

SECURE 2.0 – IRS DELAYS MANDATORY ROTH CATCHUPS UNTIL 2026

In July, we sent an email advising that under SECURE 2.0, catch-up deferrals for High Earners (defined as those who earned compensation of more than \$145,000 in the previous year) would have to be made as Roth deferrals effective January 1, 2024. If your plan did not already include provisions for Roth deferrals, it would have to be amended to comply with this rule, and you would likely have to make changes to how your payroll is processed and reported.

The email also noted that there was a possibility that this could be delayed due to the lack of guidance from the IRS and the time it would take to implement the provisions once such guidance was provided.

The IRS recently announced that **this provision will not be effective until January 1, 2026**. Hopefully, the two-year delay will allow the IRS sufficient time to explain how this will work, followed by enough time for payroll companies, asset custodians, and pension consultants to figure out how to proceed with programming, reporting, etc.

Therefore, if your plan does not already include Roth, we will NOT be automatically amending it to add that option at this time. We expect to do this in 2025 after we have more details on the matter. If you want to add Roth deferrals now, please contact your Creative Pension Consultants administration team.

For plans currently without Roth deferrals, we encourage you to look at your plan and begin to discuss with your financial advisor how the additional Roth accounts will work. Plans on fund platforms will have no issues when Roth deferrals are required, as they track the money types separately with each transaction. Plans that are in individual brokerage accounts or pooled plans should begin planning soon to figure out how the Roth deferrals will be handled (pre-tax money and Roth money should not be held in the same account). If changes to the plan are needed, there should be enough time to complete them by the new deadline, if discussions start early.

It is important to note that this delay is ONLY for this provision. Other provisions mentioned in the previous email (such as Long Term, Part Time Employees rules starting January 1, 2024) will still take effect as scheduled.