

The Catch-Up Contribution Mess Is Coming And 401(k) Plan Providers Will Be Blamed

By Ary Rosenbaum, Esq.

For years, catch-up contributions were one of the few simple things left in the 401(k) world. If you were 50 or older, you could defer more. Payroll processed it. Providers administered it. Plan sponsors rarely thought about it beyond approving the annual limit increase. No one worried about litigation exposure tied specifically to catch-ups because, frankly, there wasn't much to fight over. That era is ending. Between SECURE 2.0's income-based Roth catch-up mandate, the new age-60-to-63 "special catch-up," and the operational reality of fragmented payroll systems, catch-up contributions are about to become one of the most common—and most misunderstood, sources of compliance failure in retirement plans. And when things go wrong, plan sponsors won't be the only ones in the crosshairs. Providers will be blamed, whether that blame is fair or not. This isn't a future problem. It's a slow-motion collision already underway.

The Illusion of Simplicity

On paper, the SECURE 2.0 catch-up rules sound manageable. Starting in 2026, participants whose prior-year wages exceed a statutory threshold must make catch-up contributions on a Roth basis. Add in the higher catch-up limit for individuals aged 60 to 63, and Congress framed it as a benefit expansion, more savings, more flexibility, more tax revenue. What Congress did not account for is how retirement plans actually function in the real world. Catch-ups are not

determined by investment committees or plan documents sitting on a shelf. They are determined by payroll systems, HR data, W-2 reporting, multiple employer relationships, and recordkeeping platforms that were never designed to talk to each other with this level of precision. The law assumes clean data and perfect coordination. The industry operates in silos. That disconnect is where the mess begins.

Income Testing: The Payroll Trap

The Roth catch-up mandate hinges on pri-

the rule demands accurate classification at the time of deferral. If a participant is incorrectly allowed to make a pre-tax catch-up when they should have been forced into Roth, the error is not theoretical. It is a qualification issue, a correction issue, and potentially a fiduciary issue if the plan sponsor relied on provider guidance or systems that were marketed as "SECURE 2.0 ready." Providers who suggest this is "just payroll's problem" are missing the point. Plan sponsors will not draw those distinctions when participants complain, auditors ask questions, or plaintiff's lawyers start connecting dots.



The Age 60–63 Special Catch-Up: A New Layer of Confusion

The special catch-up for participants aged 60 through 63 adds another variable to an already overloaded system. Now eligibility depends not just on age, but on precise timing within a narrow window. Turn 64, and the enhanced limit disappears. Miss a birthday cutoff, and the contribution becomes excessive. For providers, this creates a dangerous combination: more complexity paired with higher dollar amounts. Higher

year wages from the employer sponsoring the plan. That sounds straightforward until you consider how often participants change jobs, work for multiple employers, or participate in more than one plan during the same year. Payroll systems do not naturally aggregate income across employers. Recordkeepers do not receive comprehensive wage data. TPAs rely on information fed to them, often months after the fact. Yet

dollar amounts mean higher correction costs. Higher correction costs mean angry plan sponsors asking why no one warned them. The uncomfortable truth is that many providers did warn them, at a high level, buried in webinars and white papers, but did not operationalize those warnings in a way that actually protects plans. Education without execution is not protection. From a sponsor's perspective, it often



feels like finger-pointing after the fact.

Data Silos Are the Real Enemy

The retirement industry loves to talk about technology. Dashboards, automation, and integrations are marketed as solutions to fiduciary risk. But catch-up compliance exposes a harder truth: technology does not fix bad data flows. Payroll vendors, recordkeepers, advisors, and TPAs all touch the process, yet no single party owns it end-to-end. Each system is optimized for its own function, not for regulatory nuance. The result is predictable. Errors will occur, responsibility will be unclear, and providers will be pulled into disputes whether they want to be or not. This is where provider marketing becomes dangerous. Promises of “compliance support” or “fiduciary partnership” can be used against providers when things break down. Plaintiffs’ lawyers do not parse disclaimers the way providers think they do. They look at what sponsors were told to expect.

Correction Nightmares Are Inevitable

When catch-up errors occur, fixing them is not clean. Roth errors cannot always

be corrected the same way as traditional deferral mistakes. Tax reporting complications follow participants long after the plan year closes. Excess contributions may require refunds that participants neither understand nor appreciate. Every correction creates a paper trail. Every paper trail invites questions about process. And every question about process leads back to who advised, who administered, and who designed the system. Providers who assume these issues will quietly resolve through EPCRS are being naïve. The volume of errors alone will draw attention. Regulators notice patterns. So do litigators.

Why Providers Will Be Blamed (Fairly or Not)

Plan sponsors rely on providers because they cannot realistically master this level of detail themselves. That reliance creates expectations, even when contracts attempt to limit responsibility. When something goes wrong, sponsors rarely say, “This is on us.” They ask why their provider didn’t flag the risk more clearly, build better guardrails, or slow them down before making irreversible decisions. This

is not about providers being villains. It is about providers being central to the system. Central actors attract scrutiny. That has always been true under ERISA, and catch-up failures will not be an exception.

What Providers Should Be Doing Now

Providers who want to avoid being swept into the catch-up mess should focus less on marketing readiness and more on structural honesty. First, stop oversimplifying. Catch-up compliance is not plug-and-play, and pretending otherwise sets unrealistic expectations. Second, document limitations clearly. If your system relies on employer-provided data, say so repeatedly and in writing. Make the dependency unmistakable. Third, help sponsors build internal processes. That means coordinating payroll, HR, and benefits in advance, not after errors surface. Finally, resist the urge to promise protection. ERISA does not reward bravado. It rewards prudence, documentation, and restraint.

Full Circle

Catch-up contributions used to be an afterthought. They are about to become a frontline compliance issue that exposes the weakest links in plan operations. Providers did not create this problem, but they will live with the consequences if they pretend it isn’t coming. The mess is not hypothetical. It is structural. And once it arrives in full force, the question won’t be whether errors occurred. It will be who helped prevent them, and who didn’t. In the world of ERISA, that distinction matters more than any new feature rollout ever will.

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