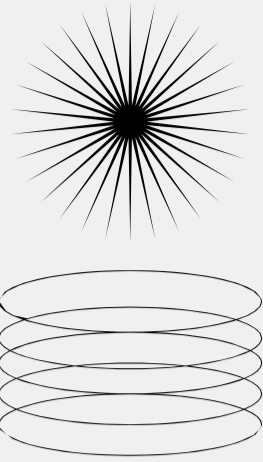


Charting



SECURE 2.0

Section 603
Catch-Up Contributions as ROTH

Provision(s)	Section 603 – catch-up contributions must be made on a Roth basis
Effective	Tax years beginning after December 31, 2025
Mandatory	Yes. Mandated for participants whose FICA wages exceed a specified amount in the prior calendar year but only if the plan allows for catch-up contributions.
Summary	<p>This provision requires that catch-up contributions under an employer retirement plan be made on a Roth basis for participants who had compensation that exceeded \$145,000 ¹in the prior calendar year. Those with wages of \$145,000 or less may continue to make pre-tax catch-up but must be permitted to elect catch-up on a Roth basis.</p> <p>This means that plans that don't permit designated Roth contributions can't permit catch-up contributions.</p> <p>This does not apply to SIMPLE IRAs or simplified employee pension (SEP) plans. Important to note that it does not appear to apply to those with self-employed earnings (sole proprietorships and partnerships) since they don't have FICA wages.</p> <p>If a plan does not currently allow for catch-up contributions no further action is required, provision does not apply.</p>
Things to Consider	<ul style="list-style-type: none">• The burden of closely tracking those that exceed the prior year compensation threshold will fall more on the payroll provider.• Recordkeepers may not have compensation records in time to administer this provision for the plan, especially true with off-calendar year plans.• Those with highly compensated employees who have compensation that fluctuates with bonuses and commissions will need to practice extra care. A participant's mandated status may change each year.• Prior to implementation plan sponsors should consider how they will communicate this provision to their participants.• Operating systems and processes will need to be amended to ensure proper implementation under this new rule. <p>The IRS released guidance on August 25, 2023 that addressed Section 603 of the SECURE 2.0 Act. This has granted a two-year delay in the provision's effective date that was originally set for December 31, 2023 and is now in effect December 31, 2025. But we anticipate even more guidance from the IRS to clarify the many challenges this rule has created.</p> <ul style="list-style-type: none">• It is unclear if participants who do not have any Social Security wages will not be subjected to the new Roth catch-up contribution rules.• Guidance is needed to determine if a pre-tax basis catch-up election can be treated as an affirmative election for Roth catch-up contributions in the event the participant becomes a mandated participant.• The IRS should also be addressing the circumstances under which an eligible participant earns income from more than one participating employer, and if this will affect their treatment as a high wage earner.
MVP's Standpoint	<p>Although the delay comes as a relief, MVP remains vigilant to the changing landscape of administering the upcoming Roth catch-up rule. During the two-year transition period we will be reviewing our own internal processes and systems to ensure appropriate alignment to communicate this change to employees and operate under the new rule.</p> <p>Together we will decide if your plan document will need to be amended. We will assist in determining the most favorable amendment for your plan.</p> <p>We encourage plan sponsors to use the two-year transition period to start considering updates to your own internal systems and processes to properly administer this provision when it goes into effect.</p>

At MVP Plan Administrators, we are here to assist you every step of the way. Together, we can work toward a more secure retirement future for all employees. Let us know how we can help you!

Please visit us at www.mvp401k.com for educational information on Secure 2.0 and more! Remember to follow us on [Facebook](#) and [LinkedIn](#)!

Presentation Disclaimer

Presentations provided by MVP Plan Administrators, Inc., ("MVP"), are intended for educational and informational purposes only; they do not replace independent professional judgement and contain non-binding indications. MVP does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. MVP makes no warranties or representation as to the accuracy, comprehensiveness, or suitability of its presentations for a particular purpose. In no event shall MVP be liable for any loss and/or damages of any kind, including any direct, indirect, or consequential damages arising out of or in connection with the use of its presentations.

¹ Amount will be indexed for inflation.