Retirement Benefits Reset for Employers and Workers

Optimize Affordability, Ensure Regulatory Compliance

Written By Laura Carabello

Social science pundits often advise that the best time to start thinking about your retirement is before the boss does.

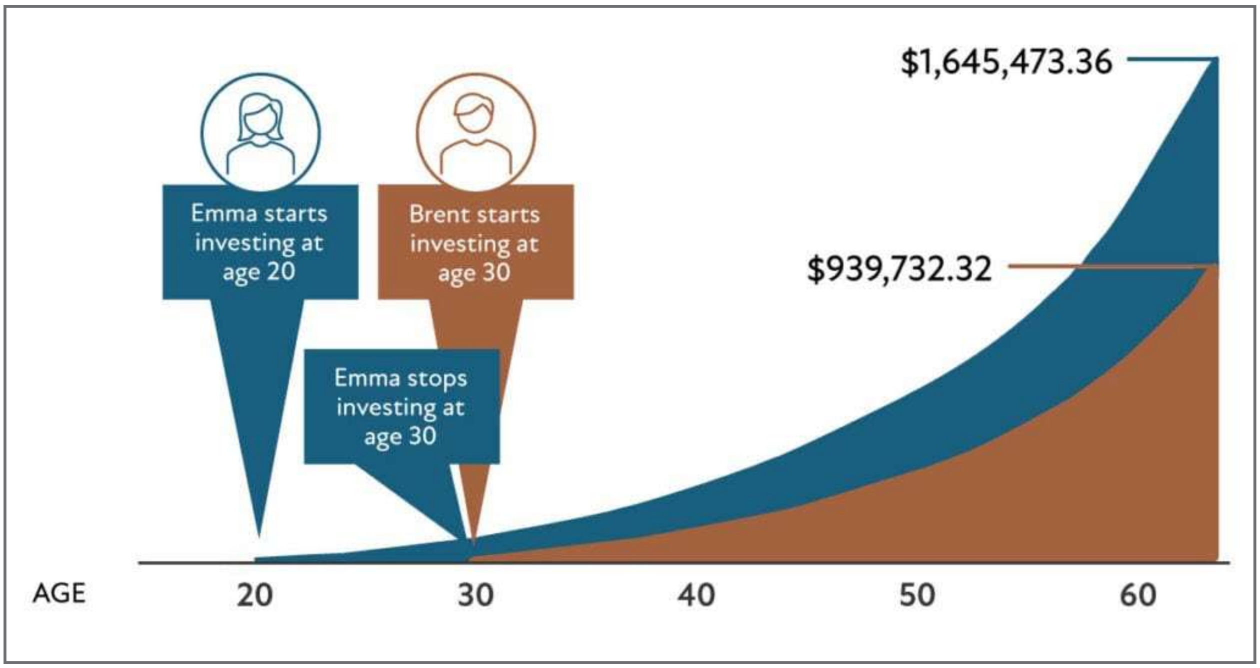
But when you're the boss – a self-insured company leader or the plan sponsor – this topic merits attention and engagement with employees sooner than later. It is projected that 15 million workers will prepare to retire over the next five years.

Retirement significantly alters employee benefits by transitioning individuals from active employer-sponsored perks to personal income management, often involving the loss of health insurance, life insurance and paid leave. These challenges are compelling organizations to better prepare employees for retirement, and the urgency is greater than most employers realize – particularly with new regulatory requirements under the SECURE 2.0 Act.

Kari Niblack, President, Boon Chapman, attests, "Retirement is a benefits cliff, not just a financial transition. Employees who've relied on employer-sponsored health coverage, life insurance, and paid leave suddenly face a landscape they're often completely unprepared to navigate. As an ERISA attorney, I've seen firsthand how that gap creates real hardship."

Kari Niblack

She maintains that organizations have both a practical and ethical responsibility to close that gap, adding, "That means proactive education well before retirement age, clear communication about coverage transitions, and benefits counseling that treats retirement planning as a continuum, not a finish line."



Habits of Successful Retirement Savers

Source: CreativePlanning.com

Retirement represents a major shift from employer-supported benefits to individual, financial responsibility, as Patrick Williams, Co-Founder, Fiduciary in a Box, shares, "Many employees underestimate longevity risk, healthcare costs and the loss of employer-sponsored protections such as life insurance and disability coverage."

He suggests organizations that provide retirement readiness education, income planning tools and transition guidance help employees make better decisions and reduce workforce disruption caused by delayed retirement.

"Preparing employees also strengthens workforce planning and productivity," he continues. "Employers that treat retirement readiness as part of total rewards help employees move from accumulation to sustainable income planning while maintaining financial stability and confidence during the transition into retirement."

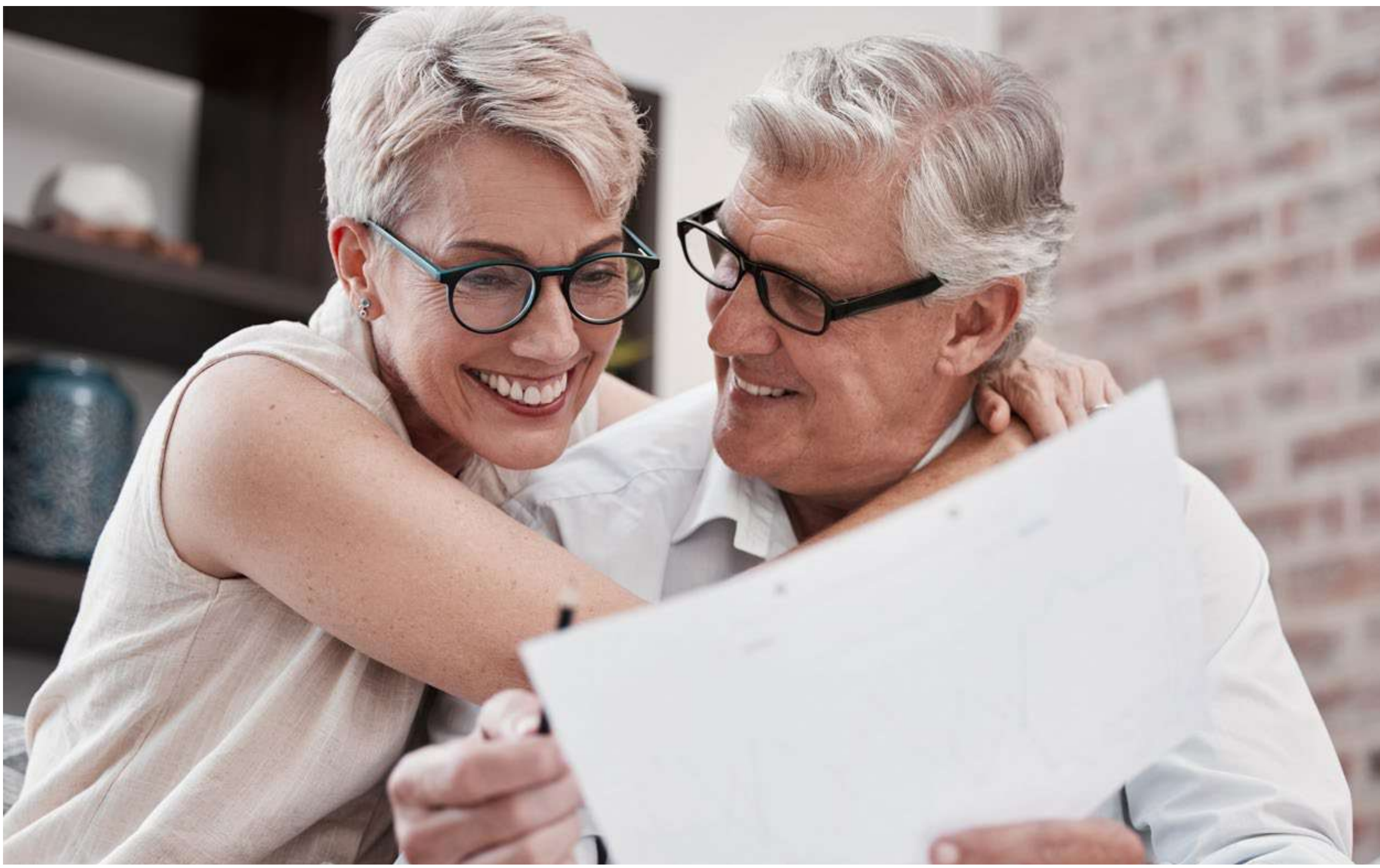
Jack Towarnicky

Speaking from decades of experience as an ERISA/Employee Benefits compliance and planning attorney, Jack M. Towarnicky, CEBS, Of Counsel, Koehler Fitzgerald, LLC, and Member, aequum LLC, shares, "Retirement preparation is not a top priority for the majority of today's workers. So, a more holistic response is more likely to succeed."

Towarnicky insists that a holistic response would meet workers where they are, recognizing that many workers live paycheck to paycheck and understanding that current financial needs – such as everyday medical expenses, car repairs, food – are not necessarily more important, but are more urgent.

"In fact, for the majority of retirees, about one of every four dollars spent in retirement will be on health expenses," he notes. "Recognize that for almost all American workers, medical costs will increase in the future, including in retirement. The best option for preparing for those expenses in retirement would include strategic allocations of savings between your 4301k/403b plan and a Health Savings Account (HSA)."

He says too many workers think Medicare coverage is provided without premiums for Part B and Part D, and without point-of-purchase cost sharing, such as deductibles, copayments or coinsurance.



"The best strategy for preparation for retirement is: HSA & 401k, Better Together," he continues. "Beyond the 401k and HSA-capable coverage, incorporating automatic enrollment, escalation and investment features, a savvy plan sponsor will also introduce post-employment medical coverage for its retirees."

He says the best alternative is to define "retiree" in a limited fashion, such as separating after reaching age 62 and completing 25 years of service, while limiting the coverage offer to a retiree – pay all, fully insured, Medicare Supplement or Medicare Advantage coverage (or both).

"This will position the coverage to take full advantage of HSA tax preferences in ways that will avoid impacting the corporate balance sheet," he concludes.

Retirement is often framed as a financial milestone, but for employees it is a deeply personal transition that affects identity, routines, relationships, and health.

Dani Kimlinger

Dani Kimlinger, PhD, MHA, SPHR, SHRM-SCP, CEO, MINES and Associates, Inc., shares, "Many people enter retirement unprepared for the emotional and practical shifts that come with changes in income, healthcare access and daily structure. Organizations can make a meaningful difference by supporting employees earlier, offering clear guidance, trusted navigation and access to behavioral health, financial and Medicare resources that reduce stress and uncertainty."

She says the most effective retiree benefit programs recognize the whole person, not just the plan, adding, "Protecting retirees' personal and financial information is also essential, as trust and security are foundational to long-term wellbeing."

MULTIPLE FACTORS IMPACT RETIREMENT SPENDING

How Much $ is Needed to Retire

People often ask how much they will need to save for retirement. With so many factors and uncertainties, financial counselors will offer more generalized advice along with personalized suggestions.

Experts at Fidelity Investment answer these queries, responding that its savings factors are based on the assumption that a person saves 15% of their income annually beginning at age 25 (which includes any employer match), invests more than 50% on average of their savings in stocks over their lifetime, retires at age 67, and plans to maintain their preretirement lifestyle in retirement.

Based on those assumptions, they estimate that saving 10x (times) your preretirement income by age 67, together with other steps, should help ensure enough income to maintain your current lifestyle in retirement. To stay on track, they suggest these age-based milestones: Aim to save at least 1x your income by age 30, 3x by 40, 6x by 50, and 8x by 60.

Financial planners have portfolios of recommendations for boosting retirement savings. J.P. Morgan Asset Management suggests making small changes consistently -- but saving just 1% more each year can significantly boost retirement savings over time. In its recently released 2026 Guide to Retirement, analysts attest that 56% of people haven't calculated how much they'll need in retirement — a step they warn that is critical to avoid setbacks. By factoring in age and household income, individuals can quickly see whether they're on track to meet their retirement goals or if they need to adjust their strategy.

They also debunk Social Security myths, amid dire projections that the fund will be depleted around 2033–34. Advisers point out that roughly three-quarters of benefits will still be funded by ongoing payroll taxes through the end of the century and caution people about claiming their benefits early at 62 when they will only receive about 70% of what they would otherwise get at full retirement age, which is 67 for anyone born in 1960 or later.

Additionally, they cite another factor that can impact retirement readiness: lack of emergency savings. According to the report, nine in 10 employees experience significant spending spikes, defined as 25% more than their baseline spending over the previous 12 months. But one in three who experience these spending shocks is unable to fund them out of savings and instead turn to credit cards or 401(k) loans.

Employees can get overwhelmed by all of these different factors since two out of three workers say they should be saving more for retirement, but they're just not sure what to do, according to the report. When planning for retirement, they need their employers to provide targeted communications.

Rajiv Sood, general manager, Insurance & Risk, Evidium, Inc. provides this perspective, "When we think of retirement, we often think of Social Security and whether we might be able to take it, or if it is even going to be around at that time. We also wonder, of course, when we should take it and how much our payout will be. More sophisticated individuals also tend to calculate the payout's ROI. All this, in turn, begs the question of longevity."

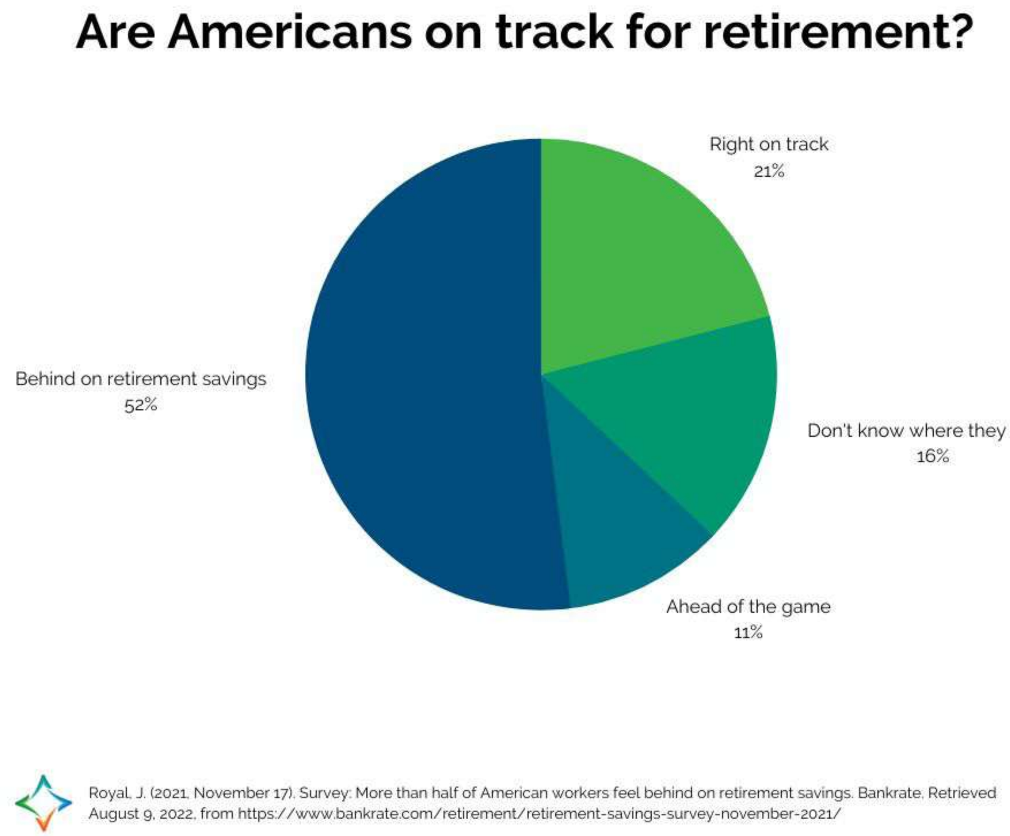

Rajiv Sood

He identifies key issues impacting longevity and retirement, including healthcare as well as what medical care one might need as we live longer and more productive lives, adding, "Conceivably, one may live 'in retirement' for a period of 30-ish years or more. So, naturally, the question of medical needs and individual medical trajectories should also be (or become) a vital part of the discussion and calculation. That is where a computational AI platform comes in."

He points to the value of this approach that allows healthcare experts to understand where patients are today, how their conditions are changing, and which actions might matter -- in order to support, not replace, expert judgment.

"With the Evidium platform, every insight is traced to clinical evidence and real-world evidence," explains Sood. "These insights can help drive improved individual health, more proactive health cost forecasting and more informed clinical choices. This can help lead to targeted interventions that better improve clinical and financial outcomes – which are critical to optimizing well-being during retirement years."

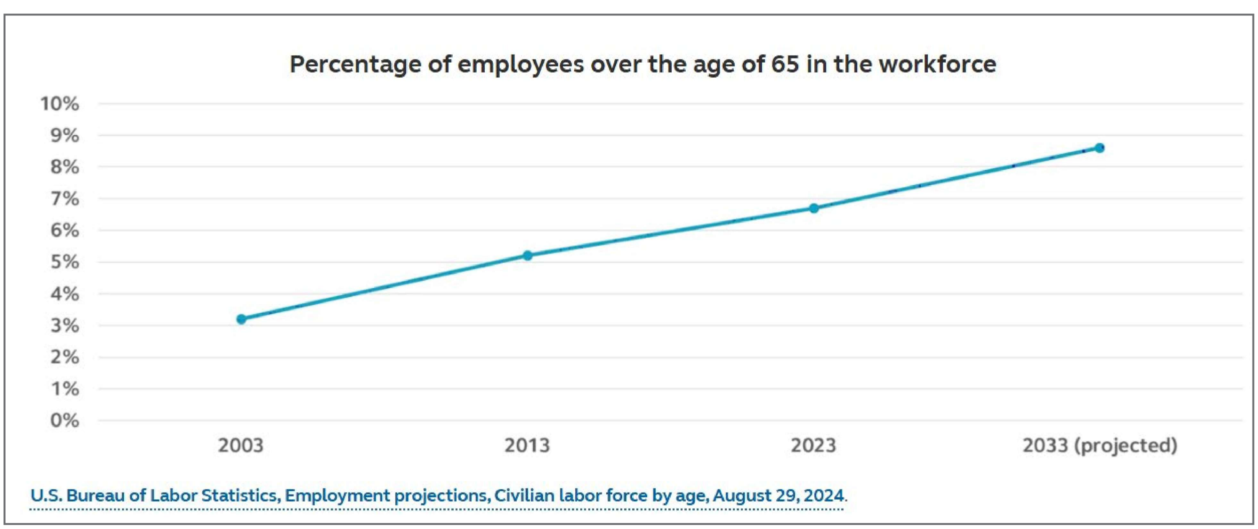
On this backdrop, new research from Dayforce, a human capital management technology provider, documents that for the first time in three years, the total retirement savings rate for full-time workers decreased in 2025, to 8.9% from 9.2% the year before. Declines in savings rates, participation and employee contributions last year were greatest among workers who earn between $50,000 and $150,000 annually. The study encompasses the entire full-time U.S. workforce over the past four years, including workers who do and who do not participate in an employer-sponsored plan.



AGE OF RETIREMENT

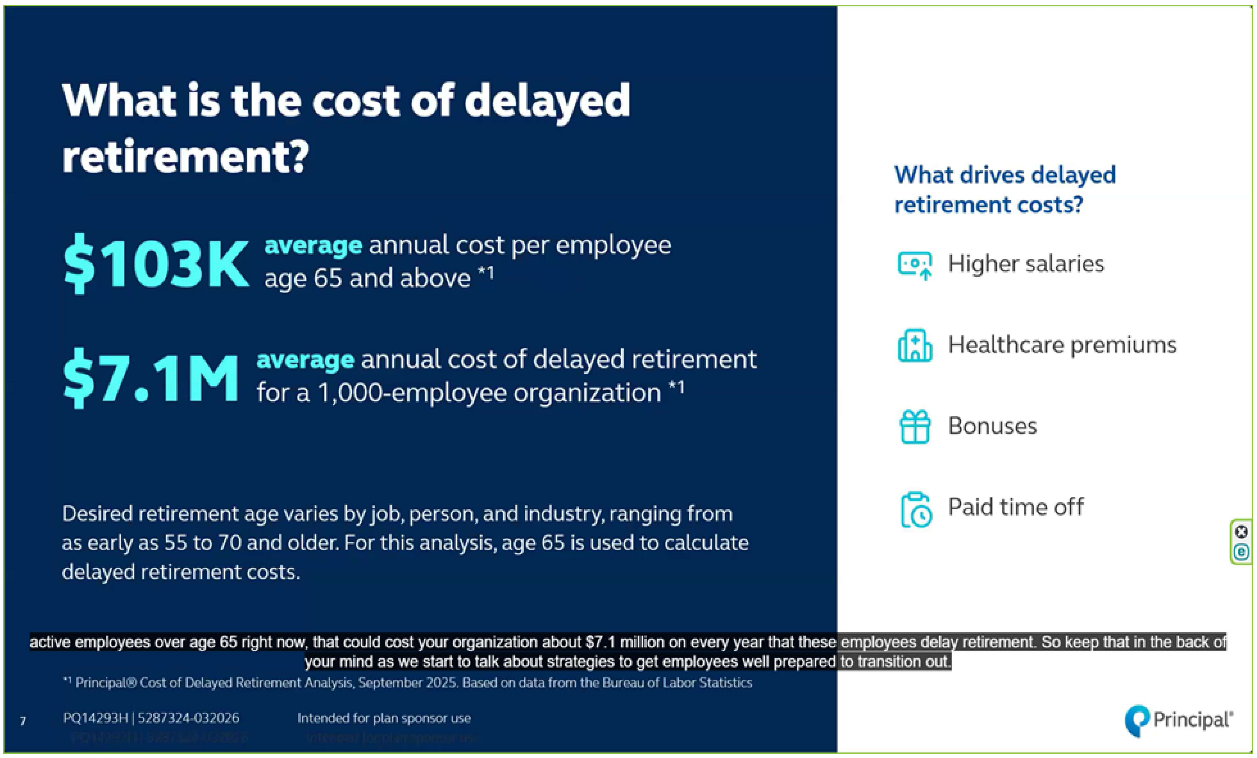
For individuals, retirement age has a significant impact on the amount of savings needed, and the longer retirement is postponed, the lower the savings factor. Delayed retirement allows for greater saving growth and fewer years of retirement.

However, for employers this is projected to create a dual workforce challenge, balancing the retention of experienced talent against increased operational costs, stalling career progression for younger staff and higher benefits expenses.



The Principal® says this shift affects both employees and employers in significant ways. For workers, extending employment beyond their desired retirement age can lead to decreased job satisfaction, physical and emotional strain and delayed pursuit of retirement dreams. For employers, there are real financial consequences.

A detailed Principal® analysis found it costs an average of $103,000 each year in added compensation and benefits when an employee works past age 65. For employers with a sizeable population over that age, the impact can reach millions annually.



It appears that a growing number of older Americans are hitting pause on their retirement plans as economic instability continues to upset their retirement timelines. According to the annual Protected Retirement Income and Planning (PRIP) Study, sponsored by CANNEX in partnership with The Alliance for Lifetime Income, 30% of workers ages 61 to 65 are now considering postponing retirement.

This demographic is known as "Peak 65," due to the unprecedented number reaching retirement age this year. Their top concerns include persistent inflation, market volatility and deepening uncertainty about the future of Social Security. The survey findings paint a picture of growing anxiety around retirement readiness and income security, particularly among Gen X and Baby Boomers, who increasingly fear outliving their savings.

In this environment, employers must adapt by offering phased, flexible roles and personalized, holistic financial planning. Key benefit shifts include increased pension actuarial adjustments, longer participation in defined contribution plans and a need for retirement-transition support.

Many advisers recommend that employers pivot to support decumulation – the strategic spending of savings, offer employees part-time opportunities or remote work to phase in the transition to retirement and continued access to employer-sponsored health insurance (better than Medicare) and continued contributions to 401(k)/IRA accounts, increasing their overall nest egg.

RETIREMENT AGE AND LIFESTYLE

It was rare when somebody in America turned 100 years old. However, new data suggest that this will become the norm in the not-too-distant future. According to the World Economic Forum (WEF), today's 20-year-olds can expect to live to 100 and 10-year-olds can expect to live to 103.

How long people will live takes on new meaning for both employers and employees. Although older Americans could work a few years longer, perhaps into their 70s, the reality is longer lifespans mean many more years in retirement, putting pressure on individuals who will need to plan and save accordingly.

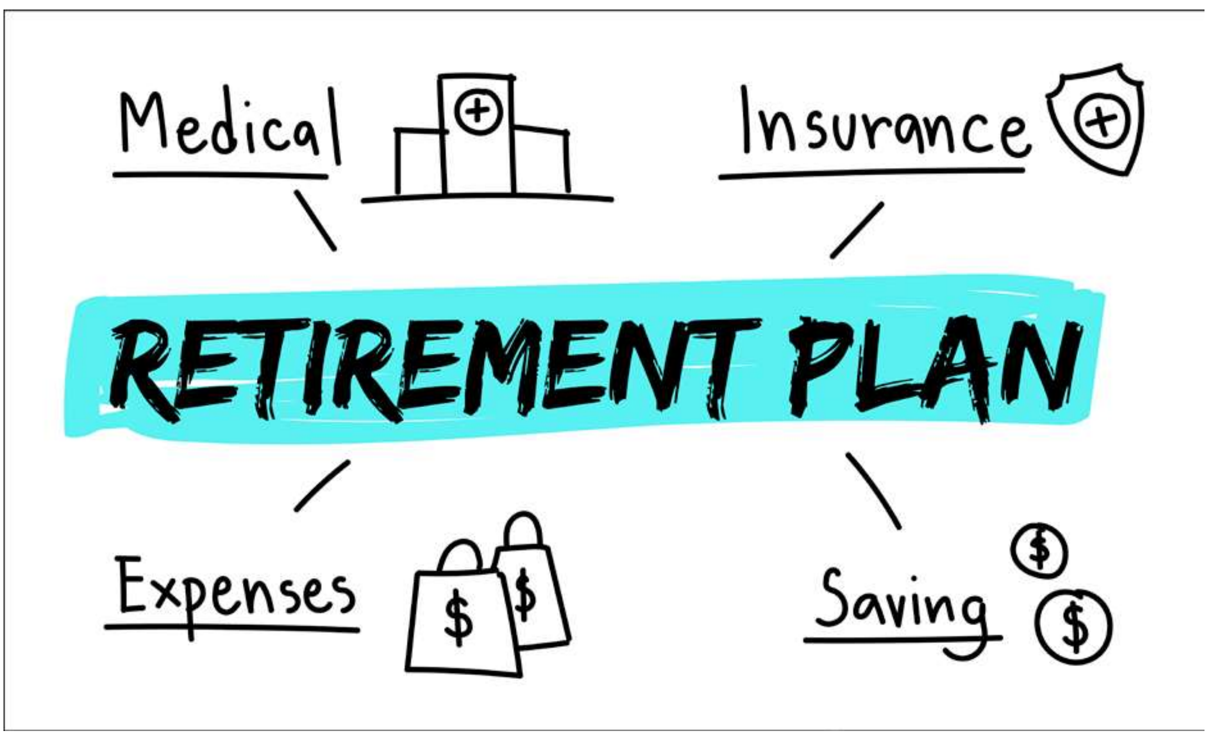
According to the World Health Organization (WHO), average healthy life expectancy in the U.S. is in the low-to-mid 60s. This means many people live several years with some health limitations. WHO simply puts it this way: if you retire at 65, you're already past your peak physical years.

Here's the reality of retired life from Yahoo Finance: It's less magic and more mundane. Spending in retirement is rarely a smooth glide path. Instead, expenses could shift based on age, health and lifestyle changes. If you're taking fewer flights, cruises and hikes in your 80s, you're also spending far less money.

The bottom line: living longer increases financial fragility and many more Americans are simply not saving enough.

THE VALUE OF DEFINED CONTRIBUTION PLANS

Bureau of Labor Statistics data shows that nearly two-thirds of American workers had access to a defined contribution plan in 2024, the highest amount in at least a decade. New research finds that nearly half of all Americans who have retirement savings in a 401(k) or similar plan say they probably would not save for retirement otherwise, highlighting the key role Defined Contribution plans play in getting Americans to save.



This finding comes via the Investment Company Institute's (ICI) 18th annual survey, "American Views on Defined Contribution Plan Saving, 2025," which reported that 47% of defined contribution-owning individuals agreed with the statement "I probably wouldn't save for retirement if I didn't have a retirement plan at work." Moreover, 77% are confident that DC plans can help people meet their financial goals and voice strong support for preserving the key features of DC plan retirement savings.

ICI found that agreement was higher among individuals with lower household incomes, including 58% of those making less than $50,000 and 55% of those making from $50,000 to $99,000. But individuals with higher household incomes were among those likely to agree (93%) with the statement, "My employer-sponsored retirement account helps me think about the long term, not just my current needs."

In a concluding observation, ICI noted that the findings are generally consistent with prior years' survey results showing that Americans "value the discipline and opportunity" that DC plans represent and want policymakers to preserve the features that make them work.

Retirees increasingly depend on defined contribution accounts for income, but tend to underspend from those accounts, according to a report recently released by Morningstar. Researchers found that retirees can find it difficult to figure out how much money to withdraw each year to use as income and concluded that retirees tend to pick simple, hands-off strategies — withdrawing based upon required minimum distributions, expected expenses, dividend/interest income or advisor consultation — and to stick with them.

LIFE EXPECTANCY & RETIREMENT

As a nation, we are getting older and a higher percentage of the population will be entering retirement years.

Based on trends reported by the Census Bureau, the median age in the United States reached 39.1 by July 2024 and is projected to rise.

While official 2026 data is not yet finalized, estimates suggest the median age is on track to increase to approximately 40 years as the population continues to age.

The number of Americans age 65 and older is expected to grow to 74 million by 2030, up from 49.2 million in 2016, according to an analysis of U.S. Census data by the Urban Institute.

The baby boomer generation began turning 65 in 2011 and 10,000 of them are turning 65 every day between now and 2030.

Average life expectancy is also increasing. 2026 U.S. reports show:

- **Average Age:** 79.0 years
- **Female Life Expectancy:** Increased to just over 81 years (approx. 81.4)
- **Male Life Expectancy:** Increased to 76.5 years

Source: US Census Bureau

COST OF RETIREMENT HEALTHCARE

Healthcare costs are rapidly rising for all Americans, with average annual out-of-pocket costs increasing from $763 to $1,425 over the past two decades, reports WalletHub, which recently analyzed the prices of five key healthcare components in each state, totaled these costs and compared them to the median household income. Although everyone is paying more, where a person lives can have an impact on how much they pay. Even in states with lower-than-average healthcare prices, residents' incomes may not be enough to keep up with the cost.

Wherever you live in the US, healthcare affordability remains a significant challenge, with a third of respondents to a recent Gallup poll saying they had to cut back on daily living expenses to afford care. The most commonly cited trade-offs were prolonging a prescription or borrowing money to cover medical costs. The newest Gallup poll affirms that Americans are more concerned about the availability and cost of healthcare than any other domestic issue, with it reclaiming the top spot for the first time since 2020.

So, it's not surprising that healthcare expenses consistently rank among the top retirement concerns for Americans across all generations, as described in the 2026 Retirement Healthcare Costs Data Report, published by HealthView.

The impact of longevity is a key factor. People without chronic health issues – even those in excellent health – aren't guaranteed low expenses. In fact, the healthier someone is, the more they may ultimately spend lifetime on healthcare in retirement. While their annual costs may be lower, total cumulative spending can be greater because they tend to live longer, resulting in more years paying for care and greater cost inflation.

Analysts say this worry is compounded by ongoing medical cost inflation, which continues to rise at approximately twice the rate of the Consumer Price Index (CPI). A key challenge in addressing this issue is developing personalized projections for retirement healthcare expenses based upon the many factors that influence costs. They advise that generic averages are insufficient for crafting a plan to accurately project (and ultimately fund) future healthcare needs.

According to Fidelity Investments' annual retiree healthcare cost estimate, the projected cost of healthcare expenses in retirement continues to grow, yet a significant portion of Americans are unaware of the need to save for health expenses. They advise that a 65-year-old retiring today can expect to spend $172,500 on healthcare and medical expenses during retirement. This represents a more than 4% increase year-over-year and continues an upward trajectory of projected health-related expenses since 2002, when the estimate was $80,000.

The largest share of medical expenses during retirement includes co-payments, coinsurance and deductibles for doctor and hospital visits. Close behind are Medicare Part B and Part D premiums. Out-of-pocket prescription drug costs account for about 9% of healthcare costs in retirement.

The report decries that many Americans underestimate how much they'll need to save to cover healthcare costs. More than 1 in 5 Americans said they have never considered healthcare needs during retirement, and 17% have taken no action at all to prepare for these expenses.

The study confirms what was pointed out earlier: HSAs are one tool that pre-retirees can start now to prepare for the future. Unfortunately, the report also revealed an HSA knowledge gap, with only 15% of people between the ages of 55 and 64 having an HSA. More than half of those were not aware that an HSA can be used as a retirement savings vehicle.

IRS RAISES 2026 HSA CONTRIBUTION LIMITS

2026 Health Savings Account (HSA) Index Figures

		2026	2025
Minimum deductible amounts for the qualifying High-Deductible Health Plan (HDHP)	Individual coverage	**$1,700**	$1,650
	Family coverage	**$3,400**	$3,300
Maximum contribution levels	Individual coverage	**$4,400**	$4,300
	Family coverage	**$8,750**	$8,550
	Catch-up contributions allowed for those 55 years of age and over	**$1,000**	$1,000
Maximums for HDHP out-of-pocket expenses (excluding premiums)	Individual coverage	**$8,500**	$8,300
	Family coverage	**$17,000**	$16,600

Source: Health Equity

Despite this lack of understanding, the study verifies that HSA adoption rates continue to increase. Fidelity HSAs saw 43% growth in total assets and a 23% increase in accounts last year as average 401(k) and 403(b) account balances continue to trend upward. This marks the third straight year of double-digit annual balance increases — thanks in part to continued market gains and strong 401(k) savings levels, which Fidelity says demonstrates the consistency that so many Americans show in maintaining responsible savings behaviors and keeping a long-term perspective will serve them well in retirement.

Fidelity explains that contributions to HSAs are pre-tax, and funds withdrawn to pay for qualified medical expenses are tax-free. In addition, any growth in invested HSA funds is considered tax-free. These tax advantages can help reduce the burden of healthcare costs that retirees encounter. However, less than one-quarter of Americans are contributing to an HSA to prepare for healthcare costs in retirement, and only 30% are investing their HSA funds.

They question is why so many Americans may be overestimating how much Medicare will help with expenses. Thirty-seven percent of Americans said they plan to rely on Medicare to cover healthcare costs in retirement, but many are unaware that they will still be responsible for premiums, over-the-counter medications, dental and vision care and long-term care.

IRS 2026 TAX CHANGES

Account	2025 Limit	2026 Limit	Percent Increase
IRA	$7,000	$7,500	+7.1%
HSA (Individual)	$4,300	$4,400	+2.3%
HSA (Family)	$8,550	$8,750	+2.3%
401(k) Deferral	$23,500	$24,500	+4.3%
401(k) Catch-Up	$7,500	$8,000	+6.7%
401(k) Annual Additions	$70,000	$72,000	+2.9%

Source: Money Guy

"Fortunately, actuarial data allows individuals to tailor projections within the broad range of potential cost outcomes. By accounting for factors such as health status, coverage, and state of residence, individuals can prepare for retirement healthcare expenses with greater confidence."

For reference, a 65-year-old couple retiring in 2026, with average health and national average costs, are projected to see an average annual increase of 5.8% throughout their retirement.

A 70-year-old diabetic Ohio man on Medicare Parts B and D will spend $3,121 more out-of-pocket in 2026 on hospitalization, doctor visits, tests, and prescription drugs than his healthy counterpart.

Notably, 93% of Americans age 65 and older have at least one condition, and 79% live with multiple.

Source: 2026 HealthView, a leading producer of healthcare cost-projection and related retirement planning data, software and APIs.

Furthermore, typical retirement savings just can't keep pace with long-term care (LTC) costs. In 2026, Americans should expect the cost of long-term services and supports (LTSS) to be high and rising, with national median costs for nursing homes surpassing $127,000 to $135,000 annually for a private room. A typical 65-year-old should prepare to set aside approximately $135,000 for future high-intensity care needs, although those requiring more than five years of care may need to cover expenses exceeding $665,000.

Roberts Wealth Management contends that LTC costs — for ongoing help when someone needs assistance with daily activities (like bathing, dressing, eating) or supervision due to cognitive decline -- can "quietly undo even a strong plan" if it's ignored.

That point out that LTC is often misunderstood as "nursing home care." In reality, it's a spectrum that can include:

- In-home help (home health aide, homemaker services)
- Adult day care
- Assisted living
- Skilled nursing/nursing home care
- Memory care (often part of assisted living or skilled nursing)

WHERE TO START

Employers can begin the discussion by asking employees these questions, as suggested by The Georgetown University Center for Retirement:

- At what age would you like to retire?
- Have you taken all the possible costs into consideration, such as health and long-term care, if you do live 20 or 30 years after you stop working?
- Does it make sense to work longer?
- Should you be saving more?
- What are the best types of investments for you to accomplish your retirement goals?
- How should you withdraw money from your retirement plan so it can last if you live to 100?

Williams advises programs that address healthcare risk and income stability tend to be the most compelling approach, noting, 'Retiree medical support, access to Medicare transition guidance, and HSA strategies help address one of the largest retirement expenses. Financial wellness programs that provide retirement income modeling and Social Security claiming guidance are also valuable."


Patrick Williams

Furthermore, lifetime income solutions within defined contribution plans are gaining traction because they help convert savings into predictable retirement income.

Williams clarifies, "In addition, phased retirement programs allow employees to gradually transition out of the workforce while maintaining partial benefits and institutional knowledge, creating a smoother transition for both employees and employers."

As a follow-on to this perspective comes the current efforts of sellers of HSAs who see an opening for expanding their market and are ramping up lobbying efforts to seize the opportunity. A group of companies and organizations tied to the HSA industry this year formed a nonprofit called the Great American Health Alliance, or GAHA, a 501(c)(4). Members of GAHA include HealthEquity, one of the largest administrators of HSAs, and the American Bankers Association, which represents institutions holding about 90% of HSAs.

OLDER AMERICANS ARE WORKING LONGER AND OFTEN PART-TIME

More people age 65 and older are remaining in the workforce: sixty-two million people in the U.S. are age 65 and over and close to 12 million still are working, reports VOYA. They say the numbers are increasing as the U.S. Bureau of Labor Statistics (BLS) projections show that the role of older workers will continue to grow over the next decade:

- Adults ages 65 and older are projected to be 8.6% of the labor force (those working and looking for work) in 2032, up from 6.6% in 2022. Women represent 46% of all workers ages 65 and older.
- Older adults are projected to account for 57% of labor force growth over the next ten years.
- Data from late 2025 indicates that over 38% of employed Americans 65+ work part-time (1–34 hours/week), with many seniors planning to work part-time as they rejoin the workforce.
- Between 2016 and 2026, the BLS projects the labor force growth rate of those age 65 to 74 years of age to be more than 50 percent and the growth rate for those 75 years of age and older to be more than 91 percent. This is compared to a 6.6 percent projected growth rate in the labor force as a whole.
- Transamerica Institute's "25 Facts About Women's Retirement Outlook" also shows that women have about 39% less saved by the time they retire than men do. With a median life expectancy of 90, 44% fear outliving savings, yet only 25% have a written plan. Women make up 47% of the U.S. workforce, according to the National Association of Home Builders.

DON'T IGNORE THE MILLENNIALS

Millennials, better known as Generation Y, may not seem to be anywhere near retirement. Born between 1981 and 1996, this working-age demographic is now roughly between 30-45 years old, making them a major part of the workforce.

Unfortunately, a new study conducted by the National Institute on Retirement Security finds a deeply troubling retirement outlook for this age group. Researchers suggest we may already be missing an opportunity with millennials, concluding that two-thirds of working millennials have nothing saved for retirement and only 5 percent are saving 15 percent of their salaries as recommended by financial experts. This is creating serious shortfalls in savings that may prove very costly decades from now.

The report indicates that many factors are contributing to this generation's retirement savings challenges – from depressed wages to the lack of eligibility to participate in employer retirement plans.

More specifically, the analysis finds the situation is far worse for working Millennial Latinos. Some 83 percent of Latinos in this generation have nothing saved for retirement.

ENSURE REGULATORY COMPLIANCE: SECURE 2.0 ACT

One of the biggest regulatory changes that is already reshaping employer-sponsored retirement plans is the SECURE 2.0 Act (Setting Every Community Up for Retirement Enhancement Act of 2022).

Sweeping payroll changes already landed on employer doorsteps on January 1, 2026 as this federal legislation includes over 90 provisions. It covers auto-enrollment, catch-up contributions, Roth requirements, part-time eligibility, student loan matching, and emergency savings — rolling out between 2023 and 2027. For employers that sponsor a 401(k), 403(b), or SIMPLE IRA, multiple provisions are already in effect.

Kari Niblack asserts that SECURE 2.0 represents one of the most significant shifts in retirement plan administration in years, and compliance timelines are tighter than many plan sponsors appreciate.

“The mandatory Roth catch-up contribution requirement for high earners, increased 401(k) limits, and enhanced participant communication standards all demand meaningful updates to payroll systems and plan documents. We're seeing delayed retirement trends complicate workforce planning simultaneously.”

Her strong advice to plan sponsors: “Don't wait for penalties to drive action. Work with your advisors now to audit current systems, confirm vendor readiness, and ensure participant communications reflect the new rules accurately and accessibly.”

Blue Wave HR provides this briefing on several aspects of the regulation:

- **Does the auto-enrollment mandate apply to my existing 401(k)?**

No. The mandate only applies to new 401(k) and 403(b) plans established after December 29, 2022. If your plan existed before that date, you're grandfathered. However, businesses with 10 or fewer employees, businesses less than 3 years old, and church/government plans are also exempt even if they start a new plan.

- **What is the super catch-up contribution?**

Starting in 2025, plan participants aged 60, 61, 62, or 63 can make enhanced catch-up contributions — the greater of $10,000 (indexed for inflation) or 150% of the regular catch-up limit. For 2025, that's $11,250 compared to the standard $7,500 catch-up for those 50 and older. This gives near-retirees a window to accelerate their savings. Employers must opt into offering this.

- **What changes for high earners' catch-up contributions in 2026?**

Starting January 1, 2026, employees who earned more than $145,000 in FICA wages (Box 3 of their W-2) from the plan sponsor in the prior year must make all catch-up contributions as Roth (after-tax) only. If your plan doesn't currently offer a Roth contribution option, those high-earning employees won't be able to make catch-ups at all. Most employers need to amend their plan documents by the end of the 2026 plan year.

- **How does SECURE 2.0 affect part-time employees?**

SECURE 2.0 reduced the eligibility waiting period for long-term part-time workers from three consecutive years to two. Employees who work at least 500 hours in two consecutive 12-month periods must be allowed to make elective deferrals to the 401(k) plan. Employers are not required to match these contributions. This is especially relevant for restaurants, retail, healthcare, and franchise businesses with large part-time workforces.

- **Does SECURE 2.0 affect my payroll system?**

Yes, significantly. Your payroll system needs to handle automatic enrollment deductions with annual escalation, age-based contribution limit calculations (different maximums for 50+, 60–63, and 64+), Roth catch-up routing based on prior-year W-2 wages, and part-time employee hour tracking across years.

Beyond SECURE 2.0 is a new development announced in early 2026: the inclusion of alternative investments—private equity, venture capital, private credit, real estate, and cryptocurrency—in qualified retirement plans (such as 401(k)s). This has moved from a niche topic to a regulatory priority as the DOL released a Proposed Rule on March 30, 2026 designed to make it easier for 401(k) plans to include alternative assets.

The proposal offers safe harbors for plan fiduciaries. If they follow a prudent process—evaluating performance, fees, liquidity, valuation, and complexity—they are less likely to face litigation for including these higher-risk assets. The DOL proposal is intentionally neutral, aiming to remove prior prohibitions or restrictions on specific asset classes (like crypto or private equity) while emphasizing a "process-based" approach. Overall, the initiative is driven by the goal of allowing ordinary workers to access high-growth opportunities previously reserved for high-net-worth investors and institutional pension funds.

Smaller employers may also consider a pooled employer plan (PEP), a type of defined contribution retirement plan made possible by the SECURE Act, allowing unrelated employers of any size to participate in a single plan, rather than each company sponsoring its own 401(k) plan.

Willis Towers Watson (WTW) explains that PEPs are designed for a wide range of employers, including for-profit/not for profit and small- to mid-sized businesses, to help them offer retirement plans with reduced administrative burdens and fiduciary liability. Participating employers shift nearly all oversight and governance to the pooled plan provider (PPP), including fiduciary responsibility for investments and plan administration.

Setting the stage for plan sponsors, Patrick Williams explains that SECURE 2.0 introduces several operational and compliance responsibilities, adding, "Mandatory Roth catch up contributions for employees earning more than $150,000 require payroll systems and recordkeeping platforms to be updated to ensure correct tax treatment. Increased contribution limits and expanded participant communication requirements also require coordination between payroll providers, recordkeepers, and advisors."

He says many plan sponsors are still working through implementation timelines and system changes. In addition, delayed retirement trends are creating workforce management challenges, requiring sponsors to focus more on retirement readiness education and plan design strategies that encourage appropriate retirement timing.

2026 AMOUNTS RELATING TO RETIREMENT PLANS AND IRAS, AS ADJUSTED FOR CHANGES IN COST-OF-LIVING

Retirement Plan Limits	2026	2025	2024	2023	2022
Elective contribution limit for 401(k), 403(b) and most 457 plans	$24,500	$23,500	$23,000	$22,500	$20,500
Catch-up contribution limit for 401(k), 403(b) and most 457 plans (employees over the age of 50)	$8,000	$7,500	$7,500	$7,500	$6,500
Catch-up contribution limit for 401(k), 403(b) and most 457 plans (for employees ages 60 - 63)	$11,250	$11,250			
Defined contribution limit under Section 415(c)(1)(A)	$72,000	$70,000	$69,000	$66,000	$61,000
Annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii)	$360,000	$350,000	$345,000	$330,000	$305,000
Annual compensation limit for highly compensated employees	$160,000	$160,000	$155,000	$150,000	$135,000
Defined benefit limit under Section 415(b)(1)(A)	$290,000	$280,000	$275,000	$265,000	$245,000
Annual compensation limit for key employees	$235,000	$230,000	$220,000	$215,000	$200,000
Individual Retirement Account (IRA)	$7,500	$7,000	$7,000	$6,500	$6,000
Individual Retirement Account (IRA) Catch-up	$1,100	$1,000	$1,000	$1,000	$1,000
Roth catch-up wage threshold	$150,000				

Source: Internal Revenue Service; https://www.irs.gov/pub/irs-drop/n-25-67.pdf

Notably, a federal program known as the Saver's Match will provide a government match on retirement savings for millions of Americans. While it was enacted as part of the SECURE 2.0 Act of 2022, it applies to tax years beginning on or after January 1, 2027.

Currently, lower and moderate-income workers who contribute to a retirement plan may claim the Saver's Credit, a non-refundable tax credit that only reduces tax owed. Beginning in 2027, the Saver's Match replaces the Saver's Credit with a direct federal matching contribution deposited into the individual's retirement account (such as a 401(k), 403(b), governmental 457(b), or IRA). The government will match 50% of contributions up to $2,000 per year, meaning a qualifying worker could receive up to $1,000 directly in their retirement account. Eligibility is based on modified adjusted gross income (MAGI) and filing status.

BE AWARE OF CYBERSECURITY ISSUES

Cybersecurity emerges as an important issue since retirement plans hold over $45 trillion in assets and maintain participants' personal data. Recognizing this threat, many plan sponsors are implementing programs to protect the plan.

Kari Niblack succinctly captures the challenge: “With over $45 trillion in retirement plan assets and deeply sensitive participant data at stake, cybersecurity is a fiduciary responsibility.”

She says that while the Department of Labor's (DOL) cybersecurity guidance has helped elevate awareness, “Guidance alone doesn't equal protection. Plan sponsors need to actively vet their recordkeepers and service providers, implement multi-factor authentication, and establish clear incident response protocols.”

Participant education matters, too, as she makes clear, “Social engineering remains one of the most common attack vectors. At every level of the retirement ecosystem, the only question worth asking is whether you're prepared. Every plan is a target. The organizations that recognize that are the ones building meaningful defenses.”

Patrick Williams echoes this position, stating, “Cybersecurity is now a central fiduciary responsibility for plan sponsors. Retirement plans hold significant assets and maintain sensitive personal and financial data, making them attractive targets for cybercrime. Plan committees should evaluate cybersecurity practices of recordkeepers, payroll providers, and other vendors, including data encryption, access controls, breach response protocols, and ongoing monitoring.”

He also points out that the DOL has issued cybersecurity guidance that encourages fiduciaries to document vendor oversight and security procedures.

“Strong cybersecurity governance helps protect participant assets, maintain trust in the plan, and demonstrate that fiduciaries are exercising prudent oversight in protecting plan information and operations,” says Williams.

RETIREMENT IN 2026: KEY CONSIDERATIONS FOR EMPLOYERS

In 2026, employers should expect that many people, particularly baby boomers -- with the oldest turning 80 -- are looking to retire due to career fatigue and a desire to focus on personal interests. There will likely be greater demands for more than traditional coverage along with personalized experiences, smarter tools and benefits that support the whole life experience.

For employers, that means rethinking how benefits are designed, delivered and experienced amid a complex landscape of new regulatory requirements, evolving compliance standards and heightened scrutiny from the Department of Labor. Regardless of workforce size, it is important to understand the changes that are underway and implement strong operational practices in order to better serve plan participants and avoid costly corrections.

This discussion of retirement is aptly captured in The Harvard Business Review:

"The problem is not retirement per se. It is the way we have elevated it into the central purpose of financial life. Retirement has become a destination in and of itself, an abstract ideal rather than a conduit to achieve greater meaning and broader relationships."■

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