

SECURE 2.0 Act required provision guide

Roth catch-up contribution



Provision overview

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 option will need to ensure that Roth catch-up required participants do not make any catch-up contributions at all.

- The required Roth catch-up contributions provision is effective for tax years beginning on or after January 1, 2026.
- This required provision applies to all 401(k), 403(b), and governmental 457(b) plans. SIMPLE IRA and SEP plans are not impacted by this requirement.
- Plans that currently offer catch-up contributions without a Roth contribution feature may continue to do so.
- Participants who exceed the mandatory Roth catch-up contributions provision FICA wage limit will not be eligible to make any pre-tax catch-up contributions. Therefore, plan sponsors will still be required to track their Roth catch-up required participant population.

What's changing?

For 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.

For payroll providers

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 the prior year and before the first pay period of the new calendar year.

For participants

Vanguard is enhancing its current contribution monitoring service used by most plans to ensure that Roth catch-up required participants do not exceed the 402(g) limit in pre-tax contributions for the calendar year. The service will also help to mitigate year-end corrections for the plan.



**Implementation required
January 1, 2026**

*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 the W-2).

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 remainder of 2025, we will share resources and timely updates about Vanguard's solution**, the regulatory landscape, and key milestones to ensure that plan sponsors, participants, and payroll providers are prepared for the changes required on January 1, 2026.

New eligibility: Participants whose prior-year FICA wages exceed \$145,000 from the employer sponsoring the plan (Roth catch-up required participants) will be identified through a new FICA indicator. Tracking FICA wages represents a new industry requirement.



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.

New contribution processing: For plans using contribution monitoring rejection management, Vanguard will flag any pre-tax contributions received from Roth catch-up required participants in the event that the payroll provider fails to shut off their pre-tax source once they have met the Internal Revenue Code Section 402(g) limit, creating a rejection for the excess contribution. The client will then instruct Vanguard on how to reallocate or adjust the contribution amounts in excess of the 402(g) limit.

New participant experience: Vanguard's participant experience website will allow for Roth catch-up required participants to modify deferral elections to ensure catch-up limits can be achieved. Participants will also have the ability to establish deferral elections, effective January 1 of the following year, if desired.

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.

Tax and compliance: If needed, Vanguard will enhance the existing year-end recharacterization of pre-tax dollars to Roth dollars to mitigate risk and comply with the new requirements of SECURE 2.0.

**Some features of this solution will require plans to adopt an enhanced reinstatement service in the future. Vanguard will provide more details to implement this process soon.

How plan sponsors can start preparing now

1. Consider your plan structure to determine if a plan design change could benefit you or your participants

Vanguard strongly encourages plan sponsors who offer catch-up contributions to add a Roth contribution option.

- This will provide an opportunity for tax diversification for all participants and ensure that Roth catch-up required participants can continue making catch-up contributions after January 1, 2026.
- Interested plan sponsors should reach out to their client success executive as soon as possible. **The deadline to submit requests to add Roth to your plan(s) is September 1, 2025.** Vanguard cannot guarantee that any requests received after September 1, 2025, will be completed by the January 1, 2026, effective date.
- Plans that add a Roth catch-up contribution option because of SECURE 2.0 will need to amend their plans by **December 31, 2026 (the deadline for all amendments related to the CARES Act, the SECURE Act, and SECURE 2.0).**

2. Engage in transparent discussions with your payroll provider to align on roles and responsibilities

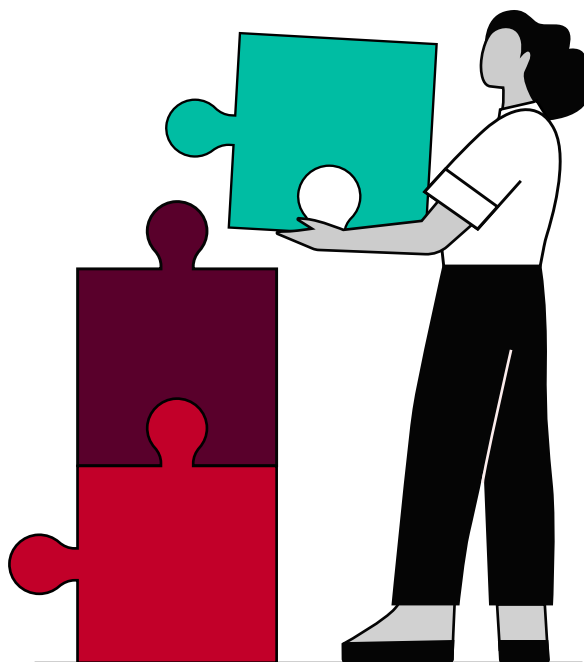
Regular discussions with your payroll provider will help ensure compliance with the provision and a smooth transition into 2026. Things to discuss with your payroll provider now include:

- How your payroll provider intends to shift pre-tax contributions to Roth for impacted participants once they reach the 402(g) contribution limit.
- When to expect your payroll provider's annual report (FICA wage employees who are Roth catch-up required participants).




3. Create an approach to inform and educate your employees about the upcoming required Roth catch-up provision of SECURE 2.0

We encourage you to examine your employee base to determine what population of your workforce will be impacted by the Roth catch-up contribution provision and create a strategy for how to educate those participants about the new requirements.

- Vanguard will provide plan sponsors with informational intranet text in Q2 2025.
- Vanguard will also partner with plan sponsors throughout 2025 to help your participants navigate the changes and understand what to expect.
- Participant communication samples will be shared in Q3 2025.



How plan sponsors can start preparing now (continued)

	Q2 2025	Q3 2025	Q4 2025	Q1 2026
 Vanguard action	<ul style="list-style-type: none"> Share Roth catch-up contribution 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 the September 1, 2025, deadline Publish educational and thought leadership articles about Roth catch-up contribution requirement 	<ul style="list-style-type: none"> Provide new Roth catch-up contribution 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 contribution requirement
 Plan sponsor action	<ul style="list-style-type: none"> Begin regular dialogue with payroll providers about the Roth catch-up contribution 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 the 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 contribution 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 	

Frequently asked questions

Roth catch-up contribution provision details

1. What type of compensation is considered in determining the \$145,000 wage limit for this required Roth catch-up contribution provision?

The \$145,000 limit is based on prior-year FICA wages (as described in the Internal Revenue Code Section 3121(a)) from the employer sponsoring the plan. The FICA wage limit is indexed for inflation and may change year over year.

2. How does this required provision affect newly hired employees?

The Roth catch-up contribution provision is based on an employee's prior-year FICA wages paid by the employer sponsoring the plan. New employees would not have any prior-year FICA wages, so regardless of salary, they would not be subject to the \$145,000 FICA wage limit in their first year of employment and would be eligible to make pre-tax or Roth catch-up contributions.

3. Do prior-year FICA wages earned at a previous employer count toward the \$145,000 FICA wage limit?

No. The \$145,000 FICA wage limit applies to compensation earned at the employee's current employer. If the employee is rehired in the same year, wages earned during the employee's previous tenure would count toward the \$145,000 FICA wage limit.

4. How is the \$145,000 FICA wage limit for catch-up contributions managed if an employee has more than one W-2?

Catch-up eligibility is not determined by a participant's W-2. Effective January 1, 2026, any individual age 50 or older who made more than \$145,000 in FICA wages in the previous tax year with the same employer will be required to make catch-up contributions to their current qualified retirement plan as Roth catch-up contribution.

5. 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 is not participating in the plan, compensation paid by that employer is not included.

6. Can plans make employees who made more than \$145,000 in prior-year FICA wages ineligible for catch-up contributions?

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

7. 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.

Frequently asked questions (continued)

Vanguard's solution and plan structure

8. Will Vanguard's solution differ based on single-source or separate-source plans?

No. Vanguard's solution will use the FICA wage indicator to identify Roth catch-up required participants and turn off the appropriate pre-tax source once these participants reach the 402(g) limit. This process is the same for both single-source and separate-source plans.

9. 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 contribution provision will not impact a plan sponsor's transition from separate-source to a 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 contribution provision of SECURE 2.0, subject to implementation time frames.

10. Can a plan sponsor request to add a Roth in-plan conversion feature at the same time as adding a Roth catch-up contribution option?

At this time, requests to add the Roth in-plan conversion feature should be separate from adding a Roth catch-up contribution feature. Plan sponsors interested in adding a Roth in-plan conversion feature (pending a fit analysis) should contact their Vanguard representative for more information.

11. Is the Roth catch-up contribution provision required to be included in the annual plan legal notice before year-end?

Certain participant disclosures may need to be updated to describe the changes to Roth catch-up contributions. Vanguard will make these changes as necessary for those clients using our notice services.

12. How will the plan amendment process work for the Roth catch-up contribution provision?

For clients using Vanguard's preapproved document, the document provider will be providing the amendment. More information on the preapproved document process will be provided at a later date. Plan sponsors using custom plan documents are responsible for drafting their own amendments. Plan amendments for all SECURE 1.0 and SECURE 2.0 provisions are not due until December 31, 2026.

Frequently asked questions (continued)

Participant experience

13. If a participant affirmatively selects the Roth catch-up contribution option for catch-up contributions, will their contribution election automatically revert to their pre-tax election for the following year?

After a Roth catch-up required participant meets the 402(g) limit and affirmatively selects a Roth source for catch-up contributions, they will be given the opportunity to set their deferral options for the following year for all sources, including both pre-tax and Roth. Please note, this option is only available for participants whose plans adopt an enhanced reinstatement service in the future. Vanguard will provide more details to implement this process soon.

14. For plans that utilize a separate-source administrative arrangement, what will the participant experience look like with the pre-tax catch-up source?

The pre-tax catch-up source will not be suppressed for the FICA population. However, any contributions applied to this source as a result of deferral elections will be factored into the overall year-to-date pre-tax 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.

15. What communications can participants expect regarding the new experience?

Vanguard will update the participant experience to include education for Roth catch-up required participants, including increased notifications, targeted communications, and enhancements to advice.

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