

## Forward Thinking

### New White Paper Explores Life, Longevity and Retirement for Future Workers

As a plan sponsor, you spend much of your time helping Gen Z, Millennials, Gen X, Baby Boomers and other segments of your workforce achieve positive retirement outcomes. Prudential's recent white paper, "[Generation Beta: Redefining Life, Longevity, and Retirement](#)," explores the anticipated experiences of individuals born between January 1, 2025, and December 31, 2039. Generation Beta is expected to navigate a world characterized by rapid technological advancements, shifting societal norms and evolving economic landscapes.

#### Life: Predictions for Generation Beta

Technological integration is projected to be a defining aspect of Generation Beta's existence. More than half of respondents (58%) believe that technology will enhance their lives, with 54% anticipating that artificial intelligence and robotics will develop empathetic interactions with humans. Family structures are also expected to transform, as 86% of respondents foresee the decline of traditional nuclear families, and 68% predict that Generation Beta will prioritize pet ownership over having children. In the professional realm, 80% expect individuals to pursue multiple (more than three) distinct career paths, and 86% believe that many of these future jobs have yet to be invented.

#### Longevity: Preparing for Extended Life Spans

Advancements in healthcare and technology may significantly extend life expectancy for Generation Beta. Over half of the respondents (51%) are optimistic about the potential eradication of cancer. However, only 40% believe that obesity will be eliminated, indicating skepticism about addressing lifestyle-related health issues. Financial prospects appear mixed; although 55% think Generation Beta will be wealthier than their predecessors, 61% anticipate greater financial uncertainty. To navigate these complexities, there is an emphasis on equipping this generation with practical skills and financial literacy, combining technological education with experiential learning.



#### Retirement: Evolving Concepts of Work and Leisure

The traditional notion of retirement is expected to undergo significant changes for Generation Beta. A fluid approach to retirement is anticipated, with 66% predicting that individuals will cycle in and out of retirement phases throughout their lives, influenced by longer life spans and changing work patterns. Notably, 48% of current and prospective parents believe their children may never fully retire. Financial preparedness is a concern, with estimates suggesting that approximately \$1.88 million will be necessary to sustain a comfortable retirement, reflecting the challenges posed by increased longevity and economic volatility.

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# Key Ingredients

## A Recipe for a Hearty Investment Policy Statement

When serving up a retirement plan to your employees, your investment policy statement (IPS) is the secret sauce. A well-crafted IPS outlines the guiding principles for choosing and managing plan investments, helping ensure a broad and diverse menu of options is available. It's also a fiduciary best practice—although not required by law, the IPS is one of the primary documents the Internal Revenue Service and U.S. Department of Labor request when they conduct plan audits. Here are some of the key ingredients that can help make your IPS a recipe for success:

- **Plan objectives: your flavor profile.** This section explains why the retirement plan exists and how it will serve employees. It also describes the plan's investment goals. Think of it as the “flavor profile” that guides every decision.
- **Roles and responsibilities: the kitchen crew.** Define who's responsible for what. From the plan sponsor and investment committee to the plan advisor, everyone in your “kitchen” should know their role. In particular, the IPS should spell out who has discretion in terms of making investment decisions when changes to the investment lineup are indicated.
- **Eligible investments: the main course.** An IPS should outline the investments that the investment committee believes are appropriate for your plan and the methodology for choosing them. This may include investment options like target-date funds, managed accounts and collective investment trust funds. Also likely to be included are all nine combinations of large-, mid- and small-capitalization mutual funds spread across the value, blend and growth spectrum.
- **Performance monitoring: taste testing.** Establish criteria to regularly review and evaluate investment performance, including appropriate benchmarks for comparison. Think of this as your “taste test” to ensure every ingredient is working as intended. The criteria, rationale and action steps for removing an investment option from the plan are also included here.
- **Qualified default investment alternatives: a flavor enhancer.** These alternatives offer plan fiduciaries safe-harbor protection from certain risks associated with default investments. This section explains the characteristics that a plan investment must have to



qualify as a qualified default investment alternative. Target-date funds, a common investment choice within retirement plans, have become the typical qualified default investment alternative choice for plan fiduciaries.

- **Review and amendments: the recipe tweaks.** Commit to revisiting and updating your IPS periodically. Just like a favorite recipe, your IPS should evolve to reflect changing tastes and circumstances.

## Web Resources for Plan Sponsors

Internal Revenue Service, Retirement Plans  
[www.irs.gov/ep](http://www.irs.gov/ep)

U.S. Department of Labor,  
Employee Benefits Security Administration  
[www.dol.gov/ebsa](http://www.dol.gov/ebsa)

401(k) Help Center  
[www.401khelpcenter.com](http://www.401khelpcenter.com)

PLANSponsor Magazine  
[www.plansponsor.com](http://www.plansponsor.com)

BenefitsLink  
[www.benefitslink.com](http://www.benefitslink.com)

Plan Sponsor Council of America  
[www.psc.org](http://www.psc.org)

Employee Benefit Research Institute  
[www.ebri.org](http://www.ebri.org)

Informational Sources: Russell Investments: “Elements of a Clearly Defined Investment Policy Statement For Defined Contribution Plans” (accessed January 2025).



# Plan Sponsors Ask...

**Q: How often should we benchmark our plan fees?**

**A:** According to Callan's 2024 DC Trends Survey, two-thirds of plan sponsors were either somewhat or very likely to conduct a fee study in 2024. As a result, nearly half of plan sponsors were able to reduce their plan fees. As a fiduciary, plan sponsors are responsible for ensuring that the services provided to their plans are necessary and that the cost of those services is reasonable (but not necessarily the lowest). Conducting a plan fee benchmarking exercise on an annual basis is generally considered to be prudent. Your plan advisor can quarterback these exercises to help ensure your plan is cost-effective given the services used.

**Q: Are you aware of any new topical focus areas for financial wellness?**

**A:** The Institutional Retirement Income Council's annual forecast of key retirement industry trends for 2025 anticipates more robust preretiree education and planning programs. The organization suggests that preretiree modules will comprise personalized planning tools for retirement income projections (including integrating nondefined-contribution plan retirement income sources); education about Social Security and Medicare; and budgeting and tax planning for life after retirement — as well as opportunities to accumulate additional savings before retirement. The preretiree programs will likely be offered to employees at earlier ages (age 50+), so the employee has significant time to plan and act before retirement.

**Q: We are planning to promote health savings accounts to our employees as a means of funding future healthcare expenses in retirement. Is there any data around use of these accounts as a long-term savings vehicle?**

**A:** Given the triple tax-free status of health savings accounts, it's a great idea to promote their potential for growth over the long term to help pay for healthcare expenses in retirement — including Medicare premiums. According to Bank of America's Q3 2024 Participant Pulse, just 14% of health savings account holders invest for growth. To help you with targeting your campaign, 19% of men invest for growth (versus 13% of women). In addition, Baby Boomers (17%) invest in health savings accounts for growth more than any other generation.

Pension Plan Limitations for 2025	
401(k) Maximum Elective Deferral (\$31,000 for those age 50 or older, \$34,750 for those age 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 aged 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 Sponsor's Quarterly Calendar

## APRIL

- If a plan audit is required in connection with the Form 5500, make arrangements with an independent accountant/auditor for the audit to be completed before the Form 5500 due date (calendar-year plans).
- Audit first quarter payroll and plan deposit dates to ensure compliance with the DOL's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between January 1 and March 31 received and returned an enrollment form. Follow up on forms that were not returned.

## MAY

- Monitor the status of the completion of Form 5500, and, if required, conduct a plan audit (calendar-year plans).
- Issue a reminder memo or email to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans in which they are covered.
- Perform a thorough annual review of the plan's summary plan description and other enrollment and plan materials to verify that all information is accurate and current, and identify cases in which revisions are necessary.

- Provide 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 last quarter.
- By May 15 (or 45 days after the end of the quarter) participant-directed defined contribution plans must supply participants with a quarterly benefit/disclosure statement and a statement of plan fees and expenses actually charged to individual plan accounts during the first quarter.

## JUNE

- Begin planning an internal audit of participant loans granted during the first six months of the year. Check for delinquent payments and verify that repayment terms and amounts borrowed do not violate legal limits.
- Confirm that Form 5500, and a plan audit if required, will be completed prior to the filing deadline or that an extension of time to file will be necessary (calendar-year plans).
- Review plan operations to determine if any qualification failures or operational violations occurred during the first half of the calendar year. If a failure or violation is found, consider using an Internal Revenue Service or DOL self-correction program to resolve it.
- Check for any Actual Deferral Percentage/Actual Contribution Percentage refunds due to highly compensated employees for eligible automatic contribution arrangement plans to avoid an employer excise tax.

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

## Simplify Retirement Plan Management with TRA's Select 401(k) PEP

TRA is proud to offer our Select 401(k) Pooled Employer Plan (PEP), a comprehensive solution designed to streamline retirement plan management. Our PEP provides a cost-effective way for businesses to reduce administrative costs and minimize fiduciary risk. By joining TRA's PEP, companies can benefit from reduced fiduciary liability, enhanced plan features, and streamlined administration, allowing them to focus on their core business activities.

Our PEP offers a wide range of investment options and participant education resources to meet the diverse needs of your workforce. Take the first step towards a more efficient and cost-effective retirement plan solution by visiting TRA's PEP and connecting with our team of experts today.

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