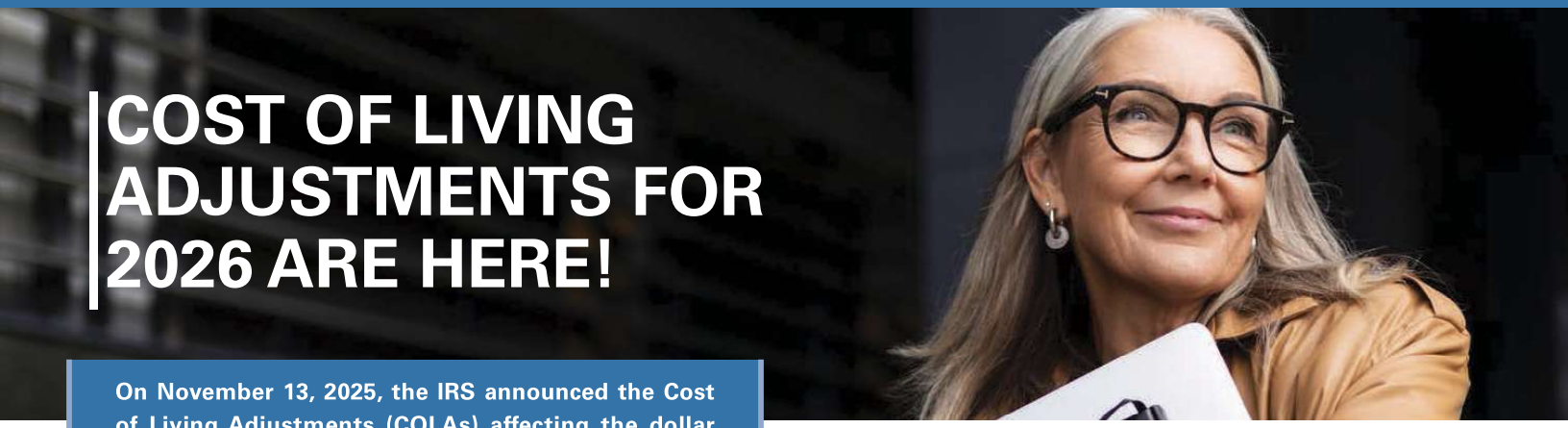

COST OF LIVING ADJUSTMENTS FOR 2026 ARE HERE!

On November 13, 2025, the IRS announced the Cost of Living Adjustments (COLAs) affecting the dollar limitations for retirement plans for 2026.

Fall 2025

In October, the Social Security Administration announced a modest benefit increase of 2.8%. Retirement plan limits also increased over the 2025 limits. COLA increases are intended to allow participant contributions and benefits to keep up with the "cost of living" from year to year. Here are the highlights from the new 2026 limits:

- The calendar year elective deferral limit increased from $23,500 to $24,500.
- The elective deferral catch-up contribution increases from $7,500 to $8,000. This contribution is available to all participants aged 50 or older in 2026. An additional $3,250 is available in 2026 for participants aged 60-63.
- The maximum available dollar amount that can be contributed to a participant's retirement account in a defined contribution plan increased from $70,000 to $72,000. The limit includes both employee and employer contributions as well as any allocated forfeitures. For those over age 50, the annual addition limit increases to include catch-up contributions.
- The maximum amount of compensation that can be considered in retirement plan compliance has been raised from $350,000 to $360,000.
- Annual income subject to Social Security taxation has increased from $176,100 to $184,500.

Annual Plan Limits	2026	2025	2024
Contribution & Benefit Limits			
Elective Deferral Limit	$24,500	$23,500	$23,000
Catch-Up Contributions (age 50-59 & over 63)	$8,000	$7,500	$7,500
Catch-Up Contributions (age 60-63)	$11,250	$11,250	–
Annual Contribution Limit	$72,000	$70,000	$69,000
Annual Contribution Limit including Catch-Up Contributions (age 50-50 and over 63)	$80,000	$77,500	$76,500
Annual Contribution Limit including Catch-Up Contributions (age 60-63)	$83,250	$81,250	$76,500
Annual Defined Benefit Limit	$290,000	$280,000	$275,000

Annual Plan Limits	2026	2025	2024
Compensation Limits			
Maximum Plan Compensation	$360,000	$350,000	$345,000
Income Subject to Social Security	$184,500	$176,100	$168,600
Key Employee Compensation Threshold	$235,000	$230,000	$220,000
Highly Compensated Employee Threshold	$160,000	$160,000	$155,000

Annual Plan Limits	2026	2025	2024
IRA Limits			
SIMPLE Plan Elective Deferrals	$17,000	$16,500	$16,000
SIMPLE Catch-Up Contributions	$4,000	$3,500	$3,500
Individual Retirement Account (IRA)	$7,500	$7,000	$7,000
IRA Catch-Up Contribution	$1,100	$1,000	$1,000

Roth Catch-Up is Final – What Plan Sponsors Need to Know

On September 15, 2025, the U.S. Department of the Treasury and the IRS issued final regulations implementing the Roth catch-up contribution requirement under the SECURE 2.0 Act. These rules will significantly impact how plan sponsors administer catch-up contributions for certain high-income participants starting in 2026.

Key Takeaway for Plan Sponsors

Beginning January 1, 2026, employees who are age 50 or older in 2026 who earned more than $150,000 in FICA wages from the sponsoring employer in the prior year must make their catch-up contributions on a **Roth (after-tax)** basis. This change requires updates to plan documents, payroll systems, and participant communications.

"Plan administrators must ensure that systems are in place to identify affected participants and properly designate their catch-up contributions as Roth," the IRS emphasized in its official release.[1]

What's New in the Final Regulations?

The final rule largely aligns with the proposed regulations but includes several clarifications and flexibility that plan sponsors should be aware of:

- **Employer Aggregation Flexibility:** Employers with multiple payroll entities can aggregate wages across common law employers to determine whether an employee exceeds the $150,000 threshold.
- **Deemed Roth Elections:** Plans may implement a default Roth treatment for catch-up contributions for affected participants, simplifying administration. Participants must be given the option to opt out.
- **Error Correction Relief:** If a plan mistakenly accepts a pre-tax catch-up contribution from a high-income participant, the IRS allows for correction without plan disqualification.
- **Puerto Rico Plan Guidance:** Special provisions apply to dual-qualified plans covering both Puerto Rico and United States participants, offering additional administrative flexibility.
    - Puerto Rico code does not currently allow Roth contributions, but participants who meet the wage requirement are permitted to make catch-up contributions as after-tax contributions.
- **No Extension of Transition Relief:** The administrative transition period still ends on December 31, 2025. Plan sponsors must be fully compliant by January 1, 2026.

Immediate Action Items

To prepare for the upcoming effective date, plan sponsors should:

1. **Coordinate with Payroll Providers:** Ensure systems can track prior-year FICA wages and apply the Roth requirement accordingly.
    - FICA (or Federal Insurance Contributions Act) wages include nearly all taxable earned income, such as salary, wages, bonuses, etc. An employee's FICA wages may be higher than their federal taxable wages (Box 1 on Form W-2) because deductions such as pre-tax 401(k) contributions that reduce taxable wages are still considered to be FICA wages to calculate FICA taxes.
2. **Update Plan Documents:** Amend plan language to reflect the Roth catch-up requirement and any deemed election provisions.
    - Plan document provisions that do not currently allow participants to defer Roth contributions are not required to add the provision. Without the option, however, participants who are age 50 and older and meet the wage threshold will not be permitted to elect to defer catch-up contributions.
3. **Review Participant Communication Strategies:** Clearly explain the change to affected participants, including the implications of Roth vs. pre-tax contributions.
4. **Train Internal Teams:** HR, payroll and benefits teams should understand the new rules and how to respond to participant questions.
5. **Consult Legal and Recordkeeping Partners:** Ensure all stakeholders are aligned on implementation and compliance.

Participant Impact

While the rule limits flexibility for high earners, it also presents an opportunity to educate participants on the benefits of Roth contributions, such as tax-free growth and no required minimum distributions (RMDs) during the account holder's lifetime.

Broader SECURE 2.0 Context

The Roth catch-up rule is part of a broader effort under SECURE 2.0 to modernize retirement savings. Other provisions already released include:

- Higher catch-up limits for ages 60–63
- Student loan matching contributions
- Mandatory automatic enrollment for new plans

The final regulations also provide guidance on these provisions, helping plan sponsors implement them in a coordinated fashion.

Final Thoughts

The IRS's final regulations provide much-needed clarity, but the compliance burden now shifts to plan sponsors. With the transition period ending in just a few months, proactive planning is essential.

"These final regulations reflect the Treasury Department and IRS's commitment to helping Americans save for retirement while ensuring compliance with the law," the IRS stated.[1]

Need help preparing your plan for 2026? We can assist with drafting participant notices, updating plan language or creating a compliance checklist. Just let us know what you need.

[1]IRS Newsroom – Treasury, IRS issue final regulations on new Roth catch-up rule, other SECURE 2.0 Act provisions

https://www.irs.gov/pub/irs-drop/n-24-63.pdf

Year-End Data Collection

It's that time of year again. A chill is in the air, football is on TV almost every night, and many are planning family holidays. It's also time—if your plan has a December year end—to start thinking about your annual data request.

You may wonder why we ask for this data at the end of every year. The bottom line is that we need the information to keep your plan in compliance and provide the best possible service.

First, we verify that the company data we have for you is correct. Your address, phone number and company EIN appear on annual filings and plan documents, so it's important that we have current information. However, this is only the start.

Ownership of businesses may change over time, whether it's due to a sale or new partners. The change will influence who is considered a highly-compensated employee (HCE), as well as who is a key employee. We use this information to perform the compliance testing for your plan.

Due to family attribution laws, some family members of company owners are treated as owning part of the business, even if they don't have direct ownership. Family members of owners, including children, spouses, parents or grandparents, who work at the company may be attributed ownership, which will have an effect on the compliance testing.

Ownership (or partial ownership) of other companies can also affect compliance testing on your plan. In certain situations, the other businesses will need to be included in the compliance testing, regardless of whether any employees of the other company participate in your plan. We will also need to know if the other business has its own retirement plan; if so, the two plans may need to be tested together.

Laws governing family attribution and business ownership can be complicated but are in place to protect the plan participants. Although we ask for this information at year end, we highly recommend informing us of any changes and their effective dates as soon as possible so we can review the impact on the plan design and avoid surprises during testing later.

Other events that can occur during the plan year include staffing and advisor changes. Retirement plan communications often involve confidential information and time-sensitive requests, which should only be received by individuals who are authorized to discuss the plan. To guarantee that our communications go to the correct person, please notify us of any changes immediately. With that said, we will still ask for updates at the end of the year to verify that our records are up to date.

In addition to the year-end items we've already mentioned, we also ask you a series of questions relating to your company and your plan. You'll notice that many of these questions are repeated every year. As your business situation changes over time, your answers may be different from one year to the next. Ultimately, your responses help us to identify possible compliance issues and allow us to ensure your plan is meeting your business goals.

Lastly, although certainly not least, an accurate employee census is vital to accurate testing and reporting. Incorrect data for even a single individual can affect the results of multiple compliance tests. It's important to provide complete information on all employees regardless of how many hours the employee worked or whether the employee participated in the plan. Even if an employee is newly hired and not yet eligible for the plan, they need to be included, as their information helps us determine their eligibility date. As a rule of thumb, the census data you provide should be consistent with the company's year-end payroll records.

While these represent the types of information we will request from you at the end of the plan year, if there is anything that you think we should know about the business that we didn't ask about, this is the perfect time to let us know. As you provide this year-end data, we would also request that you be thorough and complete to avoid follow-up questions and potential delays.

We appreciate your partnership in providing the data we need. If you ever have any questions or concerns regarding our data request or anything else, please feel free to reach out to us.

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Upcoming Compliance Deadlines for Calendar-Year Plans

December 1

Participant Notices – Annual notices due for Safe Harbor elections (note that some plans are no longer required to distribute Safe Harbor notices), Qualified Default Investment Arrangement (QDIA), and Automatic Contribution Arrangements (EACA or QACA).

December 31

ADP/ACP Corrections - Deadline for a plan to make ADP/ACP corrective distributions and/or deposit qualified nonelective contributions (QNEC) for the previous plan year.

Discretionary Amendments - Deadline to adopt discretionary amendments to the plan, subject to certain exceptions (e.g., anti-cutbacks).

Required Minimum Distribution (RMD) – The first RMD can be taken by December 31, 2025, or may be delayed until April 1, 2026. For participants already receiving RMDs, the distribution is due by December 31, 2025.

Contribution Funding – Final funding deadline for 2024 plan year end. See your tax advisor for the year of deductibility.

January 31

IRS Form 945 – Deadline to file IRS Form 945 to report income tax withheld from qualified plan distributions made during the prior plan year. The deadline may be extended to February 10th if taxes were deposited on time during the prior plan year.

IRS Form 1099-R – Deadline to distribute Form 1099-R to participants and beneficiaries who received a distribution or a deemed distribution during the prior plan year.

IRS Form W-2 – Deadline to distribute Form W-2, which must reflect the aggregate value of employer-provided employee benefits.