

Outlook.

Retirement & Private Wealth

Legislative and regulatory changes
will transform retirement plans and
wealth management.

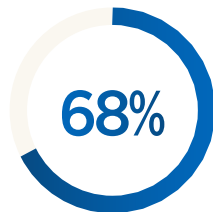


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What to Expect in 2024

The SECURE Act 2.0 (Secure 2.0) is already changing how plan sponsors manage their retirement benefits — while also expanding access and improving financial wellness, which will be the lodestar for retirement plans. Meanwhile, pending changes to the estate tax have given financial planners ample reasons to rethink wealth strategies. At the same time, investors will reevaluate their portfolio diversification in light of market conditions.



Non-financially stressed employees who feel energized at work.



Financially stressed employees who feel energized at work.¹

1. PwC, "PwC's 2023 Employee Financial Wellness Survey," accessed September 26, 2023.

Secure 2.0 is already a game changer.

When the SECURE 2.0 Act was signed into law at the end of 2022, it was clear the new statute's more than 90 provisions would transform retirement plans. Since then, plan sponsors have discovered just how much Secure 2.0 will alter the direction of retirement plans and employee financial wellness.

Not taking advantage of Secure 2.0's changes could hamper the effectiveness of retirement plans as an employee benefit. According to HUB's 2024 Outlook Executive Survey,² only 53% of respondents are planning to update their retirement plan or strategy because of regulatory changes, which indicates many have not fully digested the changes within Secure 2.0.

Secure 2.0 may require employers to devote additional time to their retirement plans — or even start one. Secure 2.0 offers tax credits for small businesses launching a workplace retirement plan; these credits can offset up to 100% of qualified startup costs for new plans sponsored by employers with up to 50 employees, making it more affordable than ever for [small employers to help with retirement readiness](#).

In addition, the auto-enrollment and auto-escalation parts of Secure 2.0 will add new employees to plans and help them prepare for retirement. [Other provisions](#) include changes to Roth 401(k) accounts, new options for emergency savings and student loan repayment matches in retirement accounts.

53% of respondents are planning to update their retirement plan or strategy.

Although Secure 2.0 has already changed the game in retirement plans, not all employers will make the most of the opportunity. For instance, automatic enrollment starts at 3% of salary, with auto-escalation of 1% annually. But in general, employees need to be saving 10% to 15% of their income to fully prepare for retirement,³ a level that employees won't reach until seven years with the organization — if they're still working there.

Employers can thus boost retirement readiness and financial wellness by starting employees at a higher level, such as 6%, which is often the top level of employer contribution matching.

2. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.
3. CNBC, "[Here's how much money you should be investing in your 401\(k\)](#)," February 27, 2023.

HR executives will embrace the mantra of "financial wellness."

"Financial wellness" will be an operative term in 2024 for maintaining employee engagement. Employers should heed the call.

Certainly, organizations are aware that financial wellness, which encompasses retirement plan offerings and programs that help relieve financial stress, are needed and effective: 84% of organizations say that financial wellness can help with retention.⁴

There appears to be a disconnect between how much employers value financial wellness initiatives and how much organizations actually emphasize them.

However, there appears to be a disconnect between how employers value financial wellness initiatives and how much organizations actually emphasize them. For instance, nearly all (98%) respondents in HUB's Outlook Executive Survey say they are putting a moderate-to-strong focus on their financial wellbeing programs.

In contrast, only 32% identified their retirement plan as a core component and top priority in benefits strategy, while just 18% called it a supplementary offering, not considered a primary part of benefits.

The fact financial wellness programs have shown to have a positive effect on productivity⁵ and employees want them⁶ illustrates the need to promote these benefits.

CASE STUDY: When a client in the home improvement industry was experiencing low engagement with their benefit offerings, they turned to HUB's **Workforce Persona Analysis** for insights. The company discovered that about 60% of employees were financially fragile and likely to leave for even a small pay raise.

To address the issue, the company rolled out a tiered benefits program that included financial wellbeing resources such as HUB's FinPath financial wellness solution, which reduced employees' financial stress, improved benefits uptake throughout the organization — and ultimately increased productivity and retention. With a traditional one-size-fits all approach, the company would have spent additional money and been left vulnerable to employee defections.

4. Advisor Magazine, "Navigating a New Era of Financial Wellness," October 2022.
5. PwC, "PwC's 2023 Employee Financial Wellness Survey," accessed September 26, 2023.
6. Benefits Pro, "Financial wellness: The No. 1 requested employee benefit," May 16, 2023.

Managed accounts will help plan participants with retirement readiness.

While Secure 2.0 will transform retirement plans, making plans resilient will require changes in how plan sponsors manage them. But to ensure engagement and resiliency, those same plan sponsors will need to add features that go beyond Secure 2.0's many provisions.

Fewer than

60%

of employees aged 55 to 64 years participate in a retirement plan.



For many reasons, workers are delaying retirement; labor force participation for workers at least 65 years old is near historic highs.⁷ That in itself presents issues in higher healthcare costs and stifled career pathways for younger workers.

Yet when fewer than 60% of employees aged 55 to 64 years participate in a retirement plan, it not only points to low participation and engagement but a lack of retirement preparedness that can have long-term effects on the organization as a whole. When financial wellbeing is compromised, it leads to increased stress and lower productivity. Those not ready for retirement often stay at their jobs longer than is good for them or the employer.

Forward-thinking organizations will enhance their retirement plans to increase engagement and improve retirement readiness. Enhancements like managed accounts offering individualized advice may help advance these retirement objectives.

Even though HUB's survey showed that 95% of U.S. respondents say they use a registered investment advisor (RIA) to help with retirement account strategy and planning, most do not offer managed accounts, where the plan provider or advisor helps plan participants choose an appropriate investment plan in their 401(k) accounts.

Managed account options will spur participation and have also shown to improve retirement readiness. As important, managed accounts help mitigate participant squeamishness in the event of market downturns. With a managed account, a plan participant is less likely to make rash decisions about moving money around indiscriminately between investments.

7. Economic Policy Institute, [Labor force participation among older Americans is steady or increasing](#), February 3, 2023.

Changes in the estate tax and market volatility will require stronger risk management.

An upcoming change to the estate tax and inconsistent market returns will alter many high-net-worth individuals' wealth strategy in 2024, affecting both their investment approach and estate planning.

The change in the estate tax takes effect in 2026, halving the federal estate and gift lifetime exemption to about \$6.4 million per individual, with a 40% tax on amounts above the limit.⁸ The move will force individuals to expedite gifting to heirs or find ways to pay for the higher tax burden on heirs after their estate settles.

One strategy involves buying life insurance policies to finance the estate tax bill. The policies are typically owned by an irrevocable life insurance trust, which uses the life insurance proceeds to purchase assets from the estate, providing the cash to pay the tax bill. This strategy is particularly helpful to business owners intending to pass their business to the next generation.

Investment strategy may also warrant changes in 2024. Due to rising interest rates, the bond market suffered one of its worst years ever in 2022,⁹ and equities were also hit hard, with the S&P 500 falling almost 20%.¹⁰ The negative results in both stocks and fixed income created a positive correlation between equity and bond returns.¹¹ The degree of correlation has grown in 2023 and may not subside in 2024.¹² That has made it nearly impossible for fixed-income instruments and equities to hedge each other.

As a result, portfolio diversification — generally considered the best way to build wealth over time — will take on new meaning in 2024, with moderately wealthy and high-net-worth individuals considering alternative approaches.

For most investors, alternative vehicles could include investments such as buffered exchange-traded funds (ETFs), which limit returns but also losses, or a “covered call” strategy for stocks using ETFs that can generate monthly income yet still participate with the market.

Portfolio diversification — generally considered the best way to build wealth over time — will take on new meaning in 2024.

8. LSL, “[Estate Tax Law Changes in 2026 May Impact Your Taxes A LOT—Gift Now!](#)” June 15, 2023.
9. CNBC, “[2022 was the worst-ever year for U.S. bonds. How to position your portfolio for 2023.](#)” January 7, 2023.
10. CNBC, “[Stocks fall to end Wall Street's worst year since 2008. S&P 500 finishes 2022 down nearly 20%.](#)” December 30, 2022.
11. State Street Global Advisors, “[The Pathway Back to Negative Stock/Bond Correlation.](#)” May 23, 2023.
12. Bloomberg, “[Bonds Are Useless Hedge for Stock Losses as Correlation Jumps.](#)” August 2, 2023.

Make a plan

HUB retirement and private wealth advisors will work with you to develop a tailored retirement plan that protects the bottom line, supports your workforce and builds resiliency for 2024. Here are some initial considerations:



✓ Rethink the retirement plan with a trusted advisor.

Secure 2.0 will result in massive changes to existing retirement plans and paves the way for new ones to flourish. Plans need to be re-evaluated to meet compliance standards and achieve organizational goals, while organizations without a plan must consider one to stay competitive. A trusted advisor can help you make sense of the new environment.

✓ Integrate financial wellness with retirement readiness.

Retirement readiness doesn't just mean having a 401(k) plan. Often, employees need guidance on saving, managing debt and having realistic financial goals. A holistic financial wellness program will not only help your employees reduce financial stress but improve retirement readiness. Tools such as [HUB FinPath](#) give employees individualized ways to help achieve financial wellness.

✓ Consider managed accounts.

One of the biggest barriers to retirement plan engagement is the complexity it presents to employees. Managed accounts can help remove that barrier while stabilizing participant investment strategies. Offering managed accounts will improve your organization's engagement with the plan and participants' comfort with their investments.

✓ Take action in estate planning and investment strategies.

Individuals need to plan for changes in the estate tax, and in the face of unstable stock and bond markets, they'll need to adjust their portfolio strategies. HUB's Private Wealth advisors can help you avoid the estate and investment pitfalls you'll face in 2024.

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9,200+

employer-clients served

2.2M

retirement plan participants served

\$148B

retirement plan and private wealth assets under advisement

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