



Fiduciary Pension Partners

Fed Rate Decision: Implications for Sponsors

In September, the U.S. Federal Reserve announced it would hold interest rates steady for now but signaled at least one more hike may lie ahead before the end of the year. Moreover, rates are likely to stay elevated, as the Fed also



indicated it expects fewer cuts than previously forecasted for 2024. Plan sponsors can provide participants with options and tools to assist them during a protracted inflationary climate.

Offer diversified investment options. Consider providing a mix of options in the investment lineup and within target date funds (TDFs) that cater to different inflationary environments and risk levels. Discuss the potential inclusion of inflation hedges as appropriate, which

might include TIPS, commodities funds, or REITs. But at the same time, try to avoid overcomplicating the menu. And if you do include such asset classes ...

Educate participants. Employees may not understand how to incorporate inflation-sensitive instruments into their portfolios, so they are not misused or overused. An informed participant is more likely to make investment decisions that align with their long-term goals, even during periods of inflation. Regularly offer workshops or informational sessions about such options and the importance of maintaining a prudent, long-term strategy.

Tailor communication. Customize your messaging — and delivery channels — appropriately for different generational cohorts, as inflation affects near-retirees differently than younger workers. Addressing these distinctions helps ensure that each demographic receives advice that is pertinent and actionable for their specific life stage.

Provide digital tools. Online tools and calculators can help participants assess the future impact of inflation on their retirement savings. For example, an interactive simulator can allow participants to input various financial scenarios with inflation-adjusted projections so they can consider strategy modifications to offset any anticipated shortfalls.

Engage expert guidance. Encourage participants to engage a financial advisor who can guide them on inflation-protective strategies tailored to their specific situation and suited to their personal risk tolerance and retirement timeline.

Encourage higher contributions. To combat inflation's erosion of participants' purchasing power, clearly communicate the benefits of boosting and making catch-up contributions, if eligible.

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Sponsors Must Rise to the Challenge of Inflation

In times of sustained economic challenge, it's essential for plan sponsors to remain vigilant and supportive. As the weight of inflation continues to press on the minds — and squeeze the wallets — of employees, sponsors can play an indispensable role in equipping participants with the resources and knowledge they need to adapt. No matter how long a given worker's path to retirement, they can approach their journey with greater confidence and resilience with their employer's thoughtful guidance. Plan sponsors hold a responsibility that extends beyond funds to shaping workers' financial futures with foresight and fidelity.

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