

Roth Catch-Up ‘Playbook’ Can Guide Advisers Through Compliance

Plan advisers can be crucial guides who ensure plan sponsors, recordkeepers and payroll providers understand Roth catch-up contributions.

Reported by EDWARD RUEDA

When the IRS published its [final regulations](#) governing Roth source catch-up contributions in the [Federal Register](#) on September 16, the countdown clock started. On January 1, 2026, employees age 50 and older who earned more than \$145,000 in the prior year must make any catch-up contributions to their employer-sponsored retirement plan accounts on an after-tax, Roth basis. The IRS is allowing “good faith compliance” from taxpayers and employers next year, in preparation for the regulations’ full effect in 2027.

The rules are dense—spread over 27 pages of triple-columned text—and Jon Schultze, head of the Wagner Law Group’s retirement plans practice group, has heard of advisers getting the details wrong.

“Three or four different clients came to me and said, ‘We’re just not understanding this. We’re not even sure the people who are explaining it to us understand what the rules are,’” Schultze says.

So Schultze and Barry Salkin, another employee benefits attorney at Wagner, wrote a [playbook](#) summarizing—and simplifying—facets of the final Roth rules that may have gone unnoticed in initial write-ups and summaries.

First, employers need to determine whether their retirement plans are even impacted: The Roth rules apply to 401(k) plans, 403(b) plans and eligible governmental 457(b) plans. They do not apply to Simplified Employee Pensions, or SEPs; Savings Incentive Match Plans for Employees, or SIMPLE IRA plans; and certain governmental 457(b) plans and tax-exempt 457(b) plans. If the new rules apply, then plan sponsors and administrators need to [start coordinating](#) with providers.

“There’s got to be communication between the plan sponsor, the recordkeeper and the payroll company, because they’ve all got to be aligned,” Schultze says.

Tracking Eligibility

Besides the age requirement of 50, Roth rules apply to those with Federal Income Contributions Act wages—taxed to fund Social Security and Medicare—of at least \$145,000 in 2025, which appear as FICA wages on Box 3 of Form W-2. Employees who do not earn FICA wages, like the self-employed and employees of exempt state or local governments, are not subject to the new Roth rules.

Lastly, the Roth catch-up rules only apply to employees who made salary deferrals that exceeded the 402(g) limit—\$23,500 in 2025. Employers need to find out if their payroll providers can determine which employees fit in all three categories: age, income and deferral amounts.

Payroll Priorities

Payroll providers have five important tasks to aid Roth compliance, according to Robin Revzin, a senior retirement plan specialist at Manulife John Hancock Retirement who took part in writing the SPARK Institute's [best industry practices](#) for Roth catch-up contributions. According to the guidelines, payroll providers need to tell retirement plan administrators whether they can:

- Identify employees who earn above the FICA wage limit;
- Send a list of those employees by the first payroll each year;
- Automatically switch pre-tax catch-up contributions to Roth once they hit the 402(g) limit;
- Switch back catch-up contributions to the employee's original election on January 1 of the following year; and
- Use standardized data files to identify the Roth catch-up contributors.

If need be, recordkeepers and third-party administrators can follow up with payroll providers to make sure they are prioritizing compliance.

“Recordkeepers rely on accurate payroll data to administer the plan correctly,” Revzin says. “Any disconnect can lead to compliance issues for the plan and tax consequences to participants.”

Communication Is Key

Revzin says plan advisers play a “key role” during this process by facilitating communication among recordkeepers, payroll providers and third-party administrators as they finalize and implement plan decisions.

Schultze adds that employers need to clearly communicate with employees affected by the Roth rules. Plan administrators should anticipate some “growing pains” in achieving compliance, and Schultze hopes the playbook can help answer their questions.

“I tried to boil it down to something cleaner and more understandable than the typical legalese,” Schultze says of his playbook. “Hopefully, if something catches their eye that actually impacts them, they’ll know enough to follow up.”

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