



– June 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 3rd and 4th 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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[What Plan Sponsors Should Know About DOL's Final Fiduciary Rule](#)

While the direct effect of the DOL's final fiduciary rule on plan sponsors appears modest, plan vendors may decide to modify their service models -- including associated fees -- and sales practices. This is a comprehensive review of the rule including implications for plan sponsors. Source: Mercer.com

[The Growing Trend of Collective Investment Trusts](#)

Many plan fiduciaries express surprise when learning that Collective Investment Trusts have existed longer than their 40 Act Mutual Fund counterparts. Collective trusts are similar to mutual funds given investors in both pool assets with others and own a portion of the fund. Both vehicles are daily valued and provide investors with a Net Asset Value. Additionally, both vehicles are professionally managed, audited annually, and provide investors with periodically produced "fact sheets." However, there are several key differences between mutual funds and CITs. Source: Fiduciantadvisors.com

[Financial Incentives for Employee Participation in 401k](#)

Employers who sponsor 401k and 403b plans without auto enrollment provisions have traditionally been challenged with increasing participation rates. Most employers were interested in different options to encourage more employees to affirmatively make elective deferral contributions into their retirement plans. Thanks to SECURE 2.0, for plan years beginning after December 29, 2022, employers that sponsor 401k or 403b plans may offer employees a "de minimis" financial incentive. Source: Consultrms.com

[How America Saves? At a Record Pace in 401k, Vanguard Finds](#)

The report found that the average participant deferral rate matched the historic high of 7.4% in 2023 (the median deferral rate was 6.2%). When combined with employer contributions, the average participant total savings rate kept pace with the all-time high of

• [A Guide to 401k Withdrawal Strategies](#)

[The Positive Impact of 401k Automated Features Explained](#)

The positive auto-feature impact (enrollment, deferral, escalation) is by now widely known, even resulting in a Nobel Prize. Yet, a new study from Principal puts specific numbers to the results, reinforcing the link between "nudges" and the successful outcomes they produce. Source: Napa-net.org

[401k Versus 403b: Guiding Clients Through Retirement Plan Choices](#)

For building their retirement savings, investors have many options. There are many employer-sponsored retirement accounts, and the 401k plans and 403b plans are just two examples. Of the two, the 401k is the more popular and more familiar. Meanwhile, the 403b, even if lesser known, has its merits. So, what's the difference between 401k and 403b plans? In this article, InvestmentNews provides some insight into the question. Source: Investmentnews.com

[Plan Sponsors Focusing on Retirement Income Solutions](#)

A greater number of DC plan sponsors are prioritizing retirement income solutions, according to a recent report by PIMCO. The firm's latest study found that nearly 90% of large institutional consultants say the top priority for clients is to find solutions for generating income in retirement, a 21% increase over the previous year. Source: 401kspecialistmag.com

[Understanding the Department of Labor Final Fiduciary Rule](#)

The final fiduciary rule expands the definition of who is an investment advice fiduciary to provide investment advice to a plan or an IRA under ERISA and the Internal Revenue Code. The DOL also made changes to several prohibited transaction exemptions available to investment advice fiduciaries, including the Prohibited Transaction Exemption 2020-02, which the DOL intends to be the primary source of relief for investment advice fiduciaries going forward. Source: Fidelity.com

11.7% (median 11%), reached the prior year. Source: 401kspecialistmag.com

[IRS Clarifies 10% Additional Tax for Certain Emergency Distributions](#)

The IRS issued guidance on June 20 on the application of exceptions to the 10% additional tax under Internal Revenue Code (IRC) Section 72(t)(1) for emergency personal expense distributions and domestic abuse victim distributions. The guidance comes in Notice 2024-55. More specifically, Notice 2024-55 provides guidance on the portions of the SECURE 2.0 Act that added exceptions to the 10% additional tax. Source: Asppa.org

[How Much Could 401k Contribution Limits Rise in 2025?](#)

How much will the maximum 401k, 403b, and 457 deferrals for defined contribution plans rise in 2025? More than this year, if one firm's forecast is any indication. Milliman researchers Nina Lantz and Abby Kendig believe it will increase by \$1,000, going from \$23,000 in 2024 to \$24,000 in 2025. Source: Napa-net.org

[The Future of Mutual Funds Amidst CIT Growth](#)

While mutual funds have largely dominated 401k plans in the past, increases in CIT usage have led some experts to question whether the funds are slowly phasing out of the U.S. retirement system. A recent report from Morningstar found that CITs are currently on pace to overtake mutual funds as the most popular target-date vehicle in 2024, as they now represent 49% of the 401k market. New research by Cerulli Associates questions the future state of mutual funds. Source: 401kspecialistmag.com

[Business Owners Delay Retirement Due to Savings Fears](#)

While most business owners say they're on track for retirement, recent findings from Nationwide show that just over a third (36%) have postponed their retirement in the past year. This concern is even more prominent for small business owners, with 57% who say they have pushed back their retirement timelines. Source: 401kspecialistmag.com

[How Does Inflation Impact Near Retirees and Retirees?](#)

Because inflation has been so low for so long, the risks of inflation have been generally overlooked and recent history does not offer much practical insight on its impact. This article, which is the first of two based on a new study, illustrates the financial consequences of high inflation by using economic theory and hypothetical households to trace possible paths of consumption and wealth under different macroeconomic scenarios. Source: Bc.edu

[A Guide to 401k Withdrawal Strategies](#)

Not all employees have the same financial or personal circumstances. There may be times when they may need to make partial or total early withdrawals from their 401k account. What are the 401k withdrawal rules? Is there a penalty for an early 401k withdrawal? How can you withdraw money from a 401k before retirement? InvestmentNews provides answers to these and more in this article. Source: Investmentnews.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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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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