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Roth conversions before year end:

How the 2026 rules may affect your decision

For people approaching retirement, the final working years can provide an opportunity to increase retirement savings and evaluate whether converting pretax assets to a Roth account makes sense.

Key takeaways

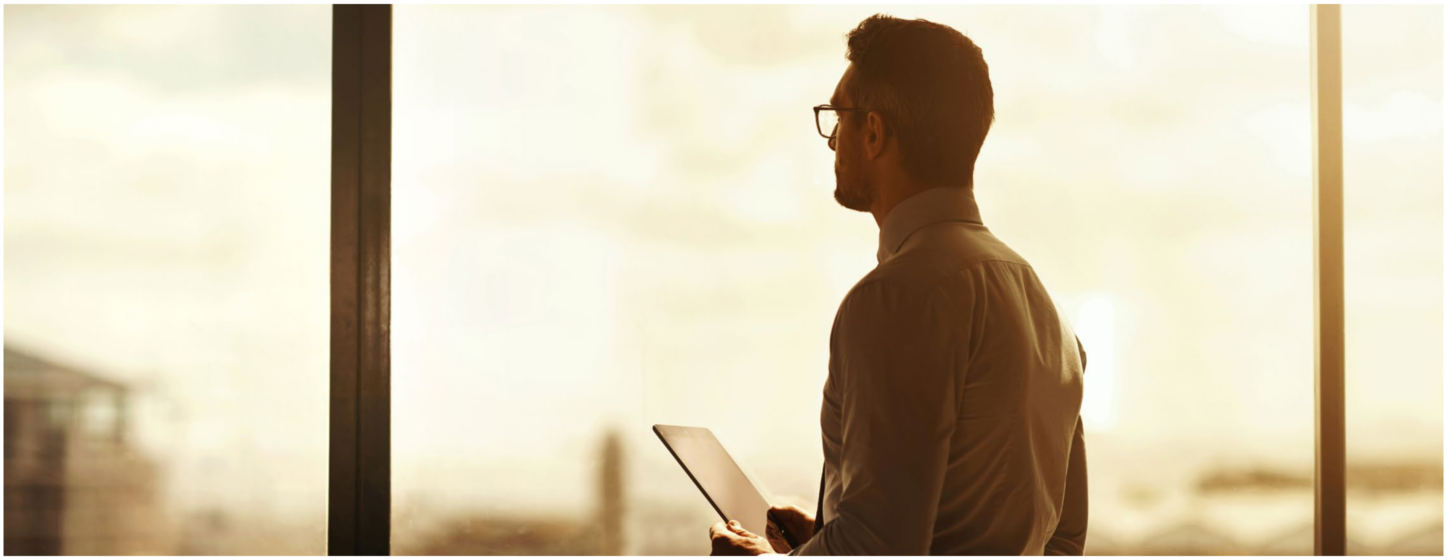
- The 2026 employee contribution limit for most 401(k), 403(b) and governmental 457(b) plans is $24,500.
- If permitted by your plan, people age 50 and older may contribute an additional $8,000. For those who turn 60 to 63 during 2026, plans may permit the higher catch-up limit of $11,250, bringing the potential total contribution to $35,750.
- If your 2025 Federal Insurance Contributions Act (FICA) wages from the employer sponsoring your plan exceeded $150,000, your 2026 catch-up contributions generally must be made on a Roth basis.
- Roth catch-up contributions and Roth conversions are separate decisions, but both should be included in your year-end tax planning.

The 2026 rules add another consideration: higher contribution limits may allow you to save more, particularly if you are between ages 60 and 63. At the same time, the new Roth catch-up requirement may affect your taxable income and the amount you choose to convert.

What are the 2026 contribution limits?

The employee contribution limit for most 401(k), 403(b) and governmental 457(b) plans increased to $24,500 in 2026. If permitted by the plan, employees age 50 and older can generally make an additional $8,000 catch-up contribution, for a total of $32,500.

For participants who turn 60, 61, 62 or 63 during 2026, plans may permit a higher catch-up contribution of $11,250, instead of the standard $8,000 catch-up, bringing your potential total to $35,750.[1]



There is also a new requirement for certain higher earners. If your 2025 FICA wages from the employer sponsoring your plan exceeded $150,000, your 2026 catch-up contributions generally must be designated as Roth contributions. The threshold is based on wages from that employer, not household income or adjusted gross income.[2]

Roth contributions are made with after-tax dollars, so they do not reduce current taxable income as pretax contributions generally do. If you previously made your catch-up contributions pretax, that change may affect your year-end tax projection.

How could catch-up contributions affect a Roth conversion?

A Roth catch-up contribution directs current earnings into the Roth portion of your workplace plan. A Roth conversion moves existing assets from a traditional individual retirement account or another eligible pretax retirement account into a Roth account.

Roth conversions are not subject to the annual contribution limits. However, previously untaxed amounts converted to Roth are generally included in your taxable income for the year of the conversion.[3]

If a traditional IRA includes nondeductible contributions, the portion attributable to those previously taxed contributions, or basis, generally isn't taxed again, although the taxable amount depends on the taxpayer's overall IRA balances and basis.[4]

Consider someone who turns 61 in 2026 and plans to contribute the full $35,750 to a workplace plan. If that person exceeded the $150,000 wage threshold in 2025, the $11,250 catch-up portion generally must be Roth.

Because that contribution doesn't lower current taxable income, there may be less room for a conversion within a desired federal income tax bracket than the person expected. That doesn't necessarily rule out a conversion, but it may affect the amount.

What should you review before year-end?

Before deciding how much to contribute or convert, consider these steps:

- **Check your workplace contributions:** Review your year-to-date total, remaining pay periods and plan procedures. Catch-up contributions generally must be completed through payroll before the end of the plan year.[2]
- **Estimate your full-year income:** Include salary, bonuses, investment income, capital gains, retirement distributions and any proposed Roth conversion. This can help you evaluate how different conversion amounts may affect your tax bracket.
- **Plan for the resulting tax bill:** Consider whether you have funds outside the retirement account available to pay the conversion taxes. Using converted assets to cover taxes reduces the amount that remains invested in the Roth account.
- **Confirm processing deadlines:** A conversion is generally taxable in the year it's completed.3 Because processing times vary by financial institution, begin the process early enough to complete it within the intended tax year.

How can an advisor help?

The increased contribution opportunity can be valuable, particularly for people ages 60 to 63. The Roth catch-up requirement also makes it important to consider workplace contributions and Roth conversions as part of the same tax projection.

Your advisor and tax professional can help coordinate workplace contributions with a possible Roth conversion, estimate the related tax impact and determine how each decision fits your broader retirement strategy.

For more information visit: **mariner.com**

[1]Internal Revenue Service, 401(k) limit increases to $24,500 for 2026, IRA limit increases to $7,500

[2]Internal Revenue Service, Retirement topics - Catch-up contributions, updated May 7, 2026

[3]Internal Revenue Service, Publication 590-A: Contributions to Individual Retirement Arrangements

[4]Internal Revenue Service, Instructions for Form 8606, Nondeductible IRAs