

RETIREMENT TIMES

MAY 2026

This month's edition of The Retirement Times highlights several important developments shaping the retirement landscape. Most notably, the Department of Labor's 2024 "Retirement Security Rule" has been vacated following an unopposed court ruling, reinstating the longstanding 1975 five-part test for determining fiduciary status under ERISA. While this marks a significant regulatory shift, further changes may be on the horizon as the DOL signals plans to introduce a revised rule in the near future.

Beyond regulation, this issue also explores the growing role of artificial intelligence in personal financial decision-making, ongoing challenges with retirement plan participation, and key lessons from past market volatility. Together, these insights underscore the evolving dynamics of retirement planning—and the continued importance of informed, balanced decision-making in an increasingly complex environment.

– Rachele Wolf, CPFA™ Senior Vice President, Retirement Plan Consultant, Client Relationship Management & New Business Development

"Retirement Security Rule" – Latest Developments

With the Department of Labor (DOL) declining to challenge industry groups' motions for final judgment, the 2024 version of the fiduciary rule known as the Retirement Security Rule has been vacated.

The 2024 rule would have extended ERISA fiduciary duties to cover certain one-time professional retirement investment recommendations such as rollovers, annuity purchases, and plan menu design.

In March this year, the U.S. District Court for the Eastern District of Texas issued a ruling to vacate the rule. The ruling was unopposed by both the DOL and key industry groups.

The department subsequently published guidance on March 20, formally reinstating the 1975 five-part test as the governing standard for determining ERISA fiduciary status and republished Prohibited Transaction Exemption 2020-02 in its original 2020 form. Under the five-part test, a financial professional is only considered an ERISA fiduciary if they provide investment advice on a regular basis, under a mutual agreement that the advice will serve as a primary basis for investment decisions, and for direct compensation.



This outcome doesn't necessarily signal an end. The DOL has indicated it intends to issue a new version of the fiduciary rule as early as May 2026. The department has not yet issued substantive details but has indicated the rule's new version "will ensure that the regulation is based on the best reading of the statute" and will align with an executive order calling on departments to reduce regulatory burden.

Sources:

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AI Used Widely (Though Not Always Wisely) for Retirement Planning



AI is now a copilot for everyday tasks, helping people with emails, meal planning, workout routines, and more. It's also impacting how participants approach retirement planning.

AI's Growing Influence on Financial Decision Making

While health and wellness rank as a top use case for AI (44%), finance is a close second (41%), according to a recent Credit Karma survey. A separate Empower study found that, year over year, nearly half (47%) of Americans now feel more comfortable using AI for personal finance purposes. They're turning to AI for retirement planning recommendations (56%), debt consolidation advice (58%), and budgeting help (54%).

Among Credit Karma respondents who use AI for financial advice, 35% use it for financial education and basic personal finance concepts, 35% for goal setting and financial action plans, 34% for budgeting and expense management, 32% for stock market investing, and 31% for retirement savings. A sizeable 85% who have used AI for financial advice report taking action based on AI recommendations. Notably, however, more than half of that group reported those decisions ultimately resulted in what they considered to be poor outcomes.

The Human Factor Remains Important

AI is not the final word for most users when it comes to financial advice, as 8 in 10 Credit Karma respondents report conducting additional research and validating advice before acting on it. When they do turn to tools over people, reasons include accessibility, lack of fees, and the anonymity of a judgment-free environment.

Among Empower respondents, 62% emphasize the value of receiving human input, especially for more important financial decisions such as investing, and 61% say they'd use AI in conjunction with human financial advice to try to obtain better results.

Users Face Privacy Risks

Looking beyond advice and outcomes, experts note the potential privacy risks associated with AI use. They recommend against entering sensitive and personally identifiable data (e.g., account and Social Security numbers) into AI tools. They also advise against sharing specific income and balance information and to use general ranges instead.

How Sponsors and Advisers Can Help

As their employees increasingly turn to AI for retirement planning guidance, sponsors can help by putting these tools in context and educating participants about the risks of misinformation and the importance of protecting their data. They can also refresh their communications to address emerging AI-related questions, promote fiduciary resources available through the plan, and ensure advisors remain accessible for support.

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Survey: Knowledge Gap Drives Retirement Plan Nonparticipation

Among people who choose not to participate in their employer-sponsored retirement plan, many cite a lack of understanding as the primary reason, according to recent surveys.

Survey: Knowledge Gap Drives Retirement Plan Nonparticipation



Regulatory mandates have attempted to harness the power of automatic features and strengthen retirement readiness. SECURE 2.0 requires 401(k) plans established on or after December 29, 2022 to automatically enroll employees at 3-10% of pay, with annual 1% escalations up to 10-15%. (Businesses with 10 or fewer employees or those operating for less than three years are exempt until they cross those thresholds.)

Despite mandates like these and the prevalence of automatic features, some employees do elect to opt out of plan participation. Within plans offering automatic features, around 7% of employees still decline participation, according to a Vanguard study. An Ascensus survey finds 30% of nonparticipants don't know how a plan works, and 23% view retirement savings as unaffordable.

Advisors can address knowledge gaps by helping employees better understand the value of their plans and clearly articulating how participation can help them meet their goals. Sponsors can help too with clear, accessible, and frequent communications and by offering enrollment assistance across multiple channels.

Automatic features can help boost participation and improve retirement outcomes, but sometimes it's the human element that can make the difference in getting employees to take the critical first step.

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Market Turbulence: What History Tells Us

When global crises affect financial markets, it can be tempting to rethink your savings strategy. But history indicates that pulling money out of the markets during such times could mean missing out on any rebounds that follow.

A recent Vanguard analysis found that, on average, equity (stock) markets delivered an 8% total return six months after many major geopolitical events occurred and 12.9% after one year.

So how can you manage anxiety and stay on track with your long-term strategy when markets hit a rough patch? And what if volatility hits when you're close to retirement?

Mind Over Market

Investment volatility can feel uncomfortable, but downturns are a normal part of market cycles. If retirement isn't right around the corner, simply changing your mindset can help reduce the urge to react in the moment. Remember...

- "Losses on paper" are just that. You don't experience a loss until you actually sell.
- Continuing to contribute to your retirement plan during market downturns may even work to your advantage. By investing regularly through contributions, you're doing something called "dollar-cost averaging." Over time, you're buying more shares when prices are lower and fewer when prices are higher.

Healthy Habits

Healthy financial habits can help give you more confidence during turmoil.

- Having an ample emergency fund can help you feel more in control of your finances.
- While it may be tempting to check your 401(k) balance more often during turbulent periods, doing so too frequently may lead to impulsive, fear-based decision making.

Right-sizing Risk into Retirement

Investors nearing retirement can feel market swings more acutely. But thoughtful strategies could help you adjust your exposure to volatility and manage risk as you approach retirement. Check out options like target date funds which automatically shift your investment mix toward historically less volatile options as you near your planned retirement date.

Weigh the Potential Cost of Sitting on the Sidelines

Thinking about reducing or stopping your plan contributions during a downturn? Consider...

- You could miss out on the benefits of any market rebound.
- If your employer offers a savings match, you may be leaving free money on the table.

Ultimately, you want to be sure you're comfortable with your long-term strategy, as it will likely span many market ups and downs.

Source: <https://www.nl.vanguard/content/dam/intl/europe/documents/en/geopolitical-sell-offs-eur-en-end.pdf>

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