

Top 401(k) Trends and Issues for Employers – 2021 Update

In an increasingly tight labor market, the challenge to recruit and retain talented workers has become a primary concern for business leaders.

What are the top areas you should focus within your retirement benefit offering to ensure you're remaining competitive and delivering what your employees want?

In this annual industry update, we highlight several evolving trends we see gaining traction within the 401(k) space that employers are embracing to better meet the financial needs of today's worker.

Financial Wellness

The COVID pandemic heightened the tremendous financial stress and anxiety that employees deal with and the direct impact it has on their health and wellbeing.¹

The demand is rapidly growing for broader employer support for financial wellness initiatives that address employee finances on a more holistic level. Assisting individuals to become more efficient and confident with personal finances is a growing need with 87% of

employees stating that it is important that employers offer financial wellness benefits such as budgeting, emergency savings accounts and student loan repayment assistance.²

And employers agree, as over 75% of plan sponsors report in a recent survey that providing or enhancing financial planning and advice capabilities is a key priority for them.³

Student Loan Programs



Approximately 43 million people owe a staggering \$1.6 trillion in student debt and it has a major impact on an individual's ability to meet other financial goals.⁴

In 2020, the CARES Act provided employers with a student loan program allowing a tax-free benefit to employers and employees to deal with the huge student debt problem that individuals face.

Employers can deduct up to \$5,250 per employee for student loan payments and employees receive the money tax free. The stimulus package at year-end 2020 extends this benefit for another five years through 2026.⁵

We see significant growth in employers adopting some form of student loan repayment counseling and payment solutions to address this ongoing financial challenge.

Personalization of Investment Strategies



(Image is for illustrative purposes only)

Since inception, Target Date Funds (TDF) have gained wide popularity with plan participants for ease of choice as a well-diversified and professionally managed portfolio.

The downside for TDF's relate to the limitation of a single variable (retirement date) as the sole determinant for an investment decision. With technology and data collection advancements, recordkeepers are gaining more robust insight on an individual's unique situation, leading to a more personalized, managed retirement account option.⁶

Look for more acceptance and growth of managed retirement accounts, perhaps even replacing TDFs due to the personalization that such portfolios can achieve, especially for those participants approaching retirement with more widely varied circumstances and seeking custom decumulation strategies.

Retirement Income Solutions

[The SECURE Act](#), signed in late 2019, provided the impetus for growth in retirement income solutions.

The need by participants to safely transition their accumulated savings into a secure and predictable retirement income to cover monthly expenses is a paramount challenge for today's retirees.⁷

So, with the SECURE Act introducing fiduciary safeguards for employers to select market solutions and establishing the requirement to provide

participants with income projections on their benefit statements, we can expect retirement income solutions to become a more standard offering within 401(k) plans.



Automated Solutions



Auto-enrolled plans are becoming the norm, leading to higher participation rates, improved asset allocation and ultimately better outcomes.⁸ We can expect to see automation extend to other

facets of plan design which may lead to auto decumulation through some form of annuitization.

Employers need to be aware that automation affords them greater wherewithal to influence participant success but also creates more scrutiny and over the decisions they make.

Expanded Retirement Plan Coverage

The SECURE Act, and recent legislation undertaken by several States, is focused on addressing the lack of retirement plan coverage for nearly 35% of American workers.⁹ Small employers have hesitated to offer their employees with retirement plans due to cost, liability and administrative burdens. Several states including California are mandating that employers with five or more employees offer a retirement program or register for the State-run program.

The SECURE Act established pooled employer plans (“PEPs”) which will allow non-affiliated companies to join a single retirement plan. While new PEP offerings are now just rolling out, we can envision that many employers currently on the fence may view PEPs as an attractive solution, and the more extensive federal tax credits as an incentive to introduce a workplace retirement benefit.

We hope that these insights provide you with some fresh ideas for improving the attractiveness and effectiveness of your company’s retirement program. Please let us know if we can be of any assistance in helping you evaluate any potential opportunities for improvement.



Michael Rom, Managing Director at Pensionmark, is a 30-year veteran of the financial services industry and an advocate to help companies get their employees on track for retirement. Michael serves small/midsize enterprises to help remove the complexity and friction in delivering the 401(k) benefit and rolling up the sleeves to guide employees in becoming more efficient and confident with day-to-day financial issues.

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¹ John Hancock 2020 Financial Stress Survey, 2020.

² John Hancock 2020 Financial Stress Survey, 2020.

³ 2020 Prudential Retirement Plan Sponsor Survey, 2020.

⁴ PwC’s 9th annual Employee Financial Wellness Survey, PWC, 2020.

⁵ What the Stimulus Package Means For Your Student Loans by Zach Friedman, Forbes, January 4th, 2021.

⁶ The Evolution of Retirement Investing, A Closer Look at Personalized Strategies, Securian Financial, 2020.

⁷ The Nation’s Retirement System: A Comprehensive Re-evaluation Needed to Better Promote Future Retirement Security, U.S. Government Accountability Office, February 6, 2019 (GAO-19-34T).

⁸ Reference Point, TRowe Price, 2020.

⁹ The Pew Charitable Trusts, “Employer-Sponsored Retirement Plan Access, Uptake, and Savings” (September 2016), <http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/09/employer-sponsored-retirement-plan-access-uptake-and-savings>