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What the DOL's AI Guidance Means for Plan Sponsors



The U.S. Department of Labor (DOL) recently released voluntary guidance emphasizing the importance of ethical and transparent use of artificial intelligence (AI) in the workplace. Titled *Artificial Intelligence and Worker Well-being: Principles and Best Practices for Developers and Employers*, the document provides a roadmap aimed at helping ensure AI improves job quality while protecting

workers' rights and welfare.

Although much of the focus is on workers, the principles also have relevance for plan sponsors. As AI tools increasingly become more integral to retirement planning and financial education, it's important to ensure these technologies are used transparently and responsibly to empower participants while mitigating risks associated with AI.

Here are ways AI can be leveraged in retirement planning with DOL best practices in mind.

Ethical AI and Financial Decision-making

When adopting AI-driven tools for use in retirement plans, plan sponsors should prioritize ethical development and use. AI is increasingly being used to augment investment recommendations and predict retirement outcomes, but it's crucial that machine-learning algorithms remain transparent and free from bias. Poorly designed AI tools could disadvantage certain participants by making flawed assumptions or relying on data sets that are not representative.

To help mitigate these types of risks, plan sponsors should take measures to ensure that AI-driven systems are rigorously tested and continuously monitored. This aligns with the DOL's call for ethical AI development, which aims to protect workers from unintended harm.

Empowering Participants Through Personalized Planning

One of the most promising benefits of AI in retirement planning is its ability to provide highly personalized advice at scale. Instead of relying on more generic recommendations, AI can help tailor investment strategies and financial guidance to each participant's unique situation and encourage them to take actions that align with long-term goals. The DOL guidance highlights that AI should be used to support and enhance workers' abilities, rather than merely automating tasks. By facilitating



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one-on-one meetings with advisors, AI tools can be used in ways that help ensure AI-driven insights are contextualized and validated by professional expertise and judgment.

Transparency and Trust

The DOL also stresses the importance of AI transparency in the workplace. For plan sponsors, this requires clearly communicating how and when AI tools are being used. Employees should understand that while AI can provide valuable insights, it can also be prone to error and shouldn't replace personalized advice and expert guidance.

Sponsors can help build trust by clearly explaining how AI systems work — and how participants can benefit from these advanced tools. Open communication can help ensure that employees feel comfortable incorporating AI into their financial planning process in an appropriate way.

A Prudent Path Forward

By following DOL best practices, plan sponsors can more effectively use AI to empower workers, offer personalized guidance, and ensure that retirement planning remains ethical and transparent. This approach helps workers navigate the complexities of retirement savings with increased confidence and security.

Source

<https://www.dol.gov/general/ai-principles>

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