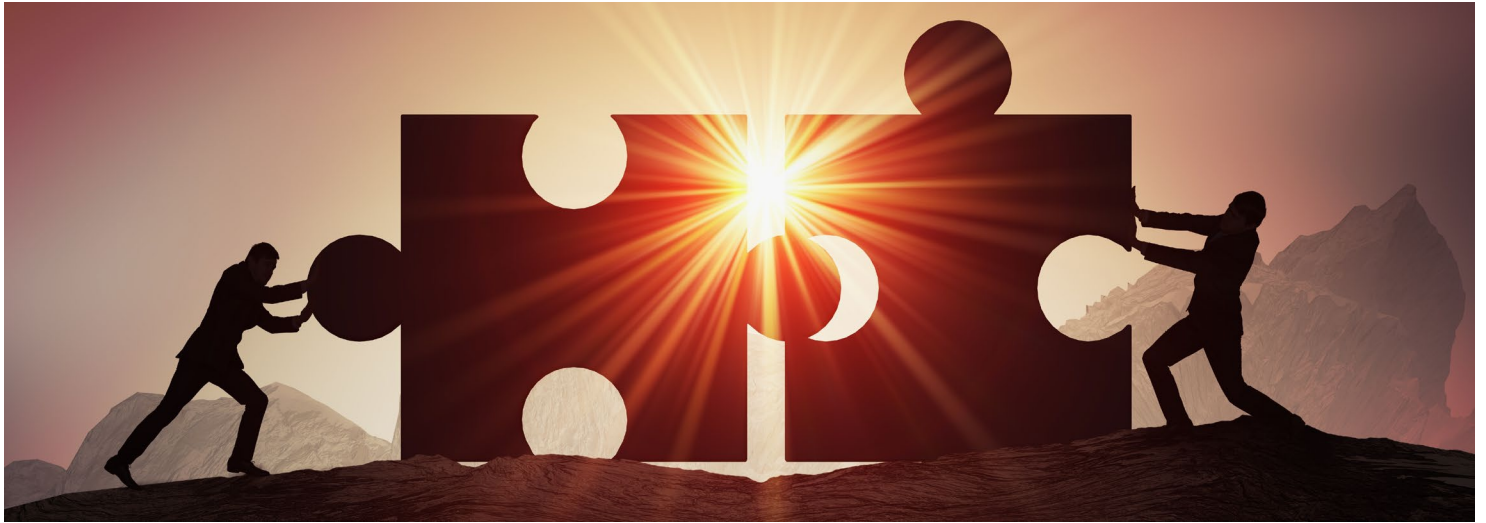


THE RETIREMENT TIMES

November 2025

Sponsors and Advisors: Aligning to Meet Today's Challenges



New research from Fidelity highlights the increasing pressures many employers face as they work to guide employees toward a secure retirement. The study reveals a widening confidence gap, with only two-thirds of employers now believing their workforce is on track for retirement — reflecting a steep drop from just a year ago.

Financial stress among employees can reduce productivity and morale, increase turnover, and raise health care costs across the organization. For plan sponsors, this decline underscores the importance of regularly reassessing plan features, communication strategies, and support structures to help keep employees on course. It's also a pivotal opportunity for sponsors to partner with plan advisors, who can help offer expertise and solutions to address these challenges.

A Growing Menu of Choices

New plan features and savings vehicles are expanding the menu of options available to participants, giving them more flexibility as well as the potential for lower fees and greater tax advantages. According to the Fidelity survey, more than half of plan sponsors are adding retirement income products, nearly half are adopting managed accounts, and more than four in ten are incorporating collective investment trusts (CITs). Meanwhile, target-date funds continue to evolve with risk-adjusted glidepaths, pooled employer plans are gaining traction, and health savings accounts are playing a growing role in long-term savings strategies.

Each of these options brings its own set of considerations for employers — from compliance requirements to participant communication. Working closely with their advisors, sponsors can better evaluate options for their workforce, assess costs, and help ensure compliance.

Wellness Takes Center Stage

There's also a growing demand for participant education and financial wellness programming. The survey found that, among the 93% of sponsors who've incorporated a wellness program, 60% did so within the past year as financial wellness has moved from "nice-to-have" to "must-have" in benefit design.

For companies that haven't yet implemented such programs, this rapid adoption may add to the sense of pressure to keep pace with peers and evolving expectations. Guidance from an advisor can help cut through the noise and build programs that align with workforce needs, attract and retain top talent, and achieve other long-term organizational goals.

Partners in Progress

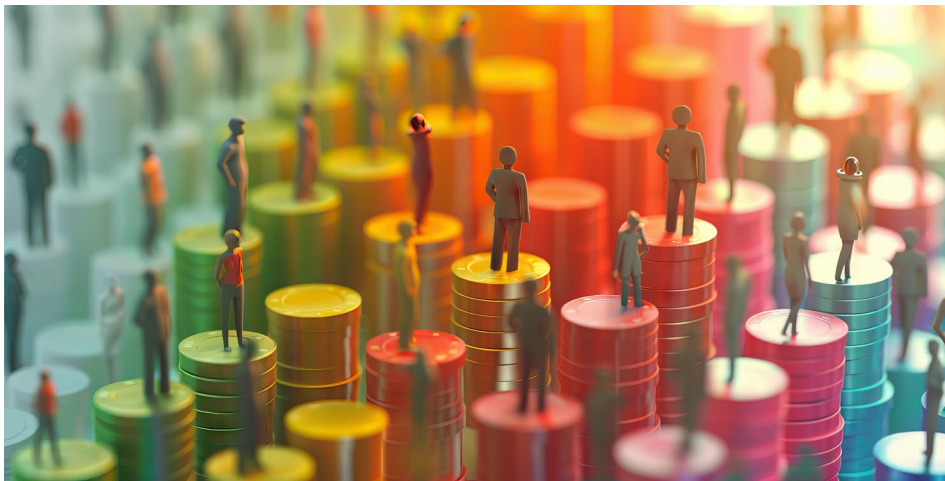
Retirement plan advisors are well-positioned to help sponsors and participants address many of these pressing issues. According to a recent survey by Morgan Stanley, employees rank access to a financial advisor as the most desired option for retirement planning support.

For organizations, whether it's streamlining investment decision-making, implementing financial wellness programs, adding managed accounts or CITs, exploring new plan design features, or strengthening fiduciary governance practices, a strong sponsor-client partnership can provide clarity and confidence. By working together, sponsors and advisors can meet the moment and help drive better plan outcomes.

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IRS Issues Final Regs on Roth Mandatory Catch-ups for High Earners



The IRS has finalized regulations under SECURE 2.0 that will impact how certain participants save for retirement. Under this change, employees with prior-year FICA wages above \$145,000 will no longer be able to make pre-tax catch-up contributions to their 401(k), 403(b), or 457(b) plans. Instead, those contributions will have to be made on a Roth, or after-tax, basis.

The rule takes effect in Jan. 1, 2026. According to the IRS, the regulations "generally apply to contributions in taxable

years," beginning in 2027. However, it also notes that "the final regulations also permit plans to implement the Roth catch-up requirement for taxable years beginning before 2027 using a reasonable, good faith interpretation of statutory provisions." The administrative transition period (under Notice 2023-62), which generally ends on Dec. 31, 2025, remains unchanged by the final regulations.

Impacts on Late-career, Higher wage Savers

Catch-up contributions represent an important strategy for many workers in the final years leading up to retirement. Shifting these contributions to Roth may reduce immediate tax savings but can provide significant tax-free income later in life.

The Roth feature has become an attractive choice for participants of all ages: As of year-end 2024, 86% of Vanguard plans offered a Roth option, up from 74% in 2020. Among the largest plans, adoption was nearly universal at 95%, while participant utilization climbed to an all-time high of 18%. Nonetheless, higher-earning participants would benefit from evaluating how this shift impacts their contribution strategy and retirement tax profile.

Impacts for Plan Sponsors

To comply with the new rules and support employees through the shift, plan sponsors should focus on several key areas:

- *Adding Roth Functionality.* Plans that don't currently offer Roth contributions will need to incorporate this feature to allow earners above the IRS threshold to make catch-up contributions. Sponsors should coordinate with their recordkeeper, TPA, advisor, and other service partners as needed.
- *Payroll Coordination.* Employers will need to track which participants exceed the FICA wage limit and ensure catch-up contributions from higher income workers are directed as Roth.
- *Communication & Education.* Sponsors should provide clear guidance and educational materials so affected participants understand the differences between Roth and pre-tax contributions, along with the potential implications for their retirement savings. Consider launching a Roth awareness education campaign to help inform employees.
- *Individual Consultation.* Promote one-on-one advisory sessions to help participants assess how mandatory Roth catch-ups affect their personal retirement strategy.

Participant Engagement Opportunity

The shift to Roth catch-ups for higher-wage earners also gives sponsors an additional touchpoint for participant engagement. Clear education around the tax treatment of contributions can encourage all employees to think more strategically about their retirement readiness. In doing so, sponsors can not only help build stronger participant trust but also reinforce the value of the organization's retirement benefit.

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The New Reality of Retirement: When Competing Priorities Take Over



For many workers today, saving for retirement feels almost bleak. According to the 2025 Goldman Sachs Retirement Survey, 42% of Gen Z, Millennials, and Gen X are living paycheck to paycheck. Almost three-quarters say they struggle to save because their money is already stretched across too many other priorities.

And the pressure isn't slowing down. Goldman Sachs predicts that by 2033, more than half of workers may still be living paycheck to paycheck, and by 2043, that could climb to 65%. It raises a big question: is retirement becoming something most people can't afford?

Life events make it even tougher. Sixty-six percent of Gen Z and 59% of Millennials have had a major change in the past two years, buying a home, getting married, sending a child to college, or going through a divorce. Seven out of ten people who went through one of these events either paused retirement contributions, borrowed from their plan, or decided to retire later than planned.

Greg Wilson, head of retirement at Goldman Sachs, said it best: "Telling workers just to save more ignores the realities they face." And he's right. The old advice doesn't match the challenges people are living with today.

Competing Priorities Are Crushing Savings

Even when people feel on track, the numbers tell a different story. Nearly 70% of savers think they're doing okay, but 60% expect to outlive their savings. Goldman Sachs calls this the "optimism gap;" people feel confident, but reality is a different story. Every generation is juggling too much. About 30% of Baby Boomers say competing expenses hold them back. That rises to 50% for Gen X, 75% for Millennials, and just over 70% for Gen Z. Student loans, rent, childcare, helping family, there's a lot pulling their money in different directions.

Employers are seeing it too. Nearly 60% of plan sponsors say their employees are struggling to save because of these competing priorities. Housing costs, for example, have jumped from about a third of household income in 2000 to over half in 2025. College costs are up too, leaving less money to put aside for the future.

Some Progress, But Challenges Remain

There is some good news. Millennials and Gen Z are starting to save earlier and in bigger amounts than past generations. Their savings-to-income ratios are higher than expected, showing they're paying attention and trying to do the right thing.

Gen X and Boomers face bigger challenges. Many Gen Xers were the first to navigate retirement without traditional pensions, and younger workers, while starting strong, still face new pressures that could slow their progress.

Overall, 55% of people increased their retirement savings last year, while only 8% reduced theirs. The catch is many are still aiming too low while most plan to replace less than half of their income in retirement, which may not be enough to maintain their lifestyle.

Mindset Matters

Goldman Sachs also looked at what makes the biggest difference in retirement outcomes. The largest factor wasn't just how much people saved—it was "financial grit," a combination of determination, discipline, and optimism. Personalized advice, early savings habits, access to plans, and insurance all helped too, but mindset made the biggest difference.

Chris Ceder, senior retirement strategist at Goldman Sachs, said, "Saving more is not the only answer. We have to look at different solutions to help people who are feeling the pressure."

Looking Ahead

People are trying. They're saving what they can, adjusting when life changes, and doing their best to stay optimistic. But the financial world has changed, and the old strategies don't always work.

For plan sponsors and advisors, now is the time to get creative. Help employees manage competing priorities through flexible plans, clear communication, and personalized tools. That's the best way to keep them on track and make retirement feel possible. Most people aren't ignoring retirement, they're just trying to make it through today.

Source

<https://www.plansponsor.com/gens-z-and-x-millennials-struggle-to-save-for-retirement-due-to-competing-priorities/>

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