



## – March 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 1st and 2nd quarters of 2024.

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

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## – In This Month's Issue –

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### [Millennials Redefine Retirement as "Financial Independence"](#)

Millennials are "redefining" what retirement means, according to a new survey conducted by IRALogix. More than half believe retirement is defined not by age 65 but by "financial independence." While some Millennials said ceasing all work by age 65 is a goal they are highly focused on working toward, many said they view retirement not necessarily as a complete exit from the workforce, but rather as a "time of greater flexibility in their lives." Source: Planadviser.com

### [Don't Set It and Forget It: Keeping up Your Fiduciary Committee](#)

It's a perfect time to think about an issue that might get lost in the summertime and year-end shuffles: fiduciary committees. Having a committee isn't a set-it-and-forget-it situation, it requires regular action to ensure the committee is properly undertaking its role as a plan fiduciary. Here are some best practice items committees should consider annually. Source: Benefitslawadvisor.com

### [In PEPs, Attaining Economy of Scale Is Critical, Sometimes Illusive](#)

Retirement plans that include multiple employers have continued to grow in assets, but the growth of assets necessary to reach the critical size where economies of scale can be achieved may take years. The forecasted cost savings to plan sponsors of joining a pooled employer plan over using a single employer plan may not materialize, depending on the sponsor's pooled plan provider. Source: Plansponsor.com

### [Traditional Retirement Accounts Exhausted Faster Than Roths: Study](#)

### [SECURE 2.0 Act: Catch-up Contributions](#)

Section 603 of the SECURE 2.0 Act of 2022 placed restrictions on catch-up contributions such that individuals having earnings of more than \$145,000 in the previous calendar year would be required to make all catch-up contributions as Roth after-tax contributions. In this article, the Public Retirement Research Lab Database is analyzed to assess the impact of this provision on public-sector retirement plans and participants. Source: Ebri.org

### [DOL Sends Fiduciary Rule to Office of Management and Budget](#)

The Office of Management and Budget (OMB) received the fiduciary rule, listed as Retirement Security Rule: Definition of an Investment Advice Fiduciary, from the DOL on March 8. The OMB will review its costs and benefits within 90 days. However, the compressed two-month period in which the DOL finalized the rule has industry watchers predicting that the OMB will also move quickly in its review. Source: Asppa.org

### [Retirement Savers Ended 2023 on a Positive Note](#)

Even with other ongoing financial struggles, retirement savers ended the year on a positive note with improved market conditions and consistent contributions helping boost average account balances to their highest level in nearly two years. The good news comes from Fidelity's Q4 2023 analysis, which is based on the savings behaviors and account balances for more than 45 million IRA, 401k, and 403b retirement accounts on the firm's platform. Source: Ntsa-net.org

### [Younger 401k Participants Seek Personalization Features](#)

A new study finds that people who rely on "deferred tax" accounts to save for retirement may exhaust their savings faster than people who use "currently taxed" accounts. The researchers developed an experiment designed to assess how people would spend money in a deferred tax or currently taxed account. The researchers then enlisted 350 study participants, all of whom were U.S. adults over the age of 40 who had filed at least five tax returns over the previous seven years. Source: Napa-net.org

#### [Tax Credit for Small Employer Start-Up Plans](#)

Although available for over two decades, it is still surprising to see the general lack of awareness that most employers have regarding their eligibility for a tax credit in connection with their establishment of a retirement plan. This article is intended to familiarize readers with this tax credit so that they can evaluate its applicability to their client's situation. Source: Legacysllc.com

#### [Access to 401ks Surges Past 70 Million in 2023: Capitalize](#)

According to the firm Capitalize, the number of private sector workers in the U.S. with access to 401k plans surged 6.35% in 2023 to reach more than 71.5 million individuals, or nearly 6 in 10 U.S. workers for the first time. Source: 401kspecialistmag.com

#### [IRS Issues Favorable Initial PLESA Guidance on Match Restrictions](#)

Notice 2024-22 brings important initial guidance on appropriate matching restrictions for Pension-Linked Emergency Savings Accounts, which was added to the Internal Revenue Code by Section 127 of SECURE 2.0, and is effective this year. In this article, Groom principals Elizabeth Dold and David Levine offer a simplification of the requirements for employers and recordkeepers to offer PLESAs. Source: Groom.com

Younger participants enrolled in employer-sponsored retirement plans share a greater desire for personalization, finds new research from Cerulli Associates. According to the findings, Generation Z was the most willing out of all other generations to share personal information, such as retirement savings/account balances (51%), nonretirement savings/account balances (37%), and expected retirement age (66%). Forty-five percent of Gen Z respondents added that they are "very comfortable" sharing their current and/or projected spending with 401k providers. Source: 401kspecialistmag.com

#### [What Was the Average 401k Match in 2023?](#)

If you work for a larger company, there's a pretty good chance that one of your workplace benefits will include access to a 401k plan. And if you're lucky, that plan will include some type of employer match. In 2023, 81% of workers with 401ks at Fidelity received some type of employer matching contribution. And the average amount might surprise you, in a good way. Source: Usatoday.com

#### [Why You Should Clean Up Those Old 401ks](#)

One study estimates about \$1.65 trillion is sitting in abandoned accounts, representing the savings of 30 million workers. The problem is most acute for people who leave behind small accounts. Increased job switching has accelerated the problem. Accumulating the savings you'll need in retirement is tough enough. Don't make it tougher by leaving behind a trail of abandoned 401k accounts. Source: Morningstar.com

#### ["Exploding Market" for 401ks May Help Shrink Coverage Gap](#)

According to research released Tuesday by payroll and small workplace plan retirement provider Paychex Inc., less than half (37.6%) of U.S. employers offer a retirement plan. While those numbers are dispiriting for many, some in the retirement industry see an opportunity to close that gap,

particularly with relatively new opportunities stemming from provisions in the SECURE 2.0 Act of 2022, state mandates, pooled employer plans, and advancements in technology that can help advisers sign up more clients with small businesses. Source: Planadviser.com

### **Western Benefits & Pension Council**

Please visit [www.westernpension.org](http://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](http://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.

## **– Contact Us –**



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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](http://www.westernpension.org).

#### **Editor**

This newsletter is compiled and edited by Ala Smochinsky. Please direct any comments to the Editor: [asmochinsky@lwarner.com](mailto:asmochinsky@lwarner.com)

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