



– May 2024 –

Welcome to Fiduciary Insights, our monthly newsletter that keeps you in touch with issues, trends, events, and insights of significance to individuals connected with the retirement plan industry. The articles have been carefully selected from a variety of high-quality sources.

IRS Increases 401(k) Limit to \$23,000 for 2024, IRA Limit to \$7,000

IRS delays implementation of SECURE 2.0's mandatory Roth catch-up provision

On Friday, August 25, 2023, the Internal Revenue Service issued guidance providing a two year administrative transition period to implement SECURE 2.0 Act's mandatory requirement that catch-up contributions be made on a Roth basis for high-wage earners (those earning over \$145,000 in FICA wages in the prior year). The IRS's action will allow high-wage earners to continue to make catch-up contributions on a pre-tax basis in 2024 and 2025.

What this means for plan sponsors:

Delayed implementation of the requirement provides plan sponsor, payroll providers and recordkeepers alike with more time to update their systems to comply with the requirement.

Reminder:

Please contact us to schedule enrollment meetings for the 2nd and 3rd quarters of 2024.

Also, we would like to schedule retirement planning sessions with your near retiree employees.

– In This Month's Issue –

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- [Self-Directed 401ks Grow 5.8% in Q1 2024](#)
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[Self-Directed 401ks Grow 5.8% in Q1 2024](#)

Self-directed brokerage account balances achieved \$328,239 for the first quarter of 2024, for an increase of 10% year-over-year and a 5.8% rise compared to Q4 2023, according to Schwab's latest SDBA Indicators Report. The report includes data from 286,000 retirement plan participants with account balances between \$5,000 to \$10 million. It tracks investment activity ranging from asset allocation trends and asset flow in exchange-trade fund and mutual fund categories, to age trends and trading activity. Source: 401kspecialistmag.com

[Are Employers Optimizing Their 401k Match?](#)

In this 19-page paper, Vanguard outlines three criteria that firms might consider in designing their retirement match schedules: 1. Equity: Are employer contributions equitably distributed? 2. Efficiency: Does the plan design encourage savings? 3. Cost: How costly is the plan? They suggest simple metrics that employers might use to evaluate their plans against these criteria and show these measures for the most common plan formulas in the U.S. Source: Vanguard.com

[Study Reveals How Fiduciary Advice Reduces 401k Plan Costs](#)

Employee Fiduciary has released its latest 401k advisor fee study. The study highlights how fiduciary-grade investment advice can lower the cost of small business 401k plans, making retirement more affordable for plan participants. The study looks at the fees charged by 1,109 fiduciary-grade financial advisors to demonstrate how affordable a small business 401k plan

[A Blueprint for Greater 401k Success](#)

The reality of the nation's 401k system is that it performs remarkably well and is serving more people who are saving more money than ever before. In light of criticism from those who wish to eliminate or significantly alter the 401k, the author suggests that it's best to show how it is effective and offer some areas for needed improvement, which he does here. Source: Empower.com

[Retirement Planning: Does It Make Sense to Plan to Age 95?](#)

A new report provides an interesting take on whether it makes sense for retirees and near-retirees to base their retirement planning on the industry-wide assumption that they will live to age 95. Instead of simply using age as a factor in determining how much to save and spend for purposes of retirement planning, the report by HealthView Services examines the financial impact for clients planning to age 95 versus beginning the discussion using actuarial longevity based on health conditions. Source: Asppa.org

[Small Businesses are Growing, but Will That Translate to More 401ks?](#)

May is National Small Business Month, and small businesses seem to be faring pretty well both in terms of growth and hiring, according to recent reports. The strength of small businesses, combined with state mandates and federal incentives, should in turn help with increasing workplace retirement plan coverage. Source: Planadviser.com

[Saver's Match Could Have a Major Impact on 401k Race, Gender Gaps](#)

How will the Saver's Match contained in SECURE 2.0 affect race/gender disparities in 401k balances? It's a question tackled in the latest analysis from the Collaborative for Equitable

can be with fiduciary-grade investment advice. Source: Prnewswire.com

[Gender Lens in Defined Contribution Plans](#)

The adverse economic consequences of the pandemic disproportionately affected women. Women have dropped out of the workforce at record numbers to take on additional caregiving responsibilities. This study using data from 2019 to 2023, shows that: Participation rates of women remain lower than those of men. Women and men contribute at the same rates. Women continue to invest more conservatively. However, both women's and men's allocations to equity have increased. Women continue to claim hardship at greater rates and have higher loan-to-balance ratios than men. 401k balances of women continue to lag behind those of men. Source: Bofa.com

[401k Account Balances Reach Record Levels](#)

Account balances rose to their highest levels since the fourth quarter of 2021, thanks to record-high contribution levels and positive market conditions, reports a new retirement analysis out today by Fidelity Investments. For 401k accounts, balances increased 6% from Q4 2024, to achieve \$125,900. IRAs saw a 10% rise and totaled \$127,745 in Q1, while 403b accounts moved up 7% for a total of \$113,000. Source: 401kspecialistmag.com

[Employees Falling Short of Retirement Objectives](#)

Most employees are not on track to meet their retirement goals, motivating them to improve their understanding of retirement readiness, fundamental investment strategies, and other financial wellness topics, according to Qualified Plan Advisors' second annual Financial Wellness Report. The statistics align with much of the retirement industry's recent push to provide financial wellness programs and resources to employees alongside 401ks and other savings programs. Source: Planadviser.com

Retirement Savings, comprised of three high-profile retirement plan research organizations. It found that the Saver's Match "would help close the racial wealth gap in 401k plans, particularly for Black females while providing benefits to workers across all races." Source: Aspaa.org

[What the Fiduciary Rule Means for Investment Menu Advisement](#)

The Retirement Security Rule, finalized in April by the DOL, will require that investment menu designs and sales must follow the obligations of loyalty and prudence under ERISA. Previously, transactions of this kind were often considered one-time transactions and therefore not a fiduciary act. Jason Roberts, the CEO of the Pension Resource Institute, says that this element of the final rule should be an "easy lift from a compliance perspective" and "less disruptive operationally" for retirement plan advisers and providers. Source: Planadviser.com, May 2024

[Nearly Half of Americans Expect Slow Transition Into Retirement](#)

Americans' view of retirement is shifting as nearly half of Americans think about retirement as a slow transition away from full-time work rather than a distinct day in the future to leave the workforce, according to the 2024 Annual Retirement Study from Allianz Life. While 47% of Americans say they think about retirement as a slow transition away from full-time work, only 38% now say they think about it as a distinct date in the future to stop working and start drawing down on retirement assets. At the same time, 15% say they don't see themselves ever slowing down or retiring. Source: Allianzlife.com

[Top Considerations for 403b Plans in 2024](#)

Sponsors of 403b plans have some new choices to consider in 2024. Under the SECURE 2.0 Act of 2022., plan sponsors can add new features to their 403b plans to increase opportunities for

[Five Things on the DOL's Radar for Employee Benefit Plans](#)

All qualified retirement plans are subject to a myriad of requirements of ERISA. The DOL is charged with enforcing the requirements of ERISA. This article discusses some of these requirements and related guidance issued by the DOL, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation, as well as some related future guidance to be issued by the DOL as required by SECURE Act 2.0. Source: Foley.com

participation and access to retirement plan funds. Separately, the IRS recently expanded its determination letter program to include individually designed 403b plans. This affords plan sponsors who do not use a service provider's pre-approved plan document a helpful new avenue to seek approval of their 403b plans in written form. Source: Plansponsor.com

Western Benefits & Pension Council

Please visit www.westernpension.org for all current and upcoming programs.

Small Business Council of America

Please visit the Small Business Council of America (SBCA) website at www.SBCA.net. The SBCA is the only national organization whose sole purpose is to represent the interests of privately held businesses in the areas of federal income and estate tax, retirement, pension, healthcare, and other employee benefits concerns.

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Online Resources

Our company website is filled with resources for your financial planning needs.
Please visit: <https://www.lwarner.com/>.

WPBC

Please find all the upcoming panel and speaking events for Western Pension and Benefits Council at: www.westernpension.org.

Editor

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