



# Retirement Plan Perspectives

Insights for Your Plan and Employees



## Bridging Generations

### Survey Offers Insights for 2026 Employee Education Strategies

A new report, "[An Uncertain Future: Retirement Prospects of 4 Generations](#)," explores how Generation Z, millennials, Generation X, and baby boomers are preparing for retirement amid economic volatility, caregiving pressures, and job insecurity. The report highlights several shared fears that can help inform your 2026 employee education strategy: outliving savings, declining health requiring long-term care, and uncertainty around social security's future. In addition, there are key generational differences to keep in mind:

- **Gen Z: Burned out and budgeting early.** Representing workers ages 28 and younger, Gen Z faces unique challenges: 59 percent report regular burnout, 32 percent hold multiple jobs, 59 percent juggle side hustles, and 41 percent bear caregiving responsibilities. Despite this stress, 76 percent are saving for retirement—typically starting at age 20 with a median 15 percent contribution of their salary. Their median retirement savings is \$31,000, but emergency reserves stand at just \$2,000—and 26 percent have already tapped into retirement funds early.
- **Millennials: Debt, dual pressures, and deferred planning.** Millennials (ages 29–44) shoulder competing pressures with childcare, elder care, and pandemic-related debt. Although 85 percent save for retirement, median savings reach only \$65,000, alongside just \$5,000 in emergency funds. Nearly one-quarter have made early withdrawals from retirement accounts.
- **Gen X: Nearing retirement underprepared.** Gen Xers (ages 45–60) are the least confident in their retirement strategy. Only 18 percent feel "very confident" in retiring comfortably, and half expect to rely primarily on self-funded savings, whereas 77 percent worry that social security may fall short. Their median retirement savings is around \$107,000, with \$6,500 in emergency funds. Only 25 percent have a written retirement strategy, and 50 percent have no backup plan if forced into early retirement.
- **Baby boomers: Stretching into later life.** Boomers (ages 61–79) are extending work well into their 60s. Fifty-seven percent expect to retire at or after age 70, driven by worries over health care, savings longevity, and uncertain social security. They maintain a median of \$270,000 in retirement savings and \$20,000 in emergency funds. Only 27 percent have a written plan and fewer than 40 percent have a contingency plan.

**Informational sources:** Transamerica Center for Retirement Studies: "[An Uncertain Future: Retirement Prospects of 4 Generations](#)" (June 2025).



## Staying on Top of Your Game

### 5 Common Risk Management Pitfalls and How to Effectively Mitigate Them

Retirement plan sponsors operate in a high-stakes regulatory landscape under the Employee Retirement Income Security Act (ERISA) of 1974. Over the past decade, ERISA litigation has surged—often catching even well-intentioned fiduciaries off guard. To mitigate risk and protect both the plan and its participants, it's critical to understand where litigation most often originates:

- **Excessive fees.** A primary driver of ERISA lawsuits involves claims that investment and administrative fees are unreasonably high. Plaintiffs argue that plan fiduciaries failed to leverage their bargaining power or benchmark fees against comparable options. Regular fee reviews and robust vendor management can go a long way toward reducing this risk.
- **Poor investment selection or monitoring.** Courts have scrutinized fiduciaries who retain underperforming funds or fail to provide a diverse menu of options. Sponsors should have clear investment policies in place and document decision-making processes to show prudent oversight.
- **Self-dealing and conflicts of interest.** When fiduciaries act in their own interest—or appear to—it can trigger major legal exposure. Ensuring transparency, eliminating conflicts, and following a documented process for all plan-related decisions can help reinforce fiduciary integrity.
- **Cybersecurity and data breaches.** Although relatively new, claims related to participant data theft or unauthorized distributions are gaining attention. Plan sponsors are expected to select and monitor service providers for their cybersecurity protocols and to educate participants on safe online practices.
- **Misuse or mishandling of forfeitures.** Litigation is increasingly targeting how forfeitures—unvested amounts from terminated participants—are managed. Failing to use forfeitures in line with plan documents or allowing them to accumulate indefinitely can raise fiduciary concerns. Sponsors must review plan provisions and apply forfeitures in a timely, compliant manner.

### Plan Sponsor Best Practices

Here are key best practices to help you mitigate litigation risks:

- Maintain a well-documented fiduciary process that emphasizes prudent, reasoned decisions.
- Regularly benchmark fees and services.
- Provide ongoing fiduciary training for committee members.
- Conduct annual plan governance reviews to identify gaps.
- Monitor cybersecurity policies of service providers and keep participant education current.
- Review and track forfeiture usage to ensure alignment with plan terms and compliance expectations.

**Informational sources:** 401(k) Specialist: “Rethinking Risk Management in 401(k)s” (June 19, 2025); Invesco: “ERISA Litigation Playbook Part 1: DC Plan Governance Best Practices” (August 5, 2024); Littler: “Cybersecurity Considerations for Employers Sponsoring ERISA Plans” (November 12, 2024).



### Web Resources for Plan Sponsors

- Internal Revenue Service, Employee Retirement Plans: [irs.gov/ep](https://irs.gov/ep)
- U.S. Department of Labor, Employee Benefits Security Administration: [dol.gov/ebsa](https://dol.gov/ebsa)
- 401(k) Help Center: [401khelpcenter.com](https://401khelpcenter.com)
- PLANSPONSOR Magazine: [plansponsor.com](https://plansponsor.com)
- BenefitsLink: [benefitslink.com](https://benefitslink.com)
- Plan Sponsor Council of America: [psca.org](https://psca.org)
- Employee Benefit Research Institute: [ebri.org](https://ebri.org)



## Pension Plan Limitations for 2025

• 401(k) maximum elective deferral (\$31,000 for those ages 50 and older; \$34,750 for those ages 60–63—if plan permits)*	\$23,500
• Defined contribution maximum annual addition	\$70,000
• Highly compensated employee threshold	\$160,000
• Annual compensation limit	\$350,000

\* Under a change made in SECURE ACT 2.0, a higher catch-up contribution limit applies for employees ages 60–63. For 2025, this higher catch-up contribution limit is \$11,250 instead of \$7,500, for a potential total contribution of \$34,750.



## Plan Sponsors Ask . . .

- Q** **Despite our promoting the use of a financial planner or advisor in their retirement planning efforts (including our own plan advisor), most of our employees still don't work with anyone. Are we the rule or the exception?**

The [Cerulli Report—U.S. Retirement End-Investor 2025](#) found that the majority (63 percent) of active 401(k) participants, many of whom fall into the mass-affluent category, do not work with a financial advisor. Meanwhile, 52 percent of mass-affluent active 401(k) participants who do not work with an advisor say their recordkeeper is their primary source of retirement planning and financial advice. Cerulli suggests that plan sponsors consider repositioning the 401(k) (or other workplace retirement plans) as a means to access financial planning, financial wellness platforms, and other in-plan advice offerings, as well as engaging with participants when they are considering their other benefits.

- Q** **Are you aware of any trends regarding plan fees for small plans versus larger plans?**

The recently released 25th edition of the [401\(k\) Averages Book](#) confirms a continuation of a long-running industry trend: investment and recordkeeping fees are steadily declining, helping drive lower total plan costs for employers and participants. Average investment-related fees decreased across all plan sizes, with reductions ranging from 0.02 percent to 0.12 percent. Many plan scenarios also saw reductions in recordkeeping fees, in some cases by as much as 0.03 percent, reflecting ongoing pricing competition and transparency demands. Smaller plans still pay significantly more in fees than larger plans. A \$5 million plan averages 1.08 percent in total costs, whereas a \$50 million plan averages 0.76 percent.

- Q** **Can you provide clarification on the SECURE Act 2.0 mandatory Roth catch-up provision for high earners?**

In 2026, mandatory Roth catch-up contributions for high-earning employees ages 50 and older will become effective. Specifically, if an individual's FICA wages from the same employer sponsoring the plan exceeded \$145,000 in the prior calendar year (indexed annually), any catch up contributions they elect must be made on an after tax Roth basis for 401(k), 403(b), or governmental 457(b) plans. If a plan does not have an existing Roth provision, they are not required to add it, but they will not be able to allow those employees to use the existing catch-up contribution provision in the plan.



## Plan Sponsor's Quarterly Calendar

### October

- Audit third-quarter payroll and plan deposit dates to ensure compliance with U.S. Department of Labor (DOL) rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between July 1 and September 30 received and returned an enrollment form. Follow up on forms that were not returned.
- For calendar-year safe harbor plans, issue the required notice to employees during October or November (within 30–90 days of the beginning of the plan year to which the safe harbor is to apply). Also, within the same period, distribute the appropriate notice if the plan features an eligible automatic contribution agreement, qualified automatic contribution agreement, and/or qualified default investment alternative.

### November

- Prepare to issue an announcement to employees to publicize the plan's advantages and benefits, along with any plan changes becoming effective in January.
- Conduct a campaign to encourage participants to review and, if necessary, update their mailing addresses to ensure their receipt of Form 1099-R, to be mailed in January for reportable plan transactions in the current year.
- Check current editions of enrollment materials, fund prospectuses, and other plan information available to employees to ensure that they are up to date.
- Provide a quarterly benefit/disclosure statement and statement of plan fees and expenses actually charged to individual plan accounts during the prior quarter, within 45 days of the end of the previous quarter.
- Prepare and distribute annual plan notices, such as the 401(k) safe harbor for safe harbor plans with a match, qualified default investment alternative annual notice, and automatic enrollment and default investment notices, at least 30 days before plan year-end.

### December

- Prepare to send year-end payroll and updated census data to the plan's recordkeeper in January for year-end compliance testing (calendar-year plans).
- Verify that participants who terminated during the second half of the year selected a distribution option for their account balance and returned the necessary form.
- Review plan operations to determine if any ERISA or tax-qualification violations occurred during the year and whether using an IRS or DOL self-correction program would be appropriate.

Consult your plan's financial, legal, or tax advisor regarding these and other items that may apply to your plan.

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