Frequently asked questions: Roth catch-up contribution changes

Understand how the SECURE 2.0 Act of 2022's (SECURE 2.0) mandatory changes to catch-up contributions for high-income earners may affect you.

Q: What are the new Roth catch-up rules under SECURE 2.0?

A: Starting on Jan. 1, 2026, if you made more than $145,000 in FICA wages (indexed) in 2025, and you're making catch-up contributions, any catch-up contributions must be made as Roth (after-tax) contributions.

Previously, anyone making catch-up contributions could choose between pretax and Roth contribution types as their organization's plan allows.

Q: What are catch-up contributions?

A: This is a type of retirement plan contribution available to individuals who turn 50 or older at any point during the calendar year, allowing them to make additional contributions beyond the regular IRS contribution limit. This is one way the rules governing retirement plans help individuals who are closer to retirement save more to "catch up" for earlier years when they may not have been saving as much.

To check your contribution elections, log in to your account at **principal.com/contributions**.

Q: What are Roth contributions? Are there any drawbacks or benefits?

A: The key difference between pretax and Roth contributions is the timing of when you pay taxes. What makes sense for you depends on your personal situation and factors like your current take-home pay amount and tax planning (especially if you expect to be in a different tax bracket in retirement).

With pretax contributions, you pay taxes on the money and any earnings when you withdraw it, generally at retirement—not when the contribution is taken from your paycheck. With Roth contributions, you pay taxes on the money when you contribute it—but then when you withdraw it in retirement your contributions and earnings can be taken out tax-free as long as:

- You're at least age 59½, disabled, or have died
- The money has been in your account for at least 5 years

When meeting these criteria, the earnings on Roth contributions are not taxable upon withdrawal.

Q: What are FICA wages?

A: FICA wages are your earnings subject to Social Security and Medicare taxes. This includes your salary, bonuses, commissions, and other taxable compensation. You can find your FICA wages on your Form W-2 (Box 3 "Social Security wages").

Please note: Because the rule is effective on Jan. 1, 2026, the high-income earner designation for 2026 is based on 2025 FICA wages. The high-income earner threshold is subject to change in future years.

Q: If this change affects me, what do I need to do?

A: You'll continue to make a single election for contributions (pretax, Roth, or both). When you hit the regular IRS contribution limit, your organization will make sure your catch-up contributions are automatically made as Roth.

Q: Is there anything else I should consider?

A: With this change, you may want to understand any impact to your take-home pay, as well as how this may affect your tax and retirement income planning.

Q: What is Principal® doing?

A: Principal will notify you if this change affects you. If necessary, there's a process to review any pretax catch-up contributions made after Jan. 1, 2026.

Q: What if I make less than $145,000?

A: If you earn less than $145,000, you can still choose whether to make catch-up contributions as pretax or Roth.

Q: What if my organization's plan doesn't offer Roth?

A: If your organization's plan doesn't offer Roth options, and you're designated as a high-income earner, you won't be able to make catch-up contributions.

Questions?

Give Principal a call at **800-547-7754**, Monday–Friday, 7 a.m.–9 p.m. CT.

Example scenarios:

In these examples, the plan does not have a separate election for catch-up contributions—contributions are made as a single total election. Please note:

- To withdraw earnings from Roth contributions penalty- and tax-free, the contributions must be in your account for at least five years, and you must be at least age 59 ½.
- If you're affected by this change, you're encouraged to understand changes to your take-home pay and tax planning once catch-up contributions switch from pretax to Roth.

Participant A, age 52

Participant A, age 52: Currently making a total pretax contribution election of $31,000 with 2025 FICA wages of $150,000.

- **Impact:** After the standard IRS limit is reached, the plan will automatically designate any catch-up contributions as Roth rather than pretax.
- **Action needed:** No action within **principal.com** account needed; just note participant will now pay taxes on catch-up contributions before the amount is deducted from paychecks.

Participant B, age 59

Participant B, age 59: Currently making a combination of pretax and Roth catch-up contributions with 2025 FICA wages of $155,000.

- **Impact:** After the standard IRS limit is reached, the plan will automatically designate any catch-up contributions as Roth rather than a combination.
- **Action needed:** No action within **principal.com** account needed; just note participant will now pay taxes on catch-up contributions before the amount is deducted from paychecks.

Participant C, age 55

Currently making catch-up contributions as 100% pretax with 2025 FICA wages of $115,000 (*under* the high-income earner limit). Plan also has Roth contributions.

- **Impact:** No mandatory changes, but once they reach the standard IRS contribution limit, any remaining contributions will be designated as catch-up contributions, and the participant may choose between pretax and Roth.
- **Action needed:** None—can review and update contribution elections as they wish.