

# SECURE 2.0 Act optional provision guide

Higher catch-up contribution limit



## Purpose

Catch-up contributions are a great way for participants who started late on their retirement savings journey to make additional contributions to their plan or for employees who want to save more once they reach a certain age. Under current rules, and if permitted by the plan, participants age 50 and older can make additional contributions above the current 402(g) limit (catch-up contributions) to their retirement accounts. The current catch-up contribution limit for 401(k) participants is \$7,500 for 2024, on top of the annual \$23,000 standard contribution limit. The SECURE 2.0 Act increases this limit for participants ages 60-63.

## Provision overview

The optional higher catch-up contribution limit provision of SECURE 2.0 gives plan sponsors the choice to increase the catch-up contribution limit for participants ages 60-63 to the greater of \$10,000 or 150% of the then-current catch-up limit. This will give participants an opportunity to further boost their savings as they move closer to retirement.

- This provision is effective for taxable years beginning on or after January 1, 2025.
- Participants eligible for the higher catch-up contribution limit are those who will attain age 60, but not age 64, before the close of the taxable year.
- Once the participant reaches age 64, the standard catch-up limits apply.
- These amounts will be indexed for inflation after December 31, 2025.



**Effective date: January 1, 2025**

Effective for: 401(k), 403(b), and governmental 457(b) plans

## The SECURE 2.0 Act increases this limit for participants ages 60-63



## Vanguard's approach

We are prepared to offer the higher catch-up contribution limit provision to plan sponsors as soon as it becomes effective on January 1, 2025. To ensure a smooth adoption process for both plan sponsors and participants, Vanguard is prioritizing work for this optional provision in two phases. The first phase concentrates on back-end development work, while the second phase focuses on the impact of this provision on participant-facing advice options and recommendation tools.

## What to expect

Plan sponsors will be able to adopt this provision as soon as it becomes effective on January 1, 2025, but can also decide to opt in at a later date. Vanguard will provide more information about how plan sponsors can adopt this provision in the fall of 2024. While Vanguard's work is underway, plan sponsors can start to educate employees about their new rights under this optional provision and how catch-up contributions can promote retirement savings.

Vanguard action	Plan sponsor impact	Participant impact
<p>Payroll providers will enforce higher catch-up contribution limits, with Vanguard providing secondary validation to ensure that these additional amounts for eligible participants (ages 60-63) can be successfully processed and updated to participant accounts.</p> <p>For plans using the 402(g)-monitoring service, we will flag contributions that exceed the new higher catch-up contribution limit for review and resolution.</p>	<p>Before adopting this provision, plan sponsors should work with their payroll or in-house department to ensure that additional catch-up amounts can be programmed to deduct the higher catch-up limit for eligible participants (ages 60-63).</p> <p>Vanguard strongly recommends not adding the higher catch-up contribution limit provision to your plan until your payroll provider is prepared to support the additional contribution deductions for this participant population.</p>	<p>Vanguard will be prepared to introduce participant website content resources, mail and email campaigns, and educational resources for plan sponsors to ensure eligible participants (ages 60-63) are aware of the higher catch-up contribution limit opportunities.</p> <p>More information about the impact to participant tools and calculators will be shared as we get closer to the provision's effective date.</p>

**As always, your Vanguard client success executive is here to help you with any questions you may have about the higher catch-up contribution limit or the SECURE 2.0 Act.**

# Frequently asked questions

## **1. How are “eligible participants” defined by the higher catch-up contribution limit?**

Participants eligible for the higher catch-up contribution limit are defined as active participants of a plan who reach the age of 60, 61, 62, or 63 by the end of the taxable year. For all other catch-up contribution-eligible employees, including those who will turn 64 by the end of the taxable year, the standard catch-up limits apply.

## **2. Will the higher catch-up contribution limit provision, if adopted, impact the way contributions are sent to Vanguard?**

No. Contributions that exceed the standard catch-up limit will be included in the same formats that exist today.

## **3. Will higher catch-up contribution limit amounts for participants ages 60-63 require that new source(s) be added to the plan for separate catch-up contribution tracking purposes?**

No. The increased catch-up amounts for participants ages 60-63 should be contributed to the same source(s) as they are today.

## **4. Is a plan amendment required to adopt the higher catch-up contribution limit provision, and if so, when would the amendment need to be updated?**

If a plan uses a custom document that specifically references catch-up limits, then an amendment is recommended and should be updated no later than December 31, 2026. If the plan document references IRC Section 414(v) to generally permit catch-up contributions, then an amendment should not be necessary. For questions specific to the adoption of plan amendments, it is best to consult your legal counsel.

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