RETIREMENT TRENDS: Article 1

The engagement imperative

Charting the changes reshaping the retirement industry

Retirement Trends, an article series from Broadridge, explores the major movements impacting plan advisors, sponsors, administrators, and recordkeepers today.

Plan advisors, sponsors, administrators, and recordkeepers are continually looking for smarter ways to meet retirement needs for millions of American workers. Amid economic, social, and industry turbulence, they find themselves revisiting even long-standing provider relationships — and utilizing operating models forever changed by the pandemic.

Yet, continued industry consolidation heightens competition and margin pressure. Technology and security requirements continue to rise. Plan sponsors and participants expect more products and improved experiences. And recently enacted laws have added new regulations and savings incentives for retirement plan providers to consider.

This first article in our retirement trends series explores enhancements to engagement that can boost plan participation and investment. It illustrates how digitized tools, workflows, and communications make accelerating digital transformation more important than ever.

The engagement imperative

U.S. workers need to save as if their future depends on it. Currently less than two-thirds of American workers have access to a workplace retirement plan[1]. For the rest, the lack of access leads to a lack of savings. And 64% of those with access will have less than $10,000 saved for retirement at age 65[2]. Adjusted for inflation, Social Security pays out just two-thirds of what it did 20 years ago[3]. Plus, the time when Social Security will not be fully funded is closing in fast.

Buoyed by a strong job market and increasingly attuned to the need to save, workers are leveraging their advantage for higher wages — and better benefits. The right benefits can be a powerful bargaining chip for employers seeking to attract and retain the best talent. Effective engagement on this front requires three things:

Education
The SECURE Act of 2019 and PTE-2020-02 provided more options for plan sponsors and workers. The SECURE 2.0 Act of 2022 (SECURE 2.0) expands on these and introduces more options. Understanding these and keeping abreast of new developments opens opportunities across the retirement ecosystem.

Personalization
In today's time of personally curated shopping experiences, newsfeeds, and more, workers have come to expect personalized engagement. Plan outreach must be relevant, timely, and life-stage appropriate.

Digitization
With the advent of the pandemic, workers increasingly prefer digital engagement. Plus, digital engagement is key to improved segmentation, personalization, and cost-efficiency.

"What will be needed to win today, tomorrow, and in 2025? A competitive benefits offering that considers all aspects of an employee's wellbeing: retirement, wellness, other group benefits, student loan support, and more."

— Michael Tae, President
Mutual Fund and Retirement Solutions
Broadridge

Education: Keys to increasing participation

Here are some of the rules, older to potentially forthcoming, that offer powerful engagement opportunities among plan sponsors and participants.

Auto-enrollment: Taking advantage of the ability to auto enroll participants is arguably one of the surest ways to boost enrollment and participation. The House Ways and Means Committee reports: "Since first defined and approved by Treasury in 1998, automatic enrollment has boosted participation by eligible employees generally, and particularly for Black, Latinx, and lower-wage employees...and the racial gap in participation rates is nearly eliminated among employees subject to auto-enrollment."[4]

Automatic payroll deductions: Effective for plan years beginning after December 31, 2024, SECURE 2.0 will require 401(k) and 403(b) plans to automatically enroll participants in the respective plans upon becoming eligible. The initial automatic enrollment amount is at least 3% and each year thereafter that amount is increased by 1%, allowable up to 15% of gross pay.[5] This is a powerful way to create a growing stream of retirement savings for participants.

Matching strategies: Some plan sponsors offer a one-for-one match up to a certain level. Others may use "Stretch Match" formulas that require employees to contribute a higher percent of their salary to receive the full employer match. Varying data suggests that differences in workforce demographics, such as average salary and the availability of discretionary income, play a big role in the success of a particular match strategy.

Creative matching

Consider ways to prompt participants to increase their savings rates. For example, a sponsor could match at 100% up to a maximum 3% employee contribution — or at 100% for the first 1% and 50% up to a maximum 6% employee contribution. In each instance, the maximum sponsor contribution is comparable — however, in the latter case, the employee would save more.[6]

Proposed Retirement Security Rule

On October 31, 2023 the DOL proposed the Retirement Security Rule which aims to expand the definition of a fiduciary under ERISA to better align with today's retirement investors' expectations. It also released proposed amendments to existing prohibited transaction exemptions (PTEs), including PTE 2020-02 which is expected to require more transactions rely upon the PTE.

Legislative opportunities

The Social Security Administration and U.S. Department of Labor (DOL) are both striving to remedy current coverage gaps. The changes they make offer retirement plan providers, administrators, recordkeepers, and advisors more ways to differentiate themselves via product offerings, market conduct rules such as the fiduciary standard, and new plans.

The SECURE Act: The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was signed into law on December 20, 2019. It was followed by the SECURE 2.0 Act of 2022. SECURE 2.0 builds upon the themes and provisions introduced by the original SECURE Act, introducing nearly 100 provisions that usher in sweeping changes to the administration of retirement plans.

Some key provisions include:

- Expanding automatic enrollment in retirement plans.
- Expanded credit for small employer pension plan startup costs.
- Improvements to Pooled Employer Plans and Multiple Employer 403(b) plans.
- Increase in age for required mandatory contributions to 72 in 2023 and 75 in 2033.
- Treatment of student loan payments as elective deferrals for retirement purposes.
- Withdrawals for certain emergency expenses.

View an effective date reference guide for key provisions included in SECURE Act 2.0 **here**.

"The SECURE ACT 2.0 greatly benefits plan providers and participants. Now it's just a matter of establishing the technological capabilities and capacity to put it into action."

— Cindy Dash, General Manager and Senior Vice President, Broadridge

PTE 2020-02: This DOL rule stipulates, among other things, specific conditions under which advisors may recommend that an individual move their account from an employer-sponsored plan into an IRA. (An advisor must document the specific reasons as to why the rollover is in the investor's best interest in the context of an expected or ongoing advisory relationship with the investor.) PTE 2020-02 went into full effect July 1, 2022.

The value of personalization

Life stages, personal circumstances, family obligations, and more contribute to individual retirement and financial wellness needs. A personalized experience strengthens the relationship between an employer and employee. More than simply getting the right information to the right workers, personalization is expected: It's essential to garnering the attention that can boost participation and investment.

Plan options and messaging must be directly responsive to the needs and attitudes at different stages on the journey to retirement. New legislation and new products create opportunities to differentiate plans, education, and messaging. These will be increasingly important in the face of industry consolidation, fee pressure, and heightened employee expectations.

Data required: Data-driven journeys allow automated and scalable interactions that reach each participant at the right moment with the right message. Not only can this strengthen relationships, it can also help to improve participant outcomes. Consider, for example, changes introduced by SECURE 2.0 that make it less punitive to tap into retirement funds for educational or catastrophic needs. These provisions can make a significant difference to participants in need.

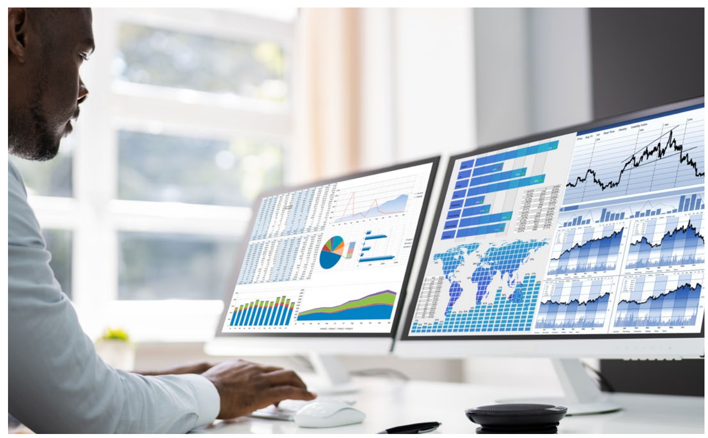
The right content: Managing beneficiaries, maximizing savings, aligning investment products with time and circumstance…there are many reasons to engage on a personal level. The objective here is to create content that connects with participants in ways that matter.

Channels of choice: Consumers' digital expectations are higher than ever, and they increasingly prefer digital experiences over in-person interaction. They want on-demand access to the information they need. They expect simple, seamless experiences. Intelligent microsites, chat, email, SMS — there's lots of smart technology available to optimize plan-participant communications at enrollment and across the savings journey. Digitization enables automating annual increases, personalizing communications on investment options, utilizing bounce-to-print capabilities, and more. Leveraging data and technology to democratize access to personalized advice can help more participants prepare for retirement — and the decisions that precede it.

What's next? The market for touchless technologies is expected to grow nearly five-fold between 2021 and 2031.[7] In choosing touchless technologies, brands must balance security, personalization, and ensuring the technology is not intrusive to the user experience.

"The experience of the future will be holistic, predictive, precise, and clearly tied to improved outcomes for participants, sponsors, and providers."

— Cindy Volker, VP Customer Experience and Product Strategy, Broadridge



Feedback loop: Built-in data and analytics are a must. Online and off, it's essential to access insights that optimize programming. Analytics can drive both efficiency and effectiveness, helping spur a virtuous cycle of program-efficacy optimization. As data models mature and more information is available, analytics will fuel better business decisions and significantly impact participant, sponsor, and provider outcomes.

"By leveraging data and technology, it becomes possible to democratize access to personalized advice. This means that plan advisors can help more participants and grow their businesses at the same time."

— John Faustino, Head of Retirement Products, Broadridge

Engagement is forever changed

The pandemic challenged participants, employers, advisors, and providers to do things differently. Providers found themselves reinventing their business models and leveraging solutions in new and unimagined ways. Employers and employees changed the way they work, interact, and make decisions about benefits. Many of these temporary measures have become the new norm.

Several transformative events are converging at once, prompting leading providers to establish a scalable blend of digital and human interactions to participant engagement.

Regulations are catching up. The industry continues to rely on too many analog-first practices. However, policymakers were already working to facilitate digitization to modernize the industry when the pandemic hit. For example, the Default Electronic Disclosure rule, passed by the DOL in 2020, allowed plan administrators to make electronic delivery the default mechanism for providing certain information to plan participants. Over the next few years, the current administration will likely lean on the regulatory process to accomplish priority goals away from the gridlock on Capitol Hill. Providers, sponsors, and partners will require a flexible model and scalable tools to maintain pace with the aggressive agendas outlined by the DOL, SEC, and IRS.

"Engagement and Communications" was most frequently cited as "the aspect of business most in need of technology enhancements over the next three years" among a survey of attendees at the Broadridge Fi360 Solutions Annual Conference (now the Broadridge 360 Advisor Summit).

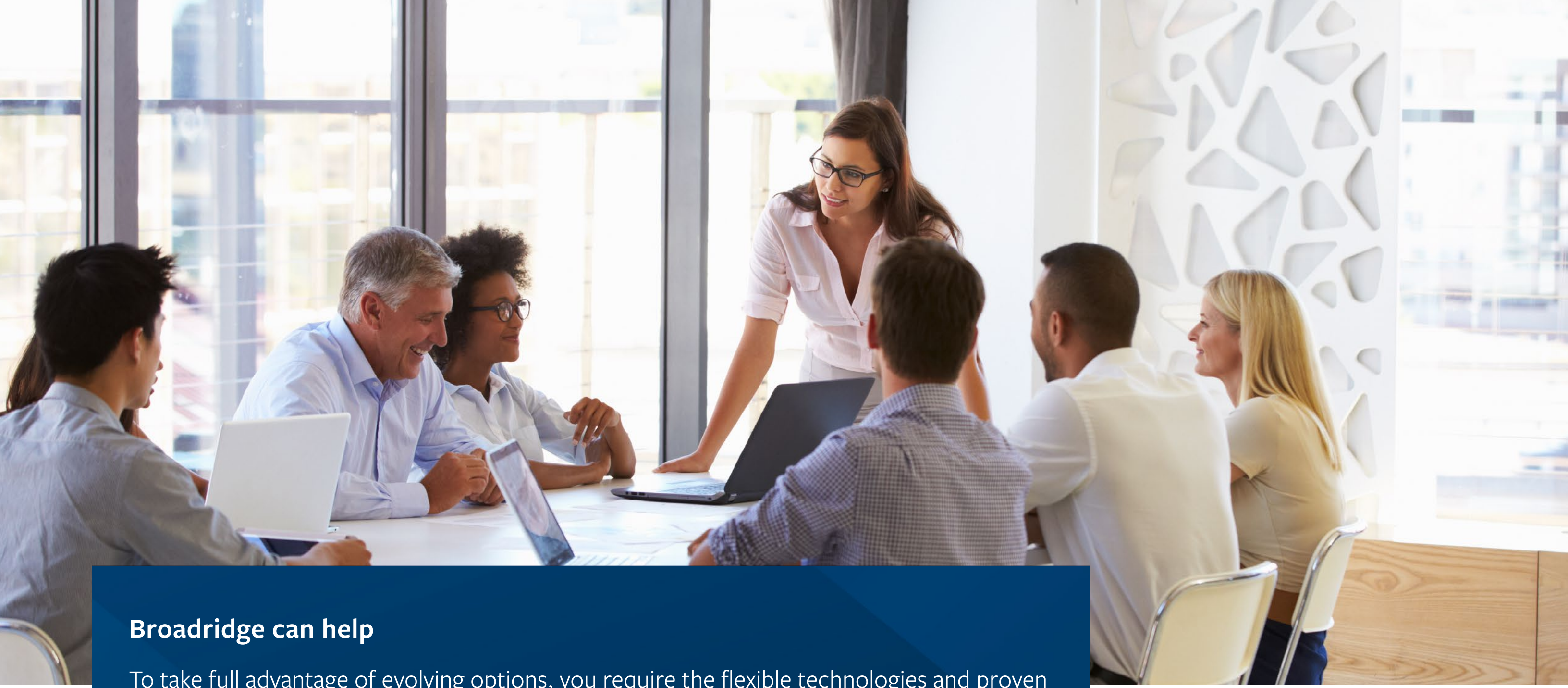
Digital yields greater efficiencies, experiences, and savings. Having the right tools to automate great experiences translates to cost-saving efficiencies — and dollars that can go back into participants' pockets instead of costly communication programs. The digital enhancements listed above offer a better participant experience that can boost participation, savings, and engagement while costing less than traditional print and mail. Emerging technologies such as artificial intelligence and machine learning are rapidly maturing.

Data security is now a differentiator. When advisors were asked to rank the importance of different criteria in evaluating recordkeepers, cybersecurity topped the list. SPARK reports: "Historically advisors have shied away from cybersecurity issues… However, with the recent DOL guidance to plan sponsors on cybersecurity and fraud protection, advisors seem to have changed their thinking."[8] Security breaches, platform downtime, and other disruptors are all significant concerns.

Per SPARK: "Advisors are seeking recordkeepers that adhere to an industry-recognized standard for cybersecurity. Second, they want to know that the recordkeeper has the proper insurance coverage and can provide them easy-to-understand information about their cybersecurity capabilities."[9]

Choosing the right partners and platforms is essential to ensuring optimal cybersecurity measures are in place. Emerging innovations in technology, new workflow tools, and SaaS solutions are helping recordkeepers, TPAs, and plan administrators streamline operations and lower costs. They can also help to accelerate introduction of the new products, solutions, and tools that foster participation, investment, and engagement.

Some considerations: Chains are only as strong as their weakest links. Assembling a selection of different digital solutions from different sources often requires more programming and oversight — and may create increased vulnerabilities. Detailed knowledge of and experience within and beyond the retirement ecosystem can help to ensure more frictionless transitions from physical and digital engagement and back. And changes to investment products, rules, and technologies will require ongoing updates. Working with a true partner, not just a technology provider, can help to streamline and accelerate transitions.



Broadridge can help

To take full advantage of evolving options, you require the flexible technologies and proven know-how of a trusted partner. Turn to Broadridge Retirement and Workplace for the expertise, technologies, and fiduciary tools advisors, providers, and sponsors require.

For more on ways to effectively engage participants, contact us at Broadridge.com/RetirementAndWorkplace or +1 866 359 0456.

[1] https://sgp.fas.org/crs/misc/R43439.pdf

[2] https://www.pwc.com/us/en/industries/financial-services/library/retirement-in-america.html

[3] https://seniorsleague.org/social-security-buying-power/

[4] https://waysandmeans.house.gov/wp-content/uploads/2021/05/SECURE-2.0-Section-by-section-5.3.21-1.pdf

[5] Employees may choose to opt out. For full details on autoenrollment, see www.finance.senate.gov/imo/media/doc/Secure%202.0_Section%2by%20Section%20Summary%2012-19-22%20FINAL.pdf

[6] Operating a 401(k) Plan: https://www.irs.gov/retirement-plans/operating-a-401k-plan#:~:text=The%20employer%20must%20make%20at,of%20compensation%20to%20all%20participants

[7] https://www.alliedmarketresearch.com/touchless-sensing-market-A31333

[9] Advisor Survey, SPARK and DCIIA, published Dec 2021.

[10] Ibid.

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RETIREMENT TRENDS: Article 2

Product opportunities in the evolving retirement landscape

Retirement Trends, an article series from Broadridge, explores the major movements impacting plan advisors, sponsors, administrators, and recordkeepers today.

Sixty-nine percent of U.S. workers had access to employer-provided retirement plans in March 2022 — and only 52% participated.[1] This shortfall, coupled with economic uncertainty and a receding Social Security safety net, signals a growing urgency for expanded retirement coverage. Fortunately, plan advisors, sponsors, administrators, and recordkeepers looking for an advantage have new options to consider.

Our first *Retirement Trends* article explored how firms can drive participation through enhanced engagement. This second article focuses on the types of investment plans and products that can help attract more plan sponsors and participation. It outlines specific opportunities and challenges presented by Department of Labor (DOL) and Social Security Administration actions. And it considers how trends in general investor interests may play out for retirement plans.

Incentivizing small businesses

Only 52% of employees at businesses with fewer than 50 employees have access to DB or DC plans[2], amounting to millions of uncovered Americans. These employers don't offer employer-sponsored retirement plans because of the overwhelming cost and administrative burdens. The SECURE 2.0 Act of 2022 (SECURE 2.0) included provisions that offer new options designed to make plans more attractive and accessible.

Incentives for small business

Employers with up to 50 employees can take advantage of a three-year startup tax credit to 100% of administrative costs, up to an annual maximum of $5,000. SECURE 2.0 also gives small business owners with an existing retirement plan a $500 tax credit if they include an automatic enrollment feature (employees can still opt out). These incentives are designed to spur employers to act. SECURE 2.0 has introduced numerous new plan options that make offering retirement benefits more attractive.

Pooled employer plans (PEPs)

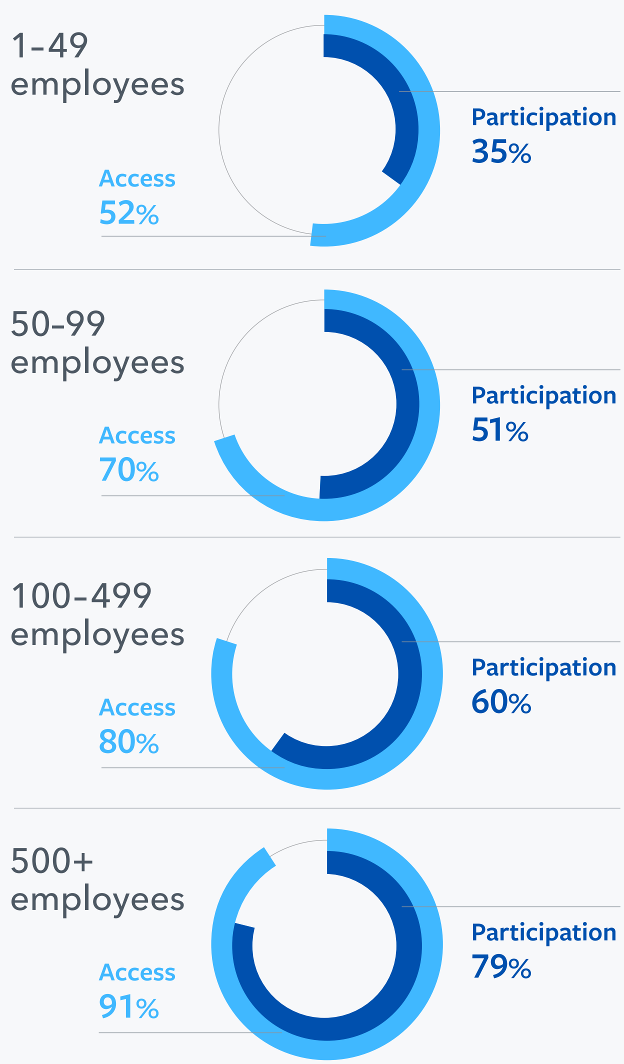
PEPs were introduced through the original SECURE Act of 2019. Unlike their predecessor, multiple-employer plans (MEPs), PEPs allow unrelated employers to band together to participate in a single DC plan. PEPs are currently limited to 401(k) plans; however, the opportunity they represent is huge.

PEPs offer a way for small businesses to lower plan costs, spread the actuarial risk and place the administrative burden with a fiduciary. They may also help small businesses attract and retain talent in a tight job market.

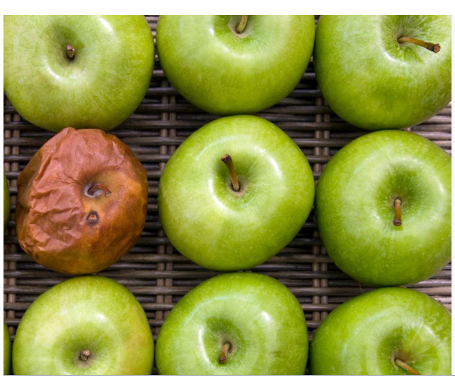
Becoming a PEP plan administrator and fiduciary (i.e., a "pooled plan provider" or PPP) may allow industry players to tap into this underserved market. PPPs can expand their business by educating employers, establishing pools and providing incentives to boost participation rates and accelerate PEP adoption. They must register with the DOL and IRS to offer a PEP to employers.[3]

Closing the small business coverage gap

Access and participation rates in employer-sponsored pension plans (either DB or DC), March 2021[4]



Source: Congressional Research Service Report: Worker Participation in Employer Sponsored Pensions, Updated November 23, 2021



No bad apple

The so-called "one bad apple" [Treas. Reg. § 1.413-2(a)(3)(iv)] had deterred many businesses from considering MEPs. This "bad apple" rule stipulated that the failure of any employer maintaining the plan (or the plan itself) to satisfy compliance requirements could disqualify all participating employers. Importantly, this rule is not part of PEP legislation. Instead, the PPP holds this fiduciary responsibility, reducing the risk to employers.

Adding annuities to the mix

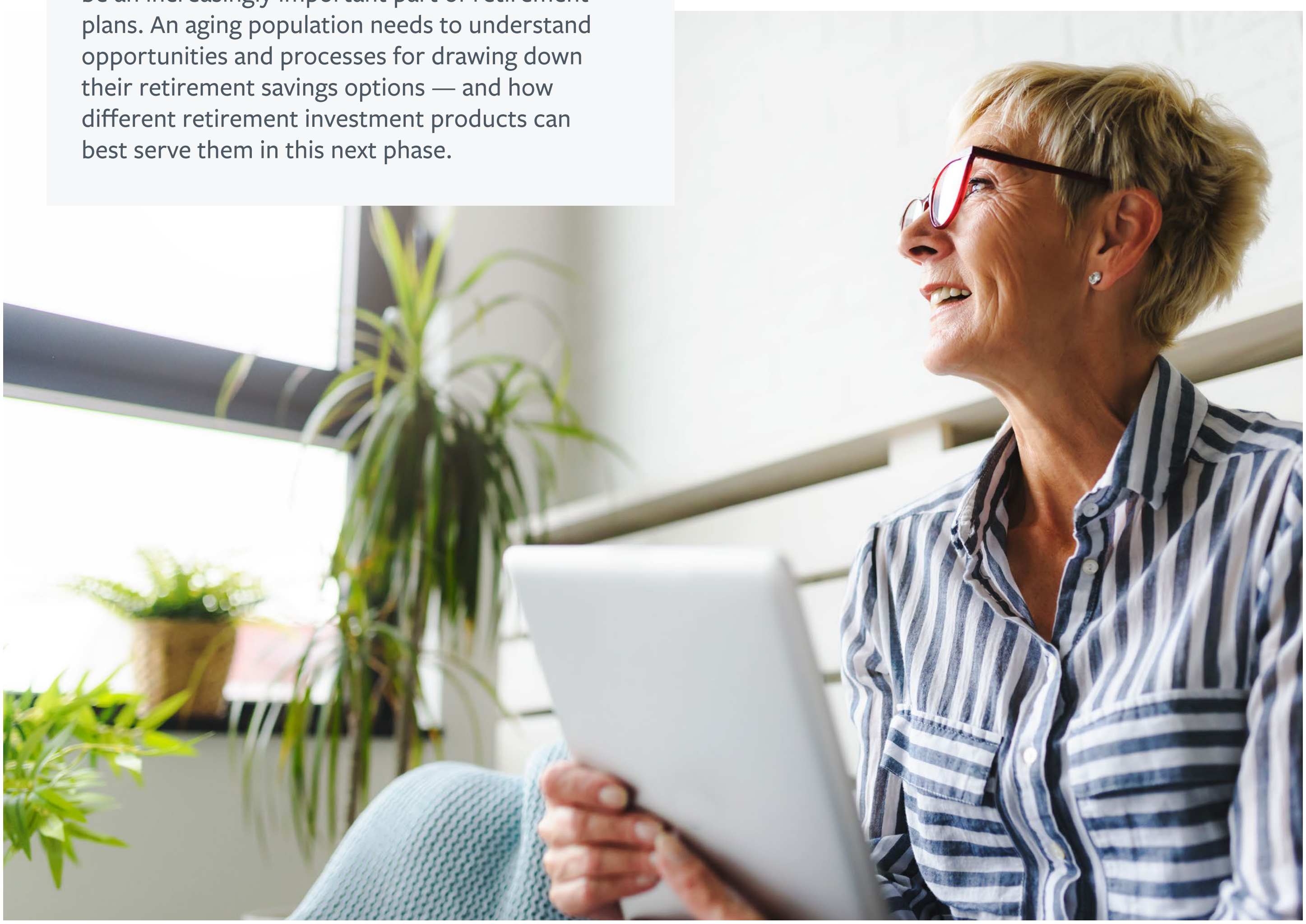
Some SECURE Act provisions extend beyond small businesses. For example, advisors often point to the need for lifetime income in retirement plans. Yet, most DC plans do not offer annuity options. The SECURE Act and SECURE 2.0 create a fiduciary safe harbor for annuitized income strategies, significantly lowering the compliance burden and making it easier for advisors to include annuities in retirement plans. These can help participants and plans project what retirement income will be and potentially deter them from moving assets to an IRA.

Launching retirement annuities does not happen overnight. The markets have work to do to put the capabilities in place. Mutualization is likely the answer to expediting implementation on a broad scale.

"Does a provider have the capacity, flexibility, and breadth of expertise to provide an edge in integrating new types of products with confident fiduciary controls built in? It's important to think broad as well as deep when considering platform capabilities — and critical to think beyond the next new requirement."

— Michael Tae, President, Mutual Fund and Retirement Solutions, Broadridge

What goes up...
As the population ages, decumulation options will be an increasingly important part of retirement plans. An aging population needs to understand opportunities and processes for drawing down their retirement savings options — and how different retirement investment products can best serve them in this next phase.



Alternative investments: Casting a wider net

Once exclusively the purview of high net worth investors, alternate investments (alts) are now gaining ground across a wider demographic. A market ecosystem is evolving to accommodate alt-investment opportunities on this broader scale.

With increased transparency, fiduciaries can more readily assess the prudence of including certain alts in their retirement plans — and effectively monitor their performance. This makes it possible for them to meet some key requirements set forth by the DOL. Market leaders are also finding ways to accommodate the longer return cycles often associated with alts. Target date funds may be a logical fit here.

Cryptocurrencies

Crypto is still relatively new. Entities from asset management firms and wealth managers down to financial advisors and end-retail investors are trying to sort out their position on crypto, including whether and how to participate. It's covered very heavily in the news as both an investment and an emerging currency. Crypto has also captured so much investor interest that it requires consideration.

"Crypto has all the elements of a hit Hollywood movie, with lots of stories of fortunes made and passwords lost, so it's not surprising that interest remains high. I can't think of another investment with the same level of accessibility that's more discussed in social circles across generational and wealth segments."

— Andrew Guillette, Vice President, America Insights, Broadridge

However, volatility appears to be part of crypto's allure. The DOL warns that "At this early stage in the history of cryptocurrencies, the U.S. Department of Labor has serious concerns about plans' decisions to expose participants to direct investments in cryptocurrencies or related products, such as NFTs, coins, and crypto assets." [5] It "cautions plan fiduciaries to exercise extreme care before they consider adding a cryptocurrency option to a 401(k) plan's investment menu for plan participants." [6]

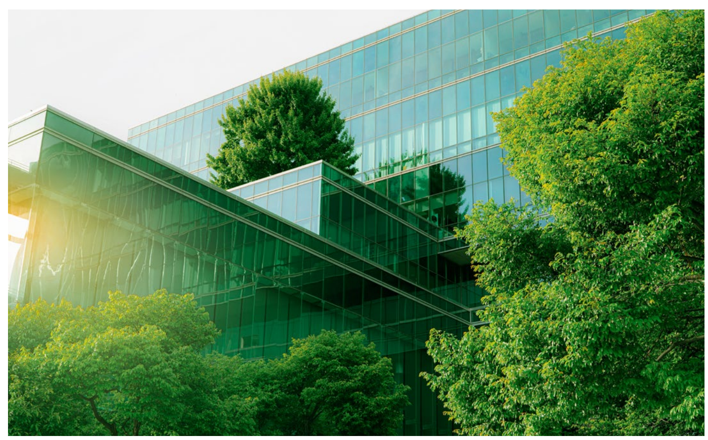
Environmental, Social and Governance (ESG)

In their non-retirement accounts, investors demonstrate an interest in — and are even pushing for — ESG investment opportunities. Heightened concerns regarding climate change, social justice, and other factors drive this interest. When it comes to retirement plans, pending amendments could make ESG a viable option.

ESG concerns were once allowed under ERISA as a "tie-breaker" between investments of otherwise equal fiduciary merit. The Trump administration then disallowed the tie-breaker rule, focusing more strictly on "pecuniary" factors. Now, the Biden administration has taken another tack.

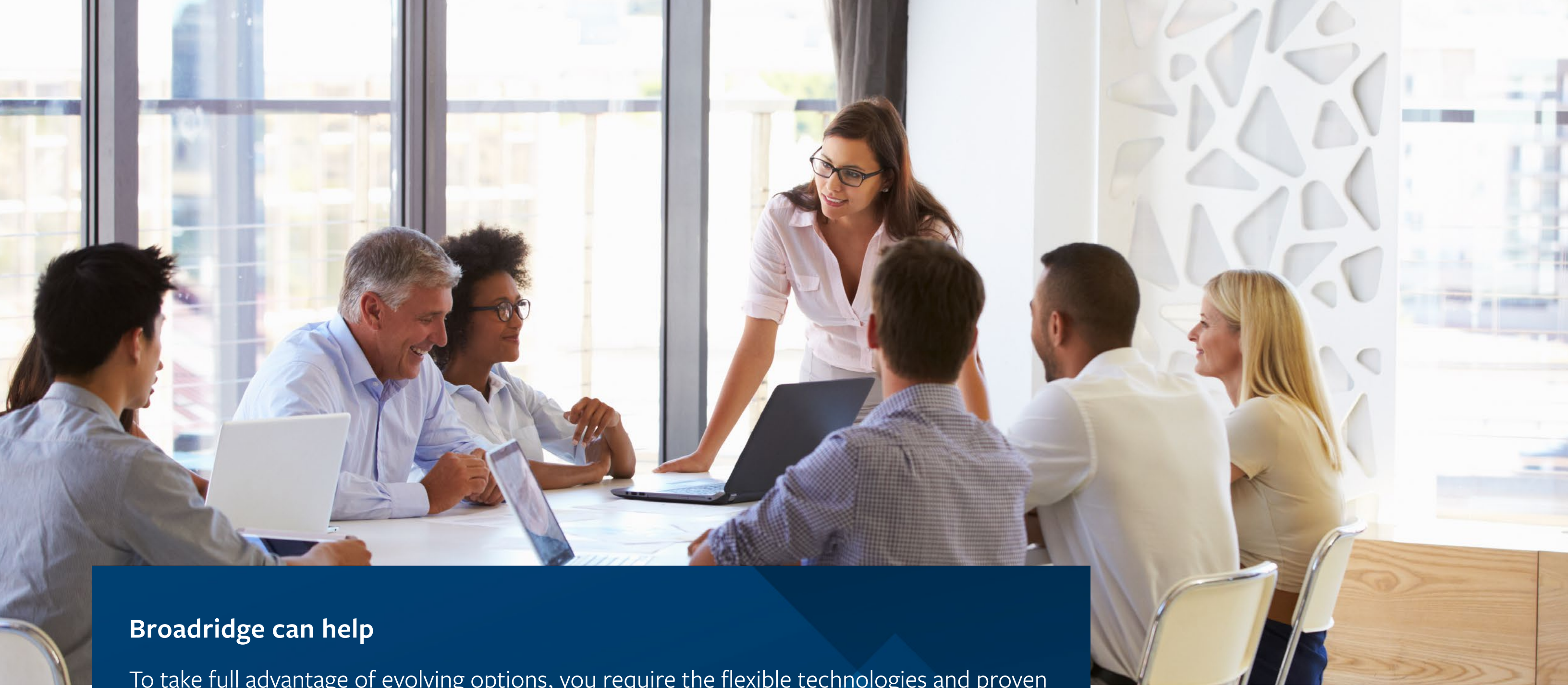
Pending amendments provide that "under ERISA, if a fiduciary prudently concludes that a climate change or other ESG factor is material to an investment or investment course of action under consideration, the fiduciary can and should consider it and act accordingly, as would be the case with respect to any material risk-return factor." [7]

This would leave the ERISA bar higher than for a fiduciary-managed wealth account (the wealth advisor has to follow the investor's willful requests) but allow ESG factors to be considered after pecuniary criteria are met.



Managed accounts and target-date funds

Managed account platforms provide participant investment advice, often through a "robo-advisory" algorithm that matches participant inputs to an investment allocation[8]. The services they provide are often promoted as superior, professionally managed alternatives to target-date funds (TDFs). However, TDFs continue to attract investors, accounting for 42% of all 401(k) plan assets.[9]



Broadridge can help

To take full advantage of evolving options, you require the flexible technologies and proven know-how of a trusted partner. Turn to Broadridge Retirement and Workplace for the expertise, technologies, and fiduciary tools advisors, providers, and sponsors require.

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[1] https://www.bls.gov/opub/ted/2023/retirement-plans-for-workers-in-private-industry-and-state-and-local-government-in-2022.htm

[2] https://sgp.fas.org/crs/misc/R43439.pdf

[3] https://www.napa-net.org/industry-intel/meps-peps-ppps

[4] https://sgp.fas.org/crs/misc/R43439.pdf

[5] https://blog.dol.gov/2022/03/10/cryptocurrency-concerns-why-were-working-to-protect-retirement-savings-from-volatile-digital-investments?_ga=2.82612182.1346184227.1646939216-1335365379.1646665776

[6] ibid

[7] https://www.federalregister.gov/documents/2021/10/14/2021-22263/prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights

[8] https://401kspecialistmag.com/managed-accounts-or-tdfs-cant-we-have-both/

[9] https://www.barrons.com/articles/target-date-funds-are-popular-but-mediocre-returns-and-other-risks-warrant-a-closer-look-51654277326

RETIREMENT TRENDS: Article 3

The critical path to financial wellness

Retirement Trends, an article series from Broadridge, explores the major movements impacting plan advisors, sponsors, administrators, and recordkeepers today.

Rising inflation and market volatility have employees on edge. Financial wellness is of increasing concern. With retirement planning and savings comprising a major component of financial wellness, the U.S. government and individual employers must create better opportunities to help workers save and thrive.

Prior articles in our series, *Retirement Trends*, explored how effective employee engagement, plans, and products can help attract more plan sponsors and participation. This third article focuses on financial wellness — and how its various aspects, retirement included, are increasingly being considered through a more holistic lens.

We explore opportunities that existing and proposed changes from the Securities and Exchange Commission and Department of Labor may represent. We also offer potential actions to take to boost retirement enrollment and participation now.

Financial wellness and the bottom line

Early in the pandemic, two-thirds of U.S. workers said they would start to look for another job if their retirement benefits were taken away.[1] As the job market became much hotter, more workers sought better opportunities, weighing both the existence and quality of benefits as they assessed opportunities.

Then, the markets turned turbulent. But, by Q4 2022, improving market conditions and continued employee / employer contributions once again drove increases in average workplace savings account balances.[2]

Retirement continues to be a critical piece of the financial wellness puzzle. Over half of U.S. workers feel stressed about their finances. Most workers expect employers to provide tools and resources to help them with their finances. Many also report a negative impact on their mental and physical health.[3]

Employers are feeling the impact as well in terms of workplace productivity, attendance, and turnover.[4] The challenge: Firms need better ways to provide workers with the financial wellness tools, insights, and support for retirement and beyond.

Financial wellness investments

Not surprisingly, nearly half of employers plan to invest more in financial wellness programs. Only 1% intend to spend less.[5]

Top areas of new investment by employers in 2023

The key question

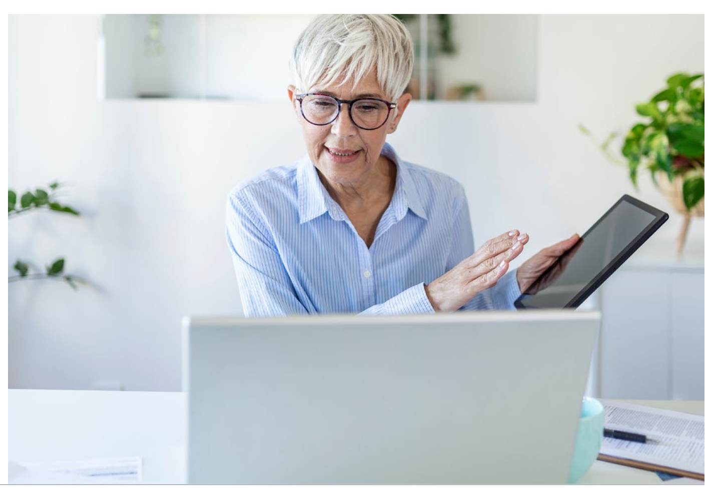
How can plan advisors, sponsors, administrators, and recordkeepers help?

Product coordination required

As employers and workers think more holistically about wellness, one of the key focal points must be on ensuring that different products and programs can work efficiently in concert. A 2021 SPARK survey of plan advisors gave low scores for financial-wellness-related products like student loan repayments and HSAs, reporting that "Advisors are frustrated with how difficult it is to coordinate these other products on behalf of their clients."[6] A key challenge will be to integrate systems and workflows across a broader spectrum of financial wellness solutions. This may become increasingly important with new retirement legislation on the horizon.

A broader view of retirement

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was signed into law in late 2019. The SECURE 2.0 Act of 2022 (SECURE 2.0), which is a reconciliation of three separate bills — U.S. House of Representatives' Securing a Strong Retirement Act of 2022 and the Senate's Enhancing American Retirement Now (EARN) Act and the Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg (RISE & SHINE) Act — became law in December 2022. While both laws include provisions that address the trade-off challenges workers face between the financial needs of today and tomorrow, SECURE 2.0 expands on the earlier legislation with provisions that will encourage people to save more for retirement, simplify retirement rules and reduce the employers' cost to set up retirement plans. Many of its 92 new provisions are already in effect, but others will not begin until 2024 or later, so careful coordination will be necessary.



Today's provisions

The SECURE Act provided permission for parents to withdraw up to $10,000 from 529 plans to repay student loans. This provides an alternative for parents who might otherwise need to draw from their retirement savings, incurring early-withdrawal penalties. After the birth of a child, a parent is allowed to distribute up to $5,000 out of either an IRA or a 401(k) plan without penalty. The SECURE Act also allows for exemption of "qualified disaster distributions" of up to $100,000 from the premature distribution penalty tax under IRC section 72(t). These may be rolled back into a qualified plan or IRA for up to 3 years after the distribution and may be included in income ratably over the three-year period beginning in the year of the distribution.

SECURE 2.0 seeks to more closely align retirement plans with today's economic and workplace realities. Because approximately one third of working-age Americans have no retirement savings, SECURE 2.0 makes automatic enrollment mandatory. It also broadens coverage by shortening the time to allow access to 401(k) plans for part-time workers. Many workers are saddled with student loan debt that makes it difficult to save; SECURE Act 2.0 allows treatment of student loan payments as elective deferrals for purposes of matching contributions. To help workers that may have fallen behind on retirement savings, the act provides higher catch-up limits and raises the age for required minimum distributions. It also permits withdrawals for emergency expenses (such as long-term care or a federally declared disaster) without the standard 10% tax penalty. For employers, the act offers start-up tax credits to reduce the expense of plan setup, and allows "de minimus" incentives, such as a gift card, to encourage employees to contribute to the plan.

Lifetime income for retirement plans

Recent surveys of plan participants and sponsors show that they increasingly want guaranteed income in plans. SECURE 2.0 allows annuities to be offered as an investment option in retirement plans. Section 201 removes availability barriers to some annuities and allows benefits to increase at a constant percentage, up to 5% per year. Section 202 raises the cap on the amount of money from their retirement account plan participants can use to purchase a Qualified Longevity Annuity Contract to $200,000, which is indexed to inflation. Section 204 allows retirees with partially annuitized plans to combine the payments from both the annuity and the retirement plan when calculating their required minimum distribution. This can not only reduce the RMD payment but also allows assets to continue to grow.

The challenge / opportunity for plan advisors, sponsors, administrators and recordkeepers is at least two-fold. Adding annuities to sponsored plans could democratize access, but annuities have primarily been a product for the wealthy to augment retirement-plan savings. Workers may have little or no familiarity with what annuities are or how they work. There is also significant operational preparation to be done, integrating processes, workflows, and compliance measures to accommodate annuities within plan offerings. This is not a small task — in fact, more of the organizations that do not plan to add annuities (67%) cite operational and administrative concerns as a major reason.

Participation while plans wait

With SECURE Act 2.0 rolling out, there are some key actions to take now to boost retirement enrollment and participation. One is letting psychology do some of the work. Another is increasing access to digital tools that help to engage workers with the right messages at the right time.

The power of behavioral economics

Behavioral economics posits that there are two types of decisions, automatic and reflective. Automatic decisions require no thought. By implementing auto-enrollment, plans can take the deliberation out of the enroll / don't enroll decision, and this can provide a significant boost to participation. On the reflective side, workers are looking for guidance on how to invest, how to balance saving for retirement with their needs of today, and more.[7]

Offering relevant financial advice

Providing the tools — particularly digital tools — that can help plan advisors, sponsors, and employees with better, clearer insight into the decisions that matter when and how they matter (i.e., the right message at the right time via the right medium) can make reflective choices less painful and potentially more profitable for workers. This requires personalizing content and making it directly responsive to the needs and attitudes of participants at different stages on the journey to retirement. Fortunately, digital capabilities exist today that make data-driven engagement scalable, impactful and efficient.

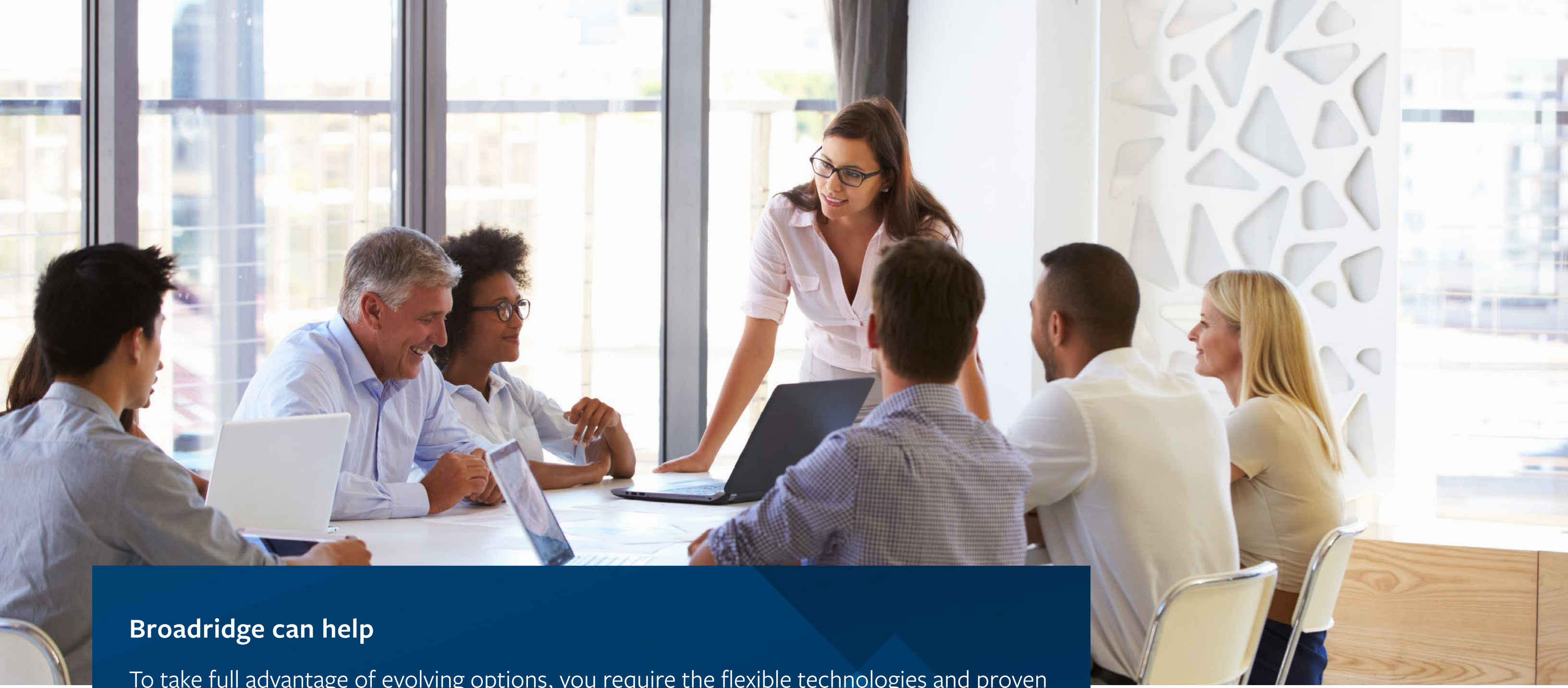
Explore SECURE Act 2.0 resources

The SECURE 2.0 Act ushers in sweeping changes as the most substantial piece of retirement legislation since the ERISA Act of 1974.

Broadridge delivers insights, resources and solutions to help you ensure compliance and capitalize on new opportunities.
broadridge.com/secureact2

The path forward

At present, it would be premature to predict the lasting impact of SECURE 2.0 on America's retirement savings deficit. Nevertheless, this legislation represents a significant move in the right direction, with benefits that spread across the entire retirement spectrum. Plan advisors, administrators, and recordkeepers can differentiate themselves and deliver enhanced value with expanded financial wellness options. Workers can strengthen their prospects for retirement security, and small businesses have the tools and support they need to broaden access and improve retirement outcomes.



Broadridge can help

To take full advantage of evolving options, you require the flexible technologies and proven know-how of a trusted partner. Turn to Broadridge Retirement and Workplace for the expertise, technologies, and fiduciary tools advisors, providers, and sponsors require.

For more on ways to effectively engage participants, contact us at Broadridge.com/RetirementAndWorkplace or +1 866 359 0456.

[1] broadridge-financial-wellness-executive-summary.pdf

[2] https://www.fidelityworkplace.com/s/page-resource?ccsource=oa%7Cwpsreslib%7Cpressrelease%7Cwps-buildfinfut%7Cwps-bff%7C%7Cwps-bff-11-14-22%7C&cId=fidelity_building_financial_futures_report

[3] https://www.pwc.com/us/en/services/consulting/business-transformation/library/employee-financial-wellness-survey.html

[4] Ibid

[5] 2023 Employee Wellness Industry Trends Report. Wellable Labs

[6] Advisor Survey, SPARK and DCIIA, published December 2021.

[7] The Behavioral Economics Of Retirement (fa-mag.com)

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