

SECURE 2.0 PROVISION SPOTLIGHT: HIGHER CATCH-UP LIMIT FOR AGES 60-63

Effective January 1, 2025, the optional higher annual catch-up limit provision will allow active participants aged 60 to 63 to increase contributions to \$10,000, or 50% more than the standard indexed amount, whichever is greater. Recordkeepers are contacting plan sponsors about implementing this change, with many making it an opt-out approach for plans that already offer catch-up contributions. This means the catch-up limit will increase unless the plan sponsors elects otherwise.

PLAN SPONSOR ACTIONS

- Make the provision election according to your plan provider's stated process and deadline.
- Inform your payroll provider of your election to ensure that they can accommodate the new catch-up limit, and ask them to identify any necessary payroll submission changes. Note that while higher catch-up contributions in 2025 do not have to be Roth, starting in 2026, all catch-up contributions for participants with prior-year compensation over \$145,000 must be Roth.
- Understand that your total employer match contribution may increase if catch-up contributions are eligible for match.
- Ask your plan provider how they will communicate this option to your participants.
- Remember, this optional provision can be added in future years.



EFFECTIVE DEFERRAL LIMITATION CALCULATION EXAMPLE

Based on the 2024 catch-up limit of \$7,500, participants between the ages of 60 and 63 can increase their contributions to \$11,250.

- 2024 Catch-up limit: $(\$7,500 + \$3,750) = \$11,250$
- 2024 Total elective deferral limit, including the new catch-up limit $(\$23,000 + 11,250) = \$34,250$

Note that the calculation will change annually, based on the annual IRS limit.