

Who Can Make Additional 401(k) Catch-up Contributions Under the SECURE 2.0 Act?

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QUESTION: We understand that the SECURE 2.0 Act permits additional catch-up contributions for older participants. Can you explain how these rules apply to our 401(k) plan?

ANSWER: Starting in 2025, if your 401(k) plan offers catch-up contributions, participants who attain ages 60, 61, 62, and 63 will have an increased annual dollar limit on catch-up contributions equal to the greater of \$10,000 or 150% of the regular catch-up limit for 2024 (\$7,500), as indexed for inflation. In 2025, the increased catch-up contribution for older participants will be \$11,250.

While catch-up contributions are an optional plan feature, if your 401(k) plan already offers catch-up contributions, then you must offer these additional catch-ups. In addition, because increased catch-up contributions can only be made for individuals attaining ages 60 through 63 during the year, individuals will have disparate catch-up contribution limits from year to year. For example, an individual who attains age 62 in 2025 will benefit from the increased catch-up limit in 2025 and 2026, but commencing in 2027, when they will attain age 64, they will be subject to the lower normal catch-up limit. Your plan will need to have the proper processes in place to reflect when participants age into or out of the increased limits (for example, ensuring that you have valid dates of birth for all participants), and your participant communications should clearly explain when the regular and increased catch-up limits apply. You should also ensure that third-party administrators have updated their systems and processes to reflect potential increased contributions.

Keep in mind that, beginning in 2026, catch-up contributions by participants with income that exceeded \$145,000 (as indexed) in the prior calendar year must be made to a designated Roth contribution account and cannot be made on a pre-tax basis.

For more information, see EBIA's 401(k) Plans manual at Section VIII.F ("Catch-Up Contributions: Age 50 or Older").

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