Frequently asked questions pertaining to Roth 401(k) contributions



Are Roth contributions right for you? The following frequently asked questions help explain Roth contributions and how they differ from other retirement plan contributions.

Under changes made in the SECURE 2.0 Act, participants who are turning age 50 or older in 2026 and earned more than $150,000* in FICA wages[1] with their current employer in 2025, must make all catch-up contributions on a Roth basis. A higher catch-up contribution limit applies for employees who are ages 60 to 63 and who participate in eligible plans.

1. What are Roth contributions?

You may designate a percentage of your paycheck to be contributed to your workplace retirement plan as a Roth contribution. Roth contributions are considered optional and are made on an ***after-tax basis.*** Roth accounts were designed to combine the benefits of saving in your tax-deferred workplace savings plan with the advantage of avoiding taxes on your money when you make withdrawals in retirement.

How Roth contributions work

Think of contributions to your workplace retirement plan as having three separate buckets: pretax, Roth, and after-tax.

When you retire or leave your employer, earnings on your Roth contributions can be **withdrawn tax free** as long as:

- It has been ***five tax years*** since your first Roth contribution.
- You are at least ***59½ years old.***

In the event of your death, beneficiaries may be able to receive distributions tax free if you had started making Roth contributions earlier than five tax years prior to the distribution. In the event of disability, your earnings can be withdrawn tax free if the date of withdrawal has been at least five tax years from your first Roth contribution.

There are limits for Roth contributions

Roth contributions fall under the same IRS limits as pretax contributions to your plan, so each dollar of a Roth contribution reduces the amount that can be contributed pretax (and vice versa).

- In 2026, the total combined IRS contribution limit for Roth and/or traditional pretax contributions is $24,500.
- Effective January 1, 2026, The SECURE 2.0 Act of 2022 includes Section 603, a mandatory provision requiring that if a participant earns more than **$150,000* in FICA** wages[1] with their current employer in the 2025 calendar year, all catch-up contributions at **age 50 and older** must be on a Roth basis
- If you are age 50 or older in the calendar year, you may make an additional ***catch-up contribution*** of $8,000 in 2026, bringing your Roth and/or traditional pretax contributions to $32,500 for the year.
- If you are age 60 to 63 and participate in an eligible plan, for 2026, the catch-up contribution limit is $11,250 instead of $8,000 bringing your Roth and/or traditional pretax contributions to $35,750.

2. **What are the similarities and differences between Roth contributions and traditional pretax contributions?**
Roth contributions are similar to traditional pretax contributions in the following ways:

- You elect how much of your salary you wish to contribute.
- Your Roth and traditional pretax contributions cannot exceed IRS limits.
- Your contribution is based on your eligible compensation.

But, unlike traditional pretax contributions, Roth contributions allow you to withdraw your money tax free when you retire.[2] And income taxes will be withheld from your after-tax Roth contributions, so your take-home pay may be less than it would be if you made an equal traditional pretax contribution.

3. **How are Roth contributions to a workplace retirement plan different from Roth IRA contributions?**
A Roth IRA (individual retirement account) is an account that is outside your workplace retirement savings plan, whereas Roth contributions exist within your retirement savings plan. You may contribute to a Roth IRA only if your adjusted gross income falls below a certain amount. There are no adjusted gross income limits for Roth contributions to your workplace retirement plan.

Contributions to both your workplace retirement plan and your Roth IRA have annual contribution limits.

- The 2026 contribution limit for a **Roth IRA** is $7,500 per year, or $8,600 if you are age 50 or older and eligible to make catch-up contributions.
- The **combined** IRS contribution limit for both Roth and traditional pretax contributions in a workplace retirement plan if you are under age 50 is $24,500. If you are over age 50 and eligible to make a $8,000 catch-up contribution, the combined limit is $32,500.

  If you are age 60 to 63 and eligible to make a $11,250 catch-up contribution, the combined limit is $35,750.
- With a Roth IRA or Roth contributions to your workplace retirement plan, you do not have to take a **required minimum distribution (RMD)** during your lifetime. Please speak with your tax advisor regarding the impact of SECURE 2.0 on future RMDs.

4. **If I am already contributing $7,500 per year to a Roth IRA, am I still allowed to make pretax and Roth deferral contributions up to the $24,500 annual limit for 2026?**
Yes. You may make pretax and Roth deferral contributions up to the annual limit ($24,500 for 2026, or more if you are catch-up eligible), even if you have already contributed the annual maximum amount to a Roth IRA.

5. **How are Roth contributions different from regular after-tax contributions?**
Regular after-tax contributions are similar to Roth contributions in that both are made ***after taxes have been paid*** on your income. However, there are two key differences:

- Earnings on regular after-tax contributions **are taxable** when distributed.
- Regular after-tax contributions are not limited to $24,500. Instead, they are part of the larger $72,000 annual additions limit for 2026, which is the total amount that can be contributed to a workplace savings account, including employee and employer contributions and excluding catch-up contributions.
- A distribution from a Roth 401(k) is federally tax free and penalty free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.

The table below summarizes the different types of workplace retirement plan contributions and the tax implications of each one.

	PRETAX CONTRIBUTIONS	ROTH CONTRIBUTIONS	AFTER-TAX CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS
Are contributions taxed when made?	No	Yes	Yes	No
Are contributions taxed when distributed?	Yes	No[2]	No†	Yes
Are earnings taxed when distributed?	Yes	No[2]	Yes†	Yes
What are the IRS annual limits?	$24,500 for 2026 for employee pretax and Roth contributions		$72,000 for 2026, including employee pretax, Roth, after-tax, AND employer contributions	
What is the catch-up contribution‡ for a person age 50 or older?	An additional $8,000 employee pretax/Roth contributions up to $32,500 for 2026. For those age 60 to 63 an additional $11,250 employee pretax/Roth contributions up to $35,750 for 2026.			

† A partial distribution from a qualified plan must include a proportional share of the pretax and after-tax amounts in the account. Therefore, while the portion of your distribution associated with your after-tax contribution is not taxable, the portion of your distribution associated with any pretax contributions or earnings on pretax or after-tax contributions is taxable.

‡ A catch-up contribution may be made on a pretax or Roth basis and is in addition to the combined pretax and Roth $24,500 annual limit as well as the $72,000 annual additions limit, which applies to the total contributions made to your 401(k) across pretax, Roth, after-tax, and employer contributions. Effective January 1, 2026, catch-up contributions are required to be made on a Roth basis for employees whose FICA wages (from the same employer) were greater than $150,000 in 2025. For this purpose, wages are those as defined in Internal Revenue Code ("Code") Section 3121(a), wages subject to 2025 FICA (Form W-2 Box 3 wages for Social Security taxation purposes). The IRS permits employers the flexibility to also use FICA wages (Form W-2 Box 5 wages for Medicare) in determining the Roth catchup requirement for the 2026 tax year.

6. How can I maximize my contributions using a combination of pretax, Roth, after-tax, and (if age 50 or older and eligible) catch-up contributions?

	AGE 49 OR YOUNGER	AGE 50 OR OLDER	AGE 60–63
1. Contribute the maximum amount on a pretax and/or Roth basis.	$24,500	$24,500	$24,500
2. Contribute the maximum amount on an after-tax basis, up to the 2026 annual additions limit of $72,000.	$47,500§	$47,500§	$47,500§
3. Take advantage of the additional catch-up contribution‖ if age 50-59 and 64 or older.	N/A	$8,000	N/A
4. Take advantage of the additional catch-up contribution‖ if age 60, 61, 62, or 63.	N/A	N/A	$11,250¶
Total contribution	**$72,000**	**$80,000**	**$83,250**

§ Your after-tax contribution amount may be reduced by the amount of employer contributions to your plan account, if applicable.

‖ Effective January 1, 2026, catch-up contributions are required to be made on a Roth basis for employees whose FICA wages (from the same employer) were greater than $150,000 in 2025. For this purpose, wages are those as defined in Internal Revenue Code ("Code") Section 3121(a), wages subject to FICA (Form W-2 Box 3 wages for Social Security taxation purposes). The IRS permits employers the flexibility to also use FICA wages (Form W-2 Box 5 wages for Medicare) for the 2026 tax year.

¶ Plan must allow for higher catch-up.

Investing involves risk, including risk of loss.

*Indexed annually.

[1]For this purpose, wages are those as defined in Section 3121(a) of the Internal Revenue Code, which are wages subject to FICA (Form W-2 Box 3 wages for Social Security taxation purposes).

[2]A distribution from a Roth 401(k) is federal income tax free and penalty free, provided that the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.

A distribution from a qualified retirement plan (other than an IRA) made to you after you separate from service with your employer may be penalty free if the separation occurs in or after the year you reach age 55. Note that while penalty free, earnings on Roth contributions are taxable if you are under the age of 59.5 at the time of distribution.

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