SECURE 2.0 Act Section 603: Roth catch-up requirement



Background

On December 29, 2022, the SECURE 2.0 Act was signed into law by the president. The legislation includes significant changes that could help strengthen the retirement system and improve Americans' financial readiness for retirement. One key change is the Roth catch-up.

What's a Roth catch-up?

Employees turning age 50 or older who earned more than $155,000[1] in Federal Insurance Contributions Act (FICA) wages in the previous year must make any catch-up contributions permitted under a plan as Roth contributions. If a plan does not offer a Roth option, those participants may not make catch-up contributions to the plan.

What does this mean for me?

If your previous year's FICA wages were over $155,000[1] with your current employer, you *must* make your catch-up contributions on a Roth basis. Your retirement plan will treat catch-up contributions as Roth. This is considered a deemed Roth election under the Roth catch-up requirement.

If your previous year's FICA wages were $155,000[1] or less with your current employer, you can make your catch-up contributions as either pre-tax or Roth.

What are FICA wages?

FICA wages refer to the portion of your earnings that are subject to FICA taxes, which fund Social Security programs. These wages are defined in Section 3121(a) of the Internal Revenue Code.

Where can I find my FICA wages?

You'll need to review your previous year's W-2 to check your FICA[2] wages to see if you crossed the $155,000[1] threshold.

What are Roth contributions?

Roth contributions are after-tax deductions, which means: You pay taxes on any money you contribute now, but when you take a qualified distribution,[3] you will not owe taxes on that money or any attributable earnings.

Because Roth contributions **do not lower your taxable wages,** you may see a **decrease in your take-home pay** compared to previous years when catch-up contributions were pre-tax.

What action do I need to take?

Learn more about Roth contributions.

Talk to your financial or tax consultant about how Roth catch-up contributions can impact your retirement investing plan.

If you're subject to the Roth catch-up requirement and have previously made catch-up contributions, they will automatically be treated as Roth. If you wish to continue making catch-up contributions on a Roth basis, **no action is required**.

You can view or make changes to your contributions at any time on **NetBenefits.com**.

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1. Indexed annually.
2. For this purpose, wages are those as defined in Section 3121(a) of the Internal Revenue Code, which are wages subject to FICA (Form W-2, Box 3 wages for Social Security taxation purposes).
3. A distribution from a Roth 401(k), Roth 403(b), or Roth 457(b) is federally tax-free and penalty-free, provided the 5-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.

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