue to update this document, share additional resources, and provide timely updates to ensure that plan sponsors, participants, and payroll providers are well prepared for the changes taking effect on January 1, 2026.



Roth catch-up requirements at a glance

Effective January 1, 2026, participants age 50 and older who earned more than \$145,000 in FICA wages* in the previous calendar year (Roth catch-up required participants) may only make catch-up contributions as Roth contributions. This means plans that offer catch-up contributions without a Roth contribution option will need to ensure that Roth catch-up required participants do not make any catch-up contributions at all.**



The new requirement affects 401(k), 403(b), and governmental 457(b) plans.



Plans that add a Roth contribution option will require a plan amendment.



Participants who earned \$145,000 or less in FICA wages may continue to make pretax catch-up contributions after January 1, 2026.



The provision is effective for tax years on or after January 1, 2026, regardless of the plan's year end. The FICA wage limit is calculated on a calendar year basis.



Plans that currently offer catch-up contributions without a Roth contribution feature may continue to do so; however, Roth catch-up required participants will not be eligible to make any catch-up contributions. Plan sponsors will still be required to track Roth catch-up required participants.**



The FICA wage limit of over \$145,000 for the previous calendar year only applies to wages from the employer sponsoring the plan. Wages paid by other employers in the previous calendar year are not included when determining eligibility for Roth catch-up contributions.

* Wages, for the purpose of this provision, are defined in the Internal Revenue Code (IRC) Section 3121(a) as wages subject to FICA (Social Security wages in box 3 of the W-2).

** In January 2025, the IRS issued a proposed regulation stating that plans that currently offer catch-up contributions without a Roth contribution feature may continue to do so. However, participants who exceed the mandatory Roth catch-up FICA wage limit will not be eligible to make any catch-up contributions. Therefore, plan sponsors will still be required to track Roth catch-up required participants. The final regulation is expected sometime after 2025. Vanguard is continuing to move forward with implementation of this provision, although our approach could shift based on final regulations.

What's changing for plan sponsors and payroll providers

1

Plans offering catch-up contributions, with or without a Roth option, will be required to monitor contribution amounts for Roth catch-up required participants.*

- Recent proposed regulations clarified that plans offering catch-up contributions are not required to add a Roth contribution option to their plan.
- Plans without a Roth contribution option will be required to track the Roth catch-up required participant population to ensure that these participants do not make any catch-up contributions at all.

2

Roth catch-up required participants will need to be identified by payroll providers and plan sponsors on an annual basis.

- The Roth catch-up required participant population will need to be identified via a new FICA wage indicator.
- Payroll providers will be required to generate annual reports to capture all Roth catch-up required participants as soon as possible after the last payroll for 2025 and before the first pay period in 2026.

3

Vanguard will introduce a new Roth catch-up reporting template to plan sponsors.

- In early fall 2025, Vanguard will provide plan sponsors with a template to report all Roth catch-up required participants on an annual basis.
- Plan sponsors may begin transmitting the population to Vanguard through My Plan Manager™ as early as December 2025 if the population is known in advance of January 1, 2026.
- This participant population will need to be shared with Vanguard on an annual basis after the last payroll of the calendar year has been processed.

* Participants age 50 and older who earned more than \$145,000 in FICA wages in the previous calendar year.

Vanguard's approach to Roth catch-up

Vanguard seeks to minimize the impact to plan sponsors by enhancing the current contribution processing structure and limiting the need for payroll file and plan design changes for most clients.*

What's new

Eligibility

Roth catch-up required participants will be identified through a new FICA wage indicator.

Contribution processing

For plans using contribution monitoring rejection management, Vanguard will flag any pretax contributions received from Roth catch-up required participants if the payroll provider fails to shut off their pretax source once they have met the IRC Section 402(g) limit, creating a rejection for the excess contribution.

The client will instruct Vanguard on how to reallocate or adjust the contribution amounts over the 402(g) limit.

Plan sponsor experience

A template will be available for plan sponsors to send their Roth catch-up required participant population to Vanguard via My Plan Manager.

Plan sponsors will be able to run a report of their Roth catch-up required participant population.

Participant experience

Vanguard's participant website will allow Roth catch-up required participants to modify deferral elections to ensure catch-up limits can be achieved.

Vanguard will offer resources to enhance participants' knowledge of Roth catch-up contributions through insights, education, and targeted communications.

What's staying the same

Enrollment

Enrollments will be processed in the same manner as they are today. Participants will be able to make deferral elections as permitted under their plan's rules.

Distributions

Distributions will be processed in the same manner as they are today. Participants will continue to have the ability to specify when distribution amounts are taken from Roth or non-Roth sources, including Roth catch-up.

New plan-specific features

- A new contribution-monitoring feature will be available to enforce the 402(g) limit for Roth catch-up required participants for plans already using this service.
- A new suspension type will be implemented to identify when Roth catch-up required participants meet the 402(g) limit for plans already using this service.
- An enhanced reinstatement service will be available for plans already using reinstatement.

* Some features of this solution will require plans to adopt an enhanced reinstatement service in the future.

Plans without a Roth option

Key takeaways

Starting **January 1, 2026**, Roth catch-up required participants in plans that offer catch-up contributions without a Roth contribution option will no longer be able to make any catch-up contributions.

- Participants whose FICA wages do not exceed \$145,000 in the previous calendar year can continue to make catch-up contributions.
- Plan sponsors are not required to offer a Roth contribution option. However, if a plan sponsor wants to allow participants whose FICA wages exceeded \$145,000 in the previous calendar year to make catch-up contributions, a Roth option will be required.
- Starting at the end of 2025, all plan sponsors, regardless of whether they offer a Roth contribution option, must send the Roth catch-up required participant population to Vanguard as soon as administratively feasible after the last payroll for the calendar year is processed.
- Plans can either choose to offer a Roth feature option to all participants or ensure that Roth catch-up required participants do not make catch-up contributions once the limit is reached.

Plan sponsor actions and considerations

Roth contribution benefits

Vanguard strongly encourages plan sponsors who offer catch-up contributions without a Roth contribution option to add one.

Adding Roth contributions allows a tax diversification opportunity for all participants and ensures that Roth catch-up required participants can continue making catch-up contributions after January 1, 2026.

Roth contribution adoption process

Interested plan sponsors should reach out to their client success executive as soon as possible.

- The deadline to request a Roth contribution option is **September 1, 2025**. Vanguard cannot guarantee that requests received after this date will be completed for January 1, 2026.
- A plan amendment will be required for plan sponsors choosing to add a Roth contribution option by the end of the calendar year in which it is added.

Plans with a Roth option*

Key takeaways

- Participants age 50 or older who earned more than \$145,000 in FICA wages in the previous calendar year will be required to make catch-up contributions as Roth.
- Participants who earned \$145,000 or less in FICA wages in the previous calendar year may continue making catch-up contributions as pretax and are not subject to the Roth requirement.
- Strong collaboration among plan sponsors, payroll providers, and Vanguard is recommended to discuss the unique impacts to each plan.
- Starting at the end of 2025, plan sponsors must send the Roth catch-up required participant population to Vanguard as soon as administratively feasible after the last payroll for the year is processed. Vanguard will provide a new reporting template to plan sponsors in the third quarter of 2025.

Plan sponsor actions and considerations

- Hold regular discussions with your payroll provider to ensure compliance with the Roth requirements and to align on roles and responsibilities.
- Examine your employee base early to determine the potential population of impacted participants.
- Ensure that your payroll provider is prepared for the Roth requirements beginning January 1, 2026.
- Develop a strategy for communicating the upcoming catch-up requirements to your employees.

* Or that intend to add it for January 1, 2026.

Payroll roles and responsibilities

Payroll providers play a critical part in identifying, monitoring, and transmitting data to plan sponsors. Your payroll provider will be responsible for the following actions to ensure compliance with the new Roth requirements.



Plans with catch-up contributions and a Roth feature

- Collaborate with plan sponsors and Vanguard to discuss a tailored approach for each plan.
- Identify Roth catch-up required participants and generate a report that captures this population.
- Enhance contribution monitoring for the Roth catch-up required participant population to ensure pretax contribution amounts do not exceed the 402(g) limit over the course of the calendar year.
- Be prepared to continue receiving pretax catch-up source deferral elections from Vanguard for the Roth catch-up required participant population.
- Payroll providers should be prepared to receive suspensions for pretax contribution deferral elections when the pretax limit is maximized (which could now be separate from the Roth suspension) for plans using this service.



Plans with catch-up contributions without a Roth feature

- Identify Roth catch-up required participants and generate a report that captures this population.
- Stop pretax contributions for Roth catch-up required participants to ensure that no catch-up contributions are made.

Vanguard is continuously working and collaborating with payroll providers to define roles and responsibilities to achieve the best outcomes for plan sponsors.

Deemed election approach for plans with Roth

Plan sponsors must choose one of the two following pathways to comply with the Roth requirements by January 1, 2026.

Pathways

Option 1: Plans without a deemed election option

- Pretax contributions will not be treated as Roth catch-up contributions unless the participant makes an affirmative Roth deferral election.
- Participants will self-manage their own transition from pretax to Roth catch-up elections.*

Option 2: Plans with a deemed election option

- Pretax elections can be automatically converted to Roth for catch-up contributions without additional action from the participant.
- Payroll providers will be responsible for converting pretax catch-up contributions to Roth.*
- A participant must be given the opportunity to make a new deferral election that is different from the deemed election.

* See the following slides for additional information about this option.

Plan sponsor considerations

- Must affirmatively elect the deemed election option in writing and amend the plan accordingly.
- Hold regular discussions with your payroll provider to confirm their ability to support a deemed Roth catch-up election.
- Partner with your Vanguard client team to understand the details of your plan setup and share your approach as soon as possible.

Option 1: Plans without a deemed election option

Participant manages Roth catch-up election

Available January 1, 2026

- Participants are responsible for self-managing deferral elections, including the transition from pretax to Roth.
- Neither Vanguard nor the payroll provider will automatically convert the participant's deferral election.
- Deemed election is not required.

Benefits

- Participants will be able to dictate when and how much to defer to their catch-up contributions.
- Plan sponsors with a Roth contribution option do not need to adopt any additional services by January 1, 2026.
- Plan sponsors will be able to run a report of their Roth catch-up required participant population through My Plan Manager.

Challenges

- Participants will need to monitor when their 402(g) contributions are maximized and potentially reset their catch-up elections each calendar year.
- There will be limited flexibility for correction because plans will not be able to take advantage of correction methods, which are available only to plans that have a deemed election.
- Additional coordination may be required between payroll providers and plan sponsors on participant catch-up elections.

Option 2: Plans with a deemed election option

Payroll initiates automatic conversion

Available January 1, 2026

- Payroll providers will automatically convert a participant's deferral election to Roth within the payroll system.
- Payroll providers will redirect contributions to Roth and send them to Vanguard.
- Deemed election is required; plan sponsors should inform Vanguard of this decision in writing.

Benefits

- Allows for the seamless continuation of Roth catch-up contributions.
- Permits year-end correction flexibility that allows plans to use new correction methods (i.e., Form W-2 and Form 1099-R) referenced in the proposed guidance from January 2025.
- Requires no additional services and will need very few changes to plan setups.

Challenges

- Once the payroll provider automatically converts a participant's election to Roth, the participant may no longer be able to reduce their Roth deferral elections on Vanguard's website.
- Payroll provider contributions and participant deferral elections on Vanguard's website will not be aligned.
- Inconsistent information could lead to a negative client experience and higher rates of participant outreach.

Future service enhancement

Vanguard will initiate automatic conversion from pretax to Roth

Considerations

- Vanguard will automatically convert participants' deferral elections from pretax to Roth for catch-up contributions.
- The benefits of this service will include a seamless continuation of catch-up contributions for participants, a synchronized experience between contributions and deferral elections, and the ability for participants to decide whether or not to opt out of Roth catch-up contributions.
- Plan sponsors will be required to adopt the deemed election option in writing.
- The estimated availability for this service is mid-2026 and subject to change. Your client success executive will begin working with you in the second quarter of 2026 to determine if your plan is a good fit for the new service. Note that some prerequisite services will be required.



How Vanguard will educate participants

Participants will need to understand how the new Roth requirements impact their catch-up contributions starting in 2026 and beyond. Vanguard will offer resources to enhance participants' knowledge of Roth catch-up contributions through insights, education, and targeted communications.

1

Participant insights

- Awareness articles aiming to educate participants about catch-up contributions and the Roth requirements. | **Q3 2025**
- Updates to existing education materials like plan highlights, retirement plan quick guides, and eligibility notifications. | **Q1 2026**

2

Targeted communications to catch-up eligible participants*

- **Awareness:** A communication to create awareness about the upcoming changes for catch-up eligible participants. | **Q4 2025**
 - Vanguard will reach out to actively contributing and catch-up eligible participants (and those who will become catch-up eligible in 2026) in plans that offer catch-up contributions.
 - Vanguard will share a draft of this communication with plan sponsors in September.
- **Follow-up:** A communication to remind participants about Roth catch-up requirements and provide additional information like annual catch-up contribution limits. | **Q1 2026**
 - Vanguard will communicate to actively contributing and catch-up eligible participants (and those who will become catch-up eligible in 2026) in plans that offer catch-up contributions.
- **Periodic reminders:** Targeted communications to participants who reach or exceed \$145,000 in FICA wages and have not yet reached the 402(g) limit. | **Throughout 2026**

3




Intranet text for employers

- Vanguard will provide plan sponsors with educational content for internal communication channels to raise awareness about the upcoming changes. | **Q2 2025**

* Communications will be sent based on a participant's e-delivery preference (email or print mail).

Key plan sponsor, payroll provider, and Vanguard actions

Vanguard will continue to make updates to this road map and share additional insights and information with plan sponsors throughout 2025. Please note that actions and time frames could change.

	Q2 2025	Q3 2025	Q4 2025	Q1 2026
 Vanguard action	<ul style="list-style-type: none"> Share Roth catch-up plan sponsor playbook Share plan sponsor intranet text to help educate participants about the upcoming changes in 2026 	<ul style="list-style-type: none"> Share drafts of upcoming participant communications Remind plan sponsors to add Roth prior to September 1, 2025, deadline Publish educational and thought leadership articles about Roth catch-up contributions requirement 	<ul style="list-style-type: none"> Provide new Roth catch-up reporting template to plan sponsors along with My Plan Manager transmission instructions Begin targeted communications to catch-up eligible participants 	January 1, 2026: Effective date for Roth catch-up contributions requirement
 Plan sponsor action	<ul style="list-style-type: none"> Begin regular dialogue with payroll providers about the Roth catch-up requirement and any necessary project work Assess current employee base to determine potential Roth catch-up required participant population Consider adding Roth to your plan if you do not currently offer it today* 	<ul style="list-style-type: none"> Confirm with your provider that required payroll changes will be in place by January 1, 2026 September 1: Deadline to submit request to add Roth to your plan for January 1, 2026 , effective date	<ul style="list-style-type: none"> Prepare to send Vanguard the Roth catch-up required participant population after the last payroll of 2025 via My Plan Manager 	<ul style="list-style-type: none"> January: Send Vanguard your completed Roth catch-up reporting template as soon as administratively feasible**
 Payroll action	<ul style="list-style-type: none"> Begin regular touchpoints with plan sponsor to discuss payroll implications 		<ul style="list-style-type: none"> Provide plan sponsor with Roth catch-up required participant population 	

* For dual-qualified Puerto Rico plans, ensure that the plan offers a traditional after-tax option for Puerto Rico residents.

** Plan sponsors may encounter new contribution rejects on My Plan Manager during the payroll reconciliation process if Roth catch-up required participants exceed the 402(g) pretax limit for 2026.

Frequently asked questions

Compliance and definitions

1. What is the Roth catch-up contribution provision of SECURE 2.0?

Effective January 1, 2026, participants age 50 and older who earned more than \$145,000 in FICA wages in the previous calendar year (Roth catch-up required participants) may only make catch-up contributions as Roth contributions. In January 2025, the Treasury Department and IRS issued a proposed regulation stating that plans that currently offer catch-up contributions may continue to do so; however, Roth catch-up required participants in these plans will not be eligible to make any catch-up contributions at all. It is important to note that this regulation is currently proposed, with final regulations expected.

2. How does the Roth catch-up contribution provision define FICA wages?

Wages, for the purpose of this provision, are defined in the Internal Revenue Code Section 3121(a) as wages subject to FICA (Social Security wages in box 3 of a W-2). Beginning in 2025, the FICA wage limit will be indexed in increments of \$5,000.

3. Will the FICA wage limit always be \$145,000 or could it increase over time?

The FICA wage limit is indexed for inflation in increments of \$5,000 beginning in 2025.

4. How will this provision affect plans without a Roth contribution option as of January 1, 2026?

Plans that offer catch-up contributions without a Roth contribution option can continue to do so. However, participants who are required to make Roth catch-up contributions will not be eligible to make any catch-up contributions. Plan sponsors must still track these participants who are required to make Roth catch-up contributions, even if they cannot actually make the contributions. Vanguard strongly recommends that plan sponsors add a Roth contribution option. This will allow all participants to benefit from tax diversification and ensure that those required to make Roth catch-up contributions can continue doing so after January 1, 2026.

5. What are the impacts of this provision for plans that do not currently offer catch-up contributions?

Plans that do not offer catch-up contributions are not impacted by this provision and do not need to take any action. Vanguard strongly encourages plan sponsors who do not offer catch-up contributions to add them. The deadline to add catch-up contributions with a Roth contribution option is September 1, 2025.

6. What are the impacts of this provision for plans that don't have any Roth catch-up required participants (i.e., participants who earned over \$145,000 in FICA wages in the previous calendar year)?

Plans that do not have any Roth catch-up required participants who earned over \$145,000 in FICA wages in the previous calendar year are not impacted by this provision.

Frequently asked questions

Compliance and definitions (continued)

7. Do plans that offer Roth contributions have to make this option available to every participant in the plan?

Plans can either offer a Roth contribution option to all participants in the plan or can choose to not offer a Roth contribution option at all. Plans cannot choose to offer a Roth contribution option to specific subpopulations.

8. Can plans make employees who earned more than \$145,000 in FICA wages in the previous year ineligible for catch-up contributions?

No. Plan sponsors must offer catch-up contributions to all participants in the plan.

9. Can an employer require all catch-up contributions, regardless of FICA wages, to be Roth?

While SECURE 2.0 did not specifically address this question, the proposed regulations issued by the Treasury Department and the IRS in January 2025 indicate that a sponsor is not permitted to require all catch-up contributions be made as Roth, regardless of the FICA wages earned in the previous year.

10. How does the \$145,000 FICA wage limit affect employees who changed employers in the previous calendar year?

Beginning January 1, 2026, the FICA wage limit will apply to participants age 50 and older who made over \$145,000 in FICA wages in the previous calendar year from the employer sponsoring the plan.

- Newly hired employees would not have earned any FICA wages in the previous year from the employer sponsoring the plan and thus would not be subject to the \$145,000 FICA wage limit in their first year of employment.
- Wages earned at a prior employer would also not count toward the \$145,000 FICA wage limit.
- If an employee is rehired by the same company in the same year, wages earned during the employee's previous tenure would count toward the \$145,000 FICA wage limit.

11. How does the \$145,000 FICA wage limit apply if an employer has multiple companies under an umbrella company?

The FICA wage limit applies only to wages paid by the employer sponsoring the plan. If an employer is a member of a controlled group but that employer is not participating in the plan, the compensation paid by that employer is not included for purposes of determining the FICA wage limit.

12. For plans that choose to add a Roth contribution option, are plan amendments required by the end of the calendar year in which the option is added?

Qualified plans that choose to add a Roth contribution option will require a plan amendment by the end of the calendar year in which it is added.

- For qualified plans using Vanguard's preapproved document, Vanguard's document provider will provide the amendment.
- Plan sponsors using custom plan documents are responsible for drafting their own amendments.

Frequently asked questions

Vanguard's solution and plan structure

13. What is Vanguard's implementation plan for this provision prior to January 1, 2026?

Roth catch-up required participants will be identified using a new FICA wage indicator. In early fall 2025, Vanguard will provide a template for reporting all Roth catch-up required participants. Plan sponsors can start transmitting this annual population to Vanguard through My Plan Manager as early as December 2025. Additionally, Vanguard is enhancing its current contribution monitoring service, which is used by most plan sponsors, to ensure that Roth catch-up required participants do not exceed the 402(g) limit on pretax contributions for the calendar year.

14. How is Vanguard tracking the pretax total for Roth catch-up required participants?

Vanguard will ensure that a participant's overall pretax contribution amounts for the calendar year do not exceed the 402(g) limit. These amounts may include sources designated as pretax 402(g) and/or pretax catch-up.

15. What is the impact to clients that intend to consolidate a catch-up source by January 1, 2026?

Vanguard's solution to the Roth catch-up contributions provision will not impact a plan sponsor's transition from separate-source to single-source. Separate-source plans can, if desired, move into a single-source without the consolidation affecting their ability to administer the Roth catch-up contributions provision of SECURE 2.0, subject to implementation time frames.

Frequently asked questions

Participant experience

16. What changes will Vanguard make regarding the participant experience?

Vanguard will ensure that your participants are prepared for these changes. Throughout 2025 and 2026, we will share materials such as thought leadership content and examples of participant-specific savings journeys so that your Roth catch-up required participants feel prepared to maximize their catch-up contributions. Intranet text will be available for you to share with your participants in the second quarter of 2025.

17. Can participants opt out of Roth catch-up deferral elections?

Catch-up contributions are voluntary. Roth catch-up required participants have the option to make catch-up contributions as Roth contributions or not make any catch-up contributions at all.

18. For plans that use a separate-source administrative arrangement, what will the participant experience look like with the pretax catch-up source?

The pretax catch-up source will not be suppressed for Roth catch-up required participants. However, any contributions applied to this source as a result of deferral elections will be factored into the overall year-to-date pretax 402(g) amount (both noncatch-up and catch-up combined) to ensure compliance with the 402(g) limit. It is the participant's responsibility to understand how separate catch-up source deferral elections impact their contributions.

Reach out to your Vanguard client team with questions. We are here to help.

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