

Outlook 2026

Employee Benefits & Retirement

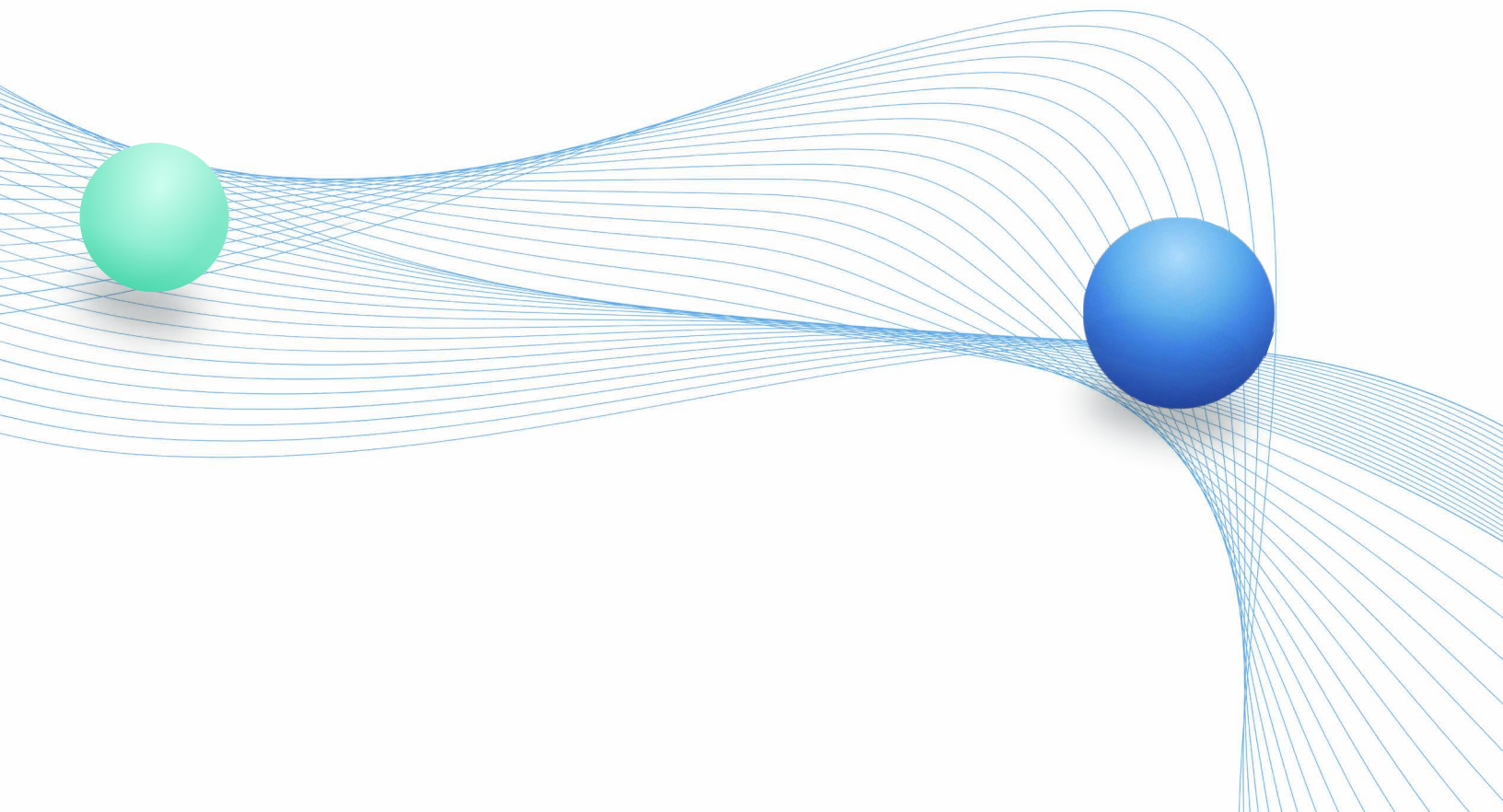
Despite headwinds, organizations that leverage smart strategies and technology will keep their benefits programs vital, resilient and effective.



What to Expect in 2026

Cost pressures in an unsettled economic environment will have employers searching for optimal benefits solutions.

Implementing innovative insurance strategies, improving employee mental health and putting financial wellbeing at the center of retirement plans will be priorities. Technology and AI-powered HR platforms will help deliver benefits that are both cost-effective and can attract and retain talent.



Affordability

As benefits expenses rise, employers will seek cost-effective solutions that boost engagement.

Benefits costs will continue to climb over the next 12 months, with medical expenses projected to rise [as much as 9% in 2026](#). Prescription drug costs are expected [to grow 10% to 12%](#).

Meanwhile, policy and regulatory changes will affect the landscape. While uncertainty in reimbursements and tariffs may increase pressure on employers,¹ these changes also present a chance to explore new strategies for long-term cost management.

The announcement that a pharmaceutical company had reached an agreement with the federal government to lower drug prices² is expected to result in other such agreements.³ Other changes are likely to affect the prices that organizations pay for drugs in employee health plans.

One area drawing particular attention is the rising use of GLP-1 drugs for diabetes and weight management. These medications can be costly (up to \$1,500 a month) and almost 30% of employers say these diabetes and weight loss treatments now account for 15% of their claims.⁴ In addition, employers may wonder about the unknown, long-term medical risks of GLP-1 usage that could result in other healthcare costs.

In addition, data analytics and clinical informatics provide powerful tools to uncover opportunities for savings. Using artificial intelligence (AI), employers can help predict health trends — instead of simply analyzing past data — and optimize provider contracts faster and more effectively than ever.

However, employers are finding ways to balance access with affordability through plan design, clinical guidance and innovative pharmacy strategies. They are also considering employee lifestyle changes when deciding to cover GLP-1 drugs.

Beyond traditional plans, interest in insurance alternatives is growing. Benefits captives, for example, can provide small- and mid-sized organizations with greater flexibility and cost control. Direct contracting, working with high-performing health networks and exploring alternative health plans are other options to help improve performance.

Plan design, clinical guidance and innovative pharma strategies will drive success in 2026.

New options cited in the One Big Beautiful Bill Act (OBBBA) could help with costs. For instance, employees enrolled in high-deductible health plans [can participate in certain Direct Primary Care \(DPC\) programs](#) and still contribute to a health savings account (HSA). For a flat monthly fee, employees receive unlimited access to primary care services.

Affordability

The search for solutions will intensify in all areas of benefits, including time-off policies, retirement plans and work arrangements. However, arbitrary budget cuts could lead to unintended consequences with employee recruiting, retention and engagement.

In some cases, enhancing benefits today can yield greater value tomorrow. Wellbeing programs and initiatives that deliver [quality employee experiences \(QEX\)](#) have been shown to reduce long-term healthcare costs while also improving workforce satisfaction and loyalty. With multiple generations in the workforce, customized employee benefits can be a powerful tool to help attract and retain talent, while improving workplace engagement.

A benefits broker should not only help employers understand the insurance side of benefits but also serve as a strategic consultant for leveraging benefits to drive employee satisfaction and productivity.

1. Healthcare Dive, "[Hospitals prepare for \\$149B cut to Medicaid state-directed payments,](#)" August 12, 2025.
2. Pfizer, "[Pfizer Reaches Landmark Agreement with U.S. Government to Lower Drug Costs for American Patients,](#)" September 30, 2025.
3. STATnews.com, "[Pharma companies scramble to make deals with Trump after Pfizer scored White House praise,](#)" October 7, 2025.
4. SHRM, "[How Much of Employers' Annual Claims Do GLP-1 Drugs Account For?](#)" June 6, 2025.

Vitality

A strong benefits strategy will help strengthen employee vitality during a time of uncertainty.

Throughout 2025, shifts in federal policy and the U.S. economy outlook directly affected employees, but it's unclear how these shifts will affect benefits vitality in the future.

While unemployment has hovered between 3.5% and 4% in the last two years,⁵ layoffs surged 29% in July 2025 compared with June, and rose 140% from July 2024⁶ due to government downsizing, business restructuring and growing deployment of AI.

Tellingly, more than half of employees are considering or actively looking for a new job,⁷ while employee engagement is only 32%. And the cost of low engagement can run into the hundreds of billions, if not more.⁸

The U.S. workforce is also aging. Not only is the median age of the workforce creeping up,⁹ but the number of workers age 65 and older grew 33% in the past decade and now comprises 7% of the nation's total workforce, up from 5.4% in 2015.¹⁰

Worker engagement is lacking as employees question the future, with many younger workers lacking motivation to build careers when they see limited growth opportunities.

That presents a significant opportunity for employers that can improve engagement through benefits. According to the [HUB 2025 U.S. Workforce Vitality Gap Index](#), 73% of employees feel that a comprehensive, personalized benefits program would increase the likelihood they'll stay at their current organization.

Such benefits include coaching to prevent mid-career burnout for professionals juggling work and caregiving responsibilities and increasing the covered limit on therapy for those in need of long-term help.

Trust is instrumental in helping workers find a sense of purpose during times of uncertainty. Employers can build trust through benefits, using tools like [HUB's Workforce Persona Analysis™](#), which can identify individual needs and help employers build a benefits strategy that aligns with organizational goals.

*Workers say their most-valued benefit — by far — is **flexibility and work-life balance**.*

And the most important benefit? That's flexibility and work-life balance, with 41% saying it's their most-valued benefit, even ahead of job security and compensation (18% each). Mental health benefits are also important, with many employees saying they would take advantage of mental health benefits if offered.

5. Bureau of Labor Statistics, "[The Employment Situation - July 2025](#)," August 1, 2025.
6. Newsweek, "[US Hits Highest Layoffs Since COVID](#)," August 12, 2025.
7. Gallup, "[Employee Retention & Attraction](#)," accessed September 2, 2025.
8. Gallup, "[Employee Engagement](#)," accessed September 2, 2025.
9. U.S. Bureau of Labor Statistics, "[Median age of the labor force by sex, race, and ethnicity](#)," August 28, 2025.
10. U.S. Bureau of Labor Statistics, "[Labor Force Statistics from the Current Population Survey](#)," May 2, 2025.

Resiliency

Benefits strategy and AI-powered benefits administration will help keep benefits resilient in 2026.

Building and maintaining a resilient total rewards and human capital strategy will be a challenge for employers in the next year. Evolving public policies, a disrupted economy, cost increases and stressed-out workers will make it difficult to keep benefits effective, affordable and available long term.

Managing the cost pressures on employee benefits remains front and center. The average cost of private sector benefits changed little between 2023 and 2024, comprising 29.7%, or \$13.49 an hour, of total compensation.¹¹ However, benefit costs have grown steadily since 2020, increasing 3.4% for the 12 months ending in June 2025.¹²

HR tech has always been an integral part of HR benefits administration, but AI-powered benefits administration may change the equation for benefits resiliency. Although deployment remains a work in progress, at least one company, IBM, is using AI for 94% of routine HR tasks, including performance reviews and coaching.¹³

However, there is opportunity. Organizations with the same viewpoint for benefits as for risk management — measuring and improving risk maturity — can strengthen benefits resiliency through sophisticated use of data, not only to control costs but to anticipate emerging needs.

Technology or AI won't deliver benefits resiliency alone, especially if they're used solely to lower HR expenses. Instead, employers can leverage tech to build long-term benefits plans that account for an aging workforce, the cost of healthcare and increased mental health and wellbeing needs.

The through-line for HR is to remain responsive to the unique and constantly changing needs of a multi-generational workforce — and improve benefit plans' maturity risk. That takes tools that can deliver advanced peer benefits benchmarking and a [deep understanding of the workforce](#) that show which levers will maximize engagement and minimize turnover.

Organizations can strengthen resiliency through sophisticated data analytics, which can control costs and anticipate emerging needs.

11. U.S. Bureau of Labor Statistics, "[Employer Costs for Employee Compensation Summary](#)," June 13, 2025.

12. U.S. Bureau of Labor Statistics, "[Employment Cost Index - June 2025](#)," July 31, 2025.

13. Forbes, "[IBM Replaces Hundreds With AI as HR, L&D Leaders Rethink Roles](#)," May 27, 2025.

Employee Wellbeing

As employee engagement declines, addressing employee wellbeing takes on new urgency.

Heading into 2026, organizations should prioritize personalized benefits and holistic wellbeing initiatives that support employees' physical health, mental resilience, financial stability and career growth — key drivers in reversing declining engagement.

Though most employers say they have a wellbeing strategy,¹⁴ the plan isn't always as effective as hoped. For example, while 53% of employers responding to HUB's 2025 Workforce Vitality Gap Index offer wellbeing benefits, only 16% of employees take advantage of them. And the same number of employees take advantage of financial wellbeing solutions at work, despite 38% of employers offering such solutions.

Many small- and medium-sized employers are demanding the same resources and innovation as large employers, which creates a need for scaling resources and improving efficiency.

These organizations should start by developing a holistic employee wellbeing strategy that takes time to fully become part of the employee experience. Organizational commitment and leadership's vocal and consistent buy-in are crucial, along with effective communication of the available benefits.

What's more, vendor wellbeing solutions number in the hundreds, if not thousands. Without a wellbeing strategy, sorting through these programs and determining which ones to implement often results in five- or six-figure expenditures with little return.

The OBBBA does have a key provision that could improve employee wellbeing by making pre-deductible telehealth coverage permanent for individuals using [Health Savings Accounts \(HSAs\) for high-deductible health plans](#). This could give employees the ability to access telehealth benefits (if available) before meeting their deductible under a high-deductible health plan.

However, employees cannot thrive without a shift in management thinking about the organizational systems that drive workplace wellbeing. The impact of the volume, pace and intensity of work is hard to measure and fix, but the impact on an organization's culture can be immense.

*In 2026, organizations intent on **improving employee wellbeing** will need to examine their culture and work environment.*

The role of culture cannot be underestimated in promoting wellbeing. For instance, companies with a growth-at-all-costs strategy risk employee burnout and disengagement. A holistic wellbeing strategy may seem at odds with such growth goals. Yet sacrificing employee wellbeing in the name of growth is a formula that often fails over time in terms of productivity, engagement, absenteeism and presenteeism, and can result in long-term, high-cost medical conditions.

Employee Wellbeing

As employers tackle employee wellbeing in 2026, the consequences of inaction are clear: Prioritizing business outcomes over employee wellbeing will lead to greater burnout, higher turnover and declining productivity. For employers concerned they lack the resources for an employee wellbeing program, they can start with small initiatives and build a broad wellbeing strategy over time.

Working with an experienced employee benefits broker with deep resources across technology, third-party tools and proprietary platforms, like [HUB's Workforce Persona Analysis](#),™ will help organizations find the options best suited for their employees' wellbeing.

14. Business Group on Health, "[2025 Employer Well-being Strategy Survey: Executive Summary](#)," May 20, 2025.

Retirement Plans and Financial Wellbeing

Organizations will need to approach retirement plans and financial wellbeing as two sides of the same coin.

On the surface, employee-sponsored retirement plans appear healthy. Nearly two-thirds of American workers had access to a defined contribution plan in 2024, the highest amount in at least a decade.¹⁵

In fact, many states have mandated retirement savings plans or have passed legislation to implement them,¹⁶ while the SECURE Act 2.0 (Secure 2.0) has made it easier than ever for organizations to sponsor an employee retirement plan.

But that doesn't mean that 2026 will be easy for employer-sponsored retirement plans — or the financial wellbeing of employees.

Even employees with solid retirement savings are worried about uncertainty and unpredictability in the economy and political environment. While 86% of employees with access participate in their retirement plan, nearly 40% are reducing contributions due to economic worries. Two-thirds are reducing contributions for all savings accounts.¹⁷

And about 30% are changing their investment strategy in their workplace investment plan, while 20% are moving money out of investments into savings accounts.¹⁸

Nearly 30% of employees report that a pension plan is an “unmet” benefit need, indicating some desire for guaranteed income in retirement.¹⁹ Despite the desire for more income in retirement, only 15% of plan sponsors offer an in-plan option that provides a guaranteed income.²⁰

Helping ensure employees' financial wellbeing will mean more than a solid retirement plan in 2026, such as offering programs that help increase emergency savings, pre-tax loan repayments and debt counseling.

Making retirement plans part of an overall financial wellbeing strategy will help support a thriving organization.

Retirement plan sponsors will also have several other risk issues to confront this year. Although employers have largely digested the changes from Secure 2.0, there will be additional mandates this year, including new rules on Roth catch-up contributions.²¹

Retirement plans are not immune to litigation, either, and trends point to more lawsuits against plan sponsors and advisors. In addition to suits filed for high fees and inappropriate fund selection, there's now litigation involving plan sponsors using forfeiture funds to pay for employee matches rather than to reduce plan costs.²²

And plan sponsors cannot overlook the threat of data breaches and ransomware. Ransomware and social engineering attacks against ERISA plans have not been widely reported but remain a threat. Not only could investors lose money, but plan sponsors' reputations are at risk.²³

Finally, changes may occur due to additional legislation and executive orders involving retirement plans.²⁴ Employers and employees alike will want to stay attuned to new opportunities to maximize retirement savings.

Employers have a variety of options for employee retirement and financial wellbeing support, including managed plans, HSA programs and tools to help employees address their financial concerns. Employers of all sizes can get started with a program like [HUB's FinPath](#), which offers personalized financial advice for employees of all income levels.

FinPath helps employees manage their finances, adding a layer to existing financial wellbeing initiatives. Combining digital offerings with advice from financial advisors, such programs deliver financial wellbeing that meets employees' different needs.

Retirement Plans and Financial Wellbeing

15. U.S. Bureau of Labor Statistics, "[EBS Latest Numbers](#)," accessed July 21, 2025.
16. Gusto, "[Does Your State Have a Retirement Plan State Mandate? What Employers Need to Know](#)," April 8, 2025.
17. Morgan Stanley, "[State of the Workplace 2025 Financial Benefits Study](#)," May 26, 2025.
18. Investopedia, "[Retirement Savings Severely Affected By Economic Uncertainty and Tariffs. Survey Shows](#)," May 5, 2025.
19. LIMRA, "[Workers' Benefits Satisfaction Tied to Understanding and Knowledge: Can Total Compensation Statements Correct the Course?](#)" July 9, 2025.
20. J.P. Morgan, "[2025 Defined Contribution Plan Sponsor Survey Findings](#)," June 6, 2025.
21. Foley & Lardner, "[Mandatory Roth Catch-up: More than Meets the Eye](#)," March 24, 2025.
22. Holland & Knight, "[An Emerging Trend in ERISA Class Action Litigation: 401\(k\) Forfeiture Suits](#)," January 22, 2025.
23. 401(k) Specialist, "[Why Cybersecurity Matters More than Ever for Plan Sponsors and 401\(k\) Plans](#)," January 2, 2025.
24. Kiplinger, "[Eight Ways Trump Could Impact Your 401\(k\), Nest Egg and Retirement Readiness](#)," accessed September 10, 2025.

Moving Your Organization Forward

HUB employee benefits specialists and financial advisors will work with you to develop a tailored strategy that protects the bottom line, supports your workforce and builds resiliency for 2026. Here are some initial considerations:

Elevate benefits.

1

Workers expect more from their benefits — and demand excellent benefits when considering job offers. Make benefits the cornerstone of your HR strategy in 2026 to improve recruiting, employee engagement and retention.

Dive into data to reach your goals.

2

Whether your main HR goals include lowering turnover, improving employee engagement or streamlining costs, determining specific employee benefits goals will inform your approach to benefits in 2026. Work with your HUB benefits advisor to define goals and dive into data to develop an effective plan.

Turbocharge benefits personalization.

3

Personalized benefits fit the needs and wants of individual employees. HUB's [Workforce Persona Analysis™](#) will help provide data-driven insights that support sound decision-making and lead to quality employee experiences throughout the organization.

Make employee wellbeing a priority.

4

A benefits strategy that focuses on employee wellbeing can help energize the workforce, improve retention and enhance workplace culture. Holistic, integrated solutions that take the employee's entire wellbeing, including financial wellness and retirement planning, into account will perform better than stand-alone initiatives that have a limited shelf life and effectiveness.

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