

PALMER PENSION SERVICES, INC.

4343 Shallowford Road • Suite 320 • Marietta, GA 30062

Phone (678) 215-0909 • Fax (678) 215-0999

LEGISLATIVE UPDATE

November 4, 2024

The SECURE Act 2.0 (Setting Every Community up for Retirement Enhancement) was passed by Congress at the end of 2022. Some new plan provisions have already taken place while others are scheduled to be effective in 2025 and beyond.

The two provisions that will most likely affect your plan will be effective in 2025 and 2026.

EFFECTIVE January 1, 2025

Increased Catchup Deferral Limits

Participants who obtain the ages of 60-63 during the calendar year are permitted to defer additional catchup contributions beyond the \$23,500 IRC Section 402(g) deferral limit. The current catchup limit is \$7500. Beginning in 2025, those ages 60-63 can defer catchup contributions in the amount \$11,250. Once they attain age 64 their catchup limit reverts back to the standard limit.

You will need to communicate with your payroll provider so that you can confirm their system can recognize eligible participants and permit the increased limits.

This must also be communicated to the effected plan participants. They should complete a new Salary Deferral Agreement with their elected Catchup deferral amount annually.

EFFECTIVE January 1, 2026

Roth Catchup Contributions

While originally slated to be effective in 2024, the IRS delayed the effective date of this provision until plan years beginning in 2026. We are still waiting on additional technical clarifications.

Starting in 2026, those making over \$145,000 (as indexed) in FICA wages must make their catchup contributions as Roth Contributions. We did receive clarification that because owners of sole proprietorships and partnerships do not have FICA wages they will not be subject to these new rules.

We will be in touch in 2025 with further clarified information (hopefully!) on this implementation. Again, payroll providers will need to be able to recognize effected participants and withhold catchup contributions correctly.

If you have any questions or wish for further information, please give us a call.

Just Released 2025 Limits:

401k/Roth limit increases from \$23,000 to \$23,500

Catchup stays the same at \$7500. See above for those ages 60-63

Compensation limit increases from \$345,000 to \$350,000