

Retirement **OUTLOOK**

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The Rising Cyber Threat to Plan Sponsors



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Cybersecurity: A Top Plan Sponsor Concern



According to Escalent's 2025 Retirement Planscape study, more than half of plan sponsors rank cybersecurity as their No. 1 "plan fear," ahead of poor investment performance (45%) and insufficient participant savings (43%). That concern is not without evidence. High profile breaches such as the recent attack on a leading recordkeeper affecting more than 1,000 participants and traced to a third-party client management cloud application, demonstrates how a single weak point can compromise participant data and disrupt operations.

In the past year alone, 7% of all plan sponsors (and one in 10 mega plans) reported a 401(k)-related data breach.

The Department of Labor's website provides the Employee Benefits Security Administration's (EBSA's) best practices for retirement plan cybersecurity programs. EBSA states that the guidance is "for use by recordkeepers and other service providers responsible for plan-related IT systems and data, and for plan fiduciaries making prudent decisions on the service providers they should hire." The recommendations cover 12 areas of retirement plan cybersecurity.

1. Have a formal, well documented cybersecurity program.
2. Conduct prudent annual risk assessments.
3. Have a reliable annual third-party audit of security controls.
4. Clearly define and assign information security roles and responsibilities.
5. Have strong access control procedures.

6. Ensure that any assets or data stored in a cloud or managed by a third-party service provider are subject to appropriate security reviews and independent security assessments.
7. Conduct periodic cybersecurity awareness training.
8. Implement and manage a secure system development life cycle (SDLC) program.
9. Have an effective business resiliency program addressing business continuity, disaster recovery, and incident response.
10. Encrypt sensitive data, stored and in transit.
11. Implement strong technical controls in accordance with best security practices.
12. Appropriately respond to any past cybersecurity incidents.

Participants also can play a role by remaining vigilant for irregularities and reporting them through appropriate channels. Cyberattacks are growing more sophisticated, with AI and other advancements enabling criminals to mimic legitimate users and exploit weak points in vendor networks. Cybersecurity, is and will remain, a plan sponsor concern for the foreseeable future.

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Advisor Support is Key to Driving Confidence and Outcomes Among Younger Participants



Access to an advisor tends to improve retirement confidence, according to a recent survey by the Employee Benefit Research Institute (EBRI). The Retirement Confidence Survey found that 83% of workers with advisory access feel confident about retirement readiness, compared with just 53% of those without. But is that only because those with advisors are more likely to also have accrued greater wealth over time — or will it also hold true for younger workers with smaller portfolios?

A Kiplinger deep dive into the EBRI data suggests the advisory confidence “boost” is actually greatest among lower balance savers. In other words, professional financial guidance may have its most meaningful impact on younger workers in the early stages of their wealth-building journey.

More than three in four Gen Z employees, those born from 1997 to 2012, are saving for retirement through employer-sponsored retirement plans and/or outside the workplace. Automatic enrollment trends play a role here. But prevailing generational sentiments have a large impact on behaviors too: nearly six in 10 Gen Z and Millennial 401(k) participants expect their personal accounts to be their primary income source in retirement, while only 5% anticipate relying mainly on Social Security.

But saving — and saving enough — aren’t necessarily one and the same. And unfortunately, those falling behind the curve on retirement readiness may not even realize it’s happening.

Meanwhile, many younger Americans are embracing the growing trend of “soft saving,” favoring quality of life today

rather than delaying gratification and saving for future goals, such as retirement. Faced with heavy student debt, economic uncertainty and financial milestones such as homeownership feeling out of reach, some younger workers are choosing to prioritize travel, social experiences, and their mental health. Living in the moment, however, may come at substantial cost later on in terms of both mental well-being and quality of life in retirement if savings are inadequate.

This is where an experienced advisor can make a significant impact on the trajectory of a young participant. Part of the mental health “boost” of soft saving may come from the avoidance of facing the realities and challenges of planning for a secure retirement. But avoidance will only provide relief for so long — and delays in retirement planning can be costly and difficult to recover from. By providing guidance, perspective, and personalized, data-driven strategies, advisors can help younger workers balance enjoying life today while preparing for tomorrow.

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Auto Portability: Helping Reduce 401(k) Leakage After Job Changes



The Problem: Cash Out Leakage and Lost Accounts

American workers now hold an average of more than 12 jobs over the course of their careers. During job changes, many end up cashing out small 401(k) balances and not rolling them into tax-qualified retirement plans. Industry studies estimate this trend may be causing an annual savings “leakage” of more than \$90 billion due to taxes, penalties, and the missed growth and compounding potential of those cashed-out dollars. “Forgotten” 401(k) accounts may also be slipping through the cracks, further undermining employees’ long-term financial wellness.

Enter Auto Portability: Keeping Savings Connected to Their Owners

To address the issue, members of the retirement industry are supporting an option called “auto portability.” A consortium of major recordkeepers launched the Portability Services Network (PSN) to automatically reconnect small retirement account balances with their owners’ new employer plans when they change jobs.

The consortium’s intent is to have a process that is secure and easy for participants. Here’s how it works... If an employee leaves behind a 401(k) balance below a set level (typically

\$7,000), the network’s technology searches for that individual’s new employer plan and automatically rolls the old balance into the employee’s new plan account. Participants receive a notice and can opt out if they do not want the transfer. Otherwise, their savings automatically follow them to their next job. Participants pay a low, one-time fee (capped at around \$30) when their account successfully transfers.

Plan sponsors should conduct thorough due diligence to understand the terms, conditions, and implications of activating this option for their plans.

Research estimates that if this new feature were adopted widely, it could preserve an extra \$1.6 trillion in retirement savings over the next generation. By keeping those small accounts invested instead of being prematurely drained, even modest balances can grow over time and contribute to a more secure retirement.

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Participant Corner: Six Retirement Plan Benefits You Might Not Know About



When you think of the benefits of your retirement plan, tax-deferred savings and matching contributions are probably top of mind. But there's more to your workplace retirement plan than meets the eye. Beyond the basics, retirement plans can come with a number of lesser-known advantages that can help you protect, grow, and pass on your savings more efficiently. Here are six perks you might not even realize you have.

Dollar Cost Averaging. Your retirement contributions go into your account on a regular schedule, regardless of fluctuations in the market. This means you buy more shares when prices are low and fewer when prices are high, evening out your average cost per share over time. This is known as "dollar cost averaging." It's a simple, steady approach that takes the guesswork and emotion out of investing, helping you stay consistent through market ups and downs.

Greater Creditor Protection. Retirement balances are generally shielded from commercial creditors, adding an extra layer of security for your nest egg. This protection is built into federal law, offering a safeguard most personal investment accounts can't match. Even if you face a lawsuit or bankruptcy, your retirement savings are generally off-limits to most creditors. While certain exceptions can apply — such as for federal income taxes owed to the IRS — this layer of protection can help keep more of your hard-earned savings dedicated to your financial future.

Access to Exclusive Investments. Your retirement may include options not found in regular brokerage accounts, such as collective investment trusts (CITs). These pooled investment vehicles, maintained by a bank or trust company, are designed specifically for retirement plans and often offer lower costs and greater operational efficiency than mutual funds. CITs operate with fewer marketing and administrative expenses, and they're managed in bulk for institutional investors like retirement plans. Lower costs can translate directly into higher long-term returns, which can help your balance grow faster over time.

Easier Estate Planning. You can name beneficiaries directly on your retirement account, helping your savings transfer smoothly without probate delays. By naming your beneficiaries, you can help ensure that your savings pass directly to your chosen heirs, avoiding the time, expense, and complications of probate. Regularly reviewing and updating your beneficiary designations after major life events, such as marriage, divorce, or the birth of a child, can help keep your estate plan aligned with your wishes.

Professional Oversight. Retirement plans have designated fiduciaries that are responsible for reviewing fund performance, keeping fees reasonable, and ensuring investment options meet the plan's standards, giving you the benefit of built-in due diligence and expert oversight. These fiduciaries are legally obligated to act in your best interest, quietly working behind the scenes for your benefit.

Potential Fee Savings. Many larger plans offer institutional share classes with lower fees. While the difference may seem small, perhaps just a few tenths of a percent, those cost savings can add up to tens of thousands of extra dollars over decades of compounding. Lower expenses mean a higher percentage of each contribution stays invested, allowing more of your savings to keep working for you.

By understanding and taking advantage of these benefits, you can help make the most of your plan and strengthen your retirement readiness. A little knowledge can go a long way toward securing your financial future.

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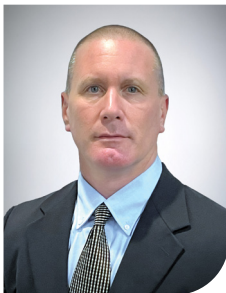
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