

Age 60 to 63? New 401(k) Rules for You and You Alone

Someone who is 50 or older is able to set aside more money into a 401(k) than someone who is under 50. Called a "catch-up contribution," the idea is to get more money working for you in a tax-advantaged way before you retire.

On Sept. 15, the IRS and the Department of the Treasury issued final regulations that incorporate SECURE 2.0 Act of 2022 changes to catch-ups.

People who are approaching ages 60 to 63 will benefit from a special increased catch-up. This change applies to 401(k)s as well as other eligible retirement plans, such as 403(b)s. See tinyurl.com/5n7zysax.

First, a little background.

Catch-up contributions first came into being as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (tinyurl.com/3tm3kzk7) as a means of helping older workers save more for retirement. The initial catch-up amount was \$500, with a planned increase after a few years to \$1,000.

In 2025, the maximum amount that a person under age 50 can contribute to a company retirement plan is \$23,500; someone who is 50 or older can kick in an additional \$7,500 as a catch-up contribution for a total contribution of \$31,000.

Under the newly finalized regulations, effective 2025, those who reach ages 60 through 63 this year have a catch-up limit of \$11,250 instead of \$7,500, meaning the total contribution for that age cohort is \$34,750. When someone turns 64, the catch-up limit falls back to the "regular" catch-up contribution.

There will be a yearly cost-of-living adjustment to the catch-up limit for ages 60 to 63 after this year.

You might recall that there was another SECURE 2.0 provision involving catch-up contributions

related to those 50 and older who earned more than \$145,000 in the previous year. The provision, which was set to start in 2024, called for those catch-up contributions to be designated as post-tax Roth contributions as opposed to pre-tax contributions.

As to Roth catch-up contributions, the final regulations followed proposed regulations published in January 2025 (tinyurl.com/3vfetwsv).

A Roth catch-up contribution would be similar to any Roth contribution in that it would not be "excludible from a person's gross income," and the contributions would need to be held "in a designated Roth account." In addition, a retirement plan "would need to permit a participant subject to a deemed Roth catch-up election to elect to cease making additional elective deferrals."

As for the implementation of the Roth catch-up contribution, IRS Notice 2023-62 (tinyurl.com/3ufhyxdp), which was released in August 2023, indicated that there would be "an administrative transition period" of two years after Dec. 31, 2023, for the requirement, meaning the Roth catch-up contributions would not start in full until 2026.

The final regulations provisions related to the Roth catch-up requirement "generally apply to contributions in taxable years beginning after Dec. 31, 2026," citing the IRS news release about the final regulations (tinyurl.com/jjvdysa3). However, "the final regulations provide a later applicability date for certain governmental plans and plans maintained under a collective bargaining agreement."

In addition, the regulations "also permit plans to implement the Roth catch-up requirement for taxable years beginning before 2027 using a reasonable, good faith interpretation of statutory provisions."

When the proposed regulations were released, they elicited more than 20 comments over a two-month period.

One comment offered some interesting thoughts. The person recommended that the catch-up age should be raised from 63 to at least 65, if not 67, saying that it would take strain off Social Security "and people's dependence on it." The person added that "I am 64 and still in need of 'catching up' on retirement preparation, especially given the inflation of the last few years. This is true also given that the dollars I have put into retirement no longer have the value they did."

If you are age 60 to 63, take this opportunity to contribute more to your 401(k), keeping in mind that your maximum is \$34,750.

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Seasoned investment counsel (tinyurl.com/52nus8hz) and award-winning columnist and author, Julie Jason, JD, LLM, promotes financial literacy and investor protection. Read her latest book, "The Discerning Investor: Personal Portfolio Management in Retirement for Lawyers (and Their Clients)" (tinyurl.com/4u7h9pjs), published by the American Bar Association. Write to Julie at readers@juliejason.com. While all questions cannot be answered, each email is read and reviewed and can lead to discussion in a future column.