T. Rowe Price

2025 U.S. Retirement Market Outlook

Retirement industry at a crossroads

RETIRE WITH CONFIDENCE®

Foreword

Michael Davis
Head of Global Retirement Strategy

Our 2025 Retirement Market Outlook offers key insights in three areas that we expect to gain added traction: evolving default investment options, increasing plan adoption of retirement income solutions, and the growing momentum for emergency savings programs. Our outlook highlights the challenges and opportunities presented by these trends. Additionally, we look ahead at key legislative and regulatory themes that are likely to impact the retirement landscape in the coming years.

Qualified default investment alternatives (QDIAs) transformed retirement plan investing, with target date strategies gaining prominence due to their automated, age-based asset allocation. There is a growing interest for these strategies to incorporate blend approaches—which combine active and passive investments to enhance cost efficiency and the benefits of active security selection—along with the shift toward collective investment trusts (CITs). Enhanced levels of interest from consultants and advisors in these areas suggest sustained growth in these target date approaches. Personalized managed accounts also seem to be gaining recent momentum, especially as more participants approach retirement.

The past year has also witnessed a flurry of new retirement income products. As this trend continues, we expect the industry to focus on not just product creation, but also on plan adoption. However, it's important to recognize that retirement income isn't a priority for every plan—some may prioritize student loan repayment or emergency savings programs based on their participant needs. Overall, data show increasing interest among plan sponsors in retaining retirees in their plans, and many are proactively inquiring about the landscape of retirement income products and services. Consultants and advisors will continue to be essential in helping plan sponsors select suitable tailored retirement income capabilities and providing ongoing support.

Provisions in the SECURE 2.0 Act of 2022 have bolstered employer-sponsored emergency savings programs, introducing new solutions to participants. There is growing recognition among employers, consultants, and advisors about the importance of overall financial wellness, and emergency savings is often a central aspect of that discussion. We expect to see continued conversations on the adoption of both in-plan and out-of-plan emergency savings solutions.

Looking ahead, we outline some key legislative and regulatory themes that could impact the retirement landscape, including tax reform and enhancements in SECURE 2.0, among others. These developments may shape the future frameworks within which retirement plans operate.

Contributors

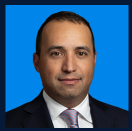
Sudipto Banerjee
Global Retirement Strategist

Kathryn Farrell
Target Date Portfolio Specialist

Aliya Robinson
Director of Congressional Affairs

Christine Stallard
Senior Retirement Offer Manager

Michael Doshier
Global Retirement Strategist



Nelson Leitao
Product Director, Investment Strategy

Jessica Sclafani
Global Retirement Strategist

Rachel Weker
Senior Retirement Strategist

Retirement facts at a glance

U.S. retirement assets[1] cross the

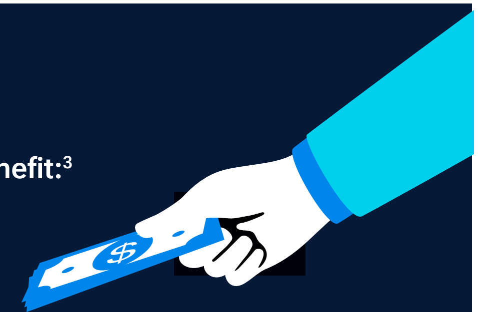
$40 trillion mark

72%

Access to private sector retirement plans[2]

Average monthly Social Security benefit:[3]

$1,907



$538,000

Average combined 401(k) and IRA balance for ages 55–64[4]

Over

800,000

private retirement plans

And over

151 million

participants[5]

Gen X turns

53%

Overall participation in private sector retirement plans[2]

$3.8 trillion

in target date assets[6]

[1] ici.org/statistical-report/ret_24_q2
[2] Bureau of Labor Statistics (BLS) bls.gov/news.release/ebs2.t01.htm#ncs_nb_table1.f.3
[3] Numbers for January 2024. Social Security Administration faq.ssa.gov/en-us/Topic/article/KA-01903
[4] Federal Reserve Survey of Consumer Finances, Table 6. November 2023. federalreserve.gov/econres/scfindex.htm
[5] Tables E1 and E4, Private Pension Plan Bulletin Historical Tables and Graphs, 1975–2022. EBSA, Department of Labor. The numbers are for 2022, and they include both defined benefit and defined contribution plans. dol.gov/sites/dolgov/files/ebsa/pdf_files/private-pension-plan-bulletin-historical-tables-and-graphs.pdf
[6] Includes both mutual funds and collective investment trusts as of June 30, 2024 (Morningstar).

Evolution of target date solutions and QDIAs

The concept of QDIAs is evolving to address the diverse needs of retirement plan participants. QDIAs are designated by plan sponsors for participants who have not made their own investment selections. To qualify, in general, a QDIA must incorporate a mix of asset classes aimed at capital preservation and long-term appreciation.

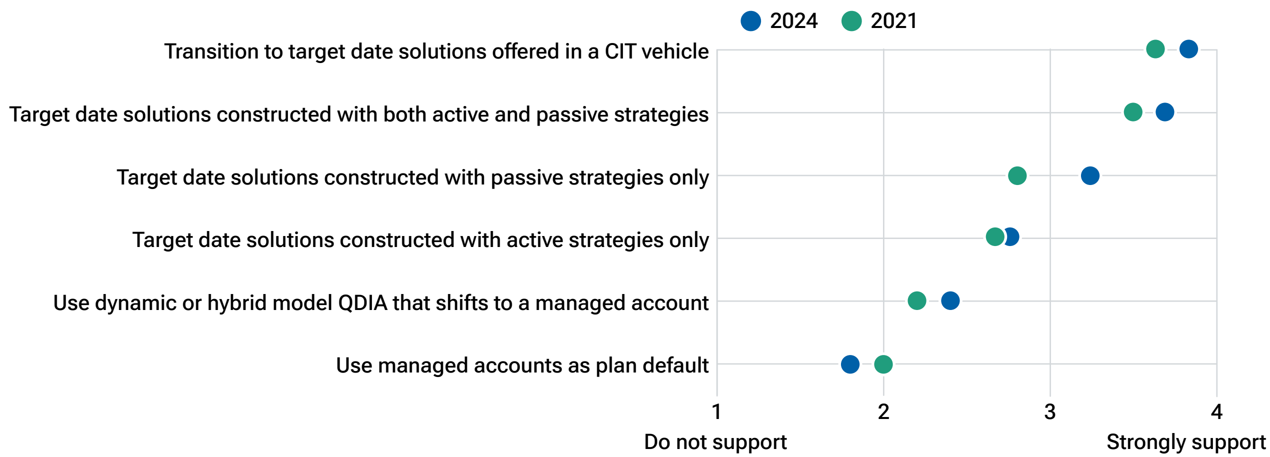
QDIAs include target dates, managed accounts, and balanced funds. However, industry trends have shown a marked preference for target date solutions, which adjust their asset allocation automatically as participants age and come in a range of implementations and vehicles. In 2023, 98% of the plans on our T. Rowe Price recordkeeping platform offered target date investments.[1] Managed accounts, though less adopted as QDIAs, are gaining attention for their personalized investment strategies that can align with individual needs.

Target date strategies continue to innovate and expand

Target date strategies continue to be very popular, and we believe that they support more successful outcomes for retirement investors. In recent years, the target date bucket has expanded and adapted to changes in regulatory guidance, industry practices, technology advances, and market demands. These solutions now include blend strategies and CITs that are accelerating the impacts that target dates have on retirement plan design and are seeing high interest from defined contribution (DC) plan consultants and advisors (Figure 1).

Focus on fees shines light on blend solutions and CITs

(Fig. 1) Consultants and advisors express strong support for blend target dates and CITs



Sources: T. Rowe Price 2024 Defined Contribution Consultant Study (Question 18) and 2021 Defined Contribution Consultant Study (Question 19). Respondents were asked to identify their level of support for each statement on a scale of 1–4, where 1 represents no support and 4 represents strong support.

Growing support for active/ passive blend strategies

Blend target date strategies represent an innovative approach within retirement plans by combining the benefits of both active and passive investment strategies. Blend solutions have become popular in recent years, especially among investors who don't view the active/passive debate as an either/or question. Recent data indicate a growing preference for blend strategies over passive-only ones (Figure 2).

The cost-conscious nature of plan sponsors is also driving the adoption of blend strategies as a more affordable option without sacrificing the benefits of active management. Their strategic mix of active and passive investments aims to achieve a balance between cost efficiency, diversification benefits, and the potential for excess returns.

By integrating passive investments, these solutions reduce overall fees and provide efficient exposure to certain asset classes. Active management, on the other hand, is employed to seek outperformance and add value

[1] Reference Point Annual Report, T. Rowe Price, Baltimore, MD, April 2024.

through security selection. In addition, it's a critical consideration for purposeful diversification in a multi-asset investment given that some asset classes cannot be implemented efficiently with purely passive strategies. In our 2024 DC Consultant Study, consultants and advisors expressed a preference for active management for income-seeking fixed income diversifiers, such as high yield and emerging markets bonds. Incorporating these asset classes through actively managed strategies can help with credit risk mitigation, as well as duration and interest rate risk management, especially in a changing interest rate environment.

An analysis of data from from Sway Research shows that, as of December 31, 2023, blend target dates have achieved a faster three-year compounded annual growth rate in assets (12%) compared with active or passive strategies (4% and 10%, respectively), a trend that is likely to continue.

Interest in CITs has grown sharply in recent years

Target date CITs have experienced significant growth in recent years, representing 51% of the $3.8 trillion target date assets as of June 30, 2024. According to Morningstar, CITs have attracted the lion's share of new target date inflows since 2020, and they have now inched past mutual funds as the most popular target date vehicle.[2]

CITs—also known as collective trusts, commingled funds, or common trust funds—are institutional investment vehicles designed for qualified retirement plans. They pool assets from multiple retirement plans into single portfolios that are managed according to a specific investment strategy. CITs generally have lower fees than mutual funds due to fewer regulatory requirements, lower administrative costs, and economies of scale. This cost efficiency is one of their main attractions compared with mutual funds.

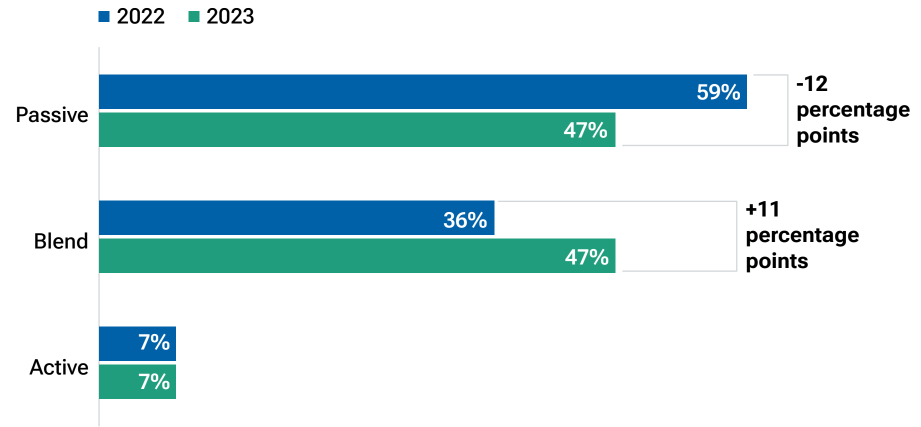
Conversions from mutual fund assets to CITs in DC plans across market sizes is also boosting their market share, and their expected availability to 403(b) plans should spur further growth.

Managed accounts appear poised for future growth

Managed accounts are an important area of anticipated growth for both consultants (68%) and advisors (78%), but they are mostly thought of as an "opt in" option in a plan's investment menu rather than a QDIA (Figure 3).

Blend target dates are gaining momentum

(Fig. 2) Target date investment management style consultants are most likely to recommend



Sources: The Cerulli Report I Defined Contribution Consultant Report 2022 and The Cerulli Report I Defined Contribution Consultant Report 2023.

Key takeaway

Blend target dates, which combine benefits of both active and passive investment strategies, have achieved a faster three-year compounded annual growth rate in assets compared with active or passive strategies, a trend that is likely to continue.

[2] Megan Pacholok, "CITs Dethrone Mutual Funds as the Most Popular Target-Date Vehicle." Morningstar, August 2024.

However, managed accounts appear to be gaining prevalence in the DC market as a more personalized portfolio solution for older participants approaching retirement. When evaluating potential retirement income products or features, plan sponsors, consultants, and advisors identified solutions with a simple systematic withdrawal capability as the most appealing. Plan sponsors also rated potential investments that incorporate a partial guarantee and target date investments with an embedded annuity feature among the top three appealing ways of delivering retirement income. Guarantees are subject to the claims paying ability of the insurer.

As individuals age, their financial circumstances become more disparate and complex, and differences emerge in retirement goals. Managed accounts can now be used in a dynamic QDIA structure to automatically transition participants from target date solutions into more customized portfolios as they near retirement.[3]

In a recently published study in the *Journal of Portfolio Management* titled "Personalized Target Date Funds," our multi-asset research team explained how personal information can be used to create optimal asset allocations based on an individual's full retirement picture.[4] Based on Monte Carlo simulation, they estimate that such improvements can add to additional risk-adjusted spending.

Key considerations for plan sponsors, consultants, and advisors

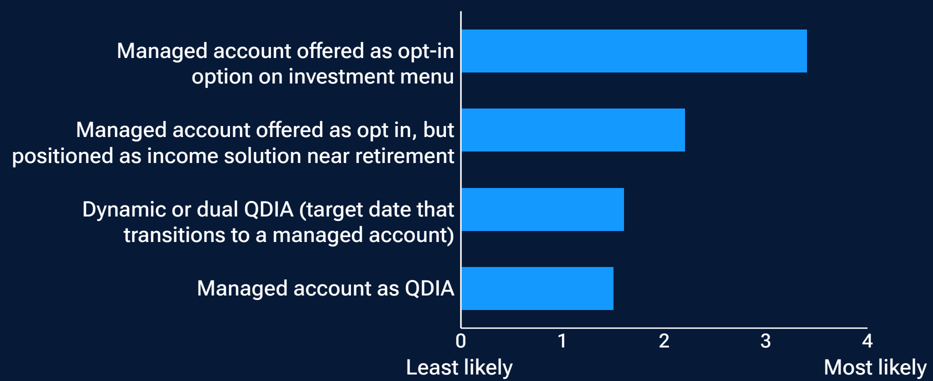
- **Take a closer look at target date strategies:** Target dates remain the most popular QDIA option in the industry and continue to evolve. Prudent evaluation of the available implementation styles and vehicles can help ensure your plan is using the right solution that meets participant needs.
- **Rethink managed accounts:** Plan sponsors who have a high conviction in their target date QDIA can still offer participants an opportunity to personalize their investing experience near retirement. It no longer needs to be target date solutions or personalization—it can be both!

[3] Sudipto Banerjee and Jessica Sclafani, "Make it personal: The next chapter for target date solutions," T. Rowe Price, September 2024.
[4] Kobby Aboagye, Sébastien Page, Louisa Schafer, and James Tzitzouris, "Personalized Target Date Funds," 2023.

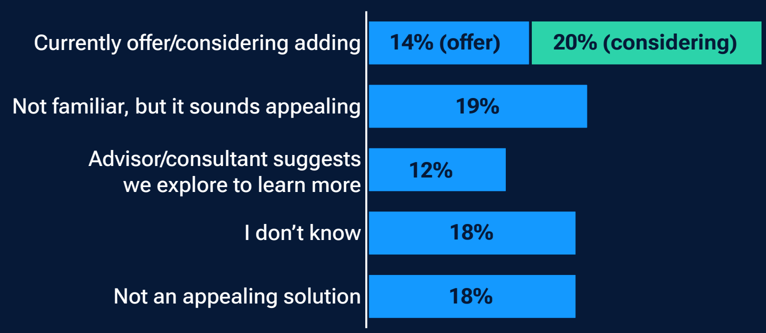
A potentially expanding role for managed accounts

(Fig. 3) Dynamic QDIAs are not widely prevalent today, but about half of plan sponsors are open to the concept

Consultant advisor views[1]



Plan sponsor views[2]



[1] T. Rowe Price 2024 Defined Contribution Consultant Study (Question 7). "For your DC plan clients that currently offer a managed account service, how is it likely to be positioned within the broader plan?"
[2] T. Rowe Price, 2024 DC Plan Sponsor Considerations and Actions on Retirement Income. Totals may not add up due to rounding. 1Q26. "What is your view on dynamic or dual solutions that transition from a traditional target date investment to a more personalized strategy (e.g., a managed account) as participants get closer to retirement?"

Retirement income universe expands, plan adoption on the horizon

The SECURE Acts of 2019 and 2022 spurred the creation of innovative retirement income products to support retirees who stay in plan.[5] With an increasingly diverse universe of product offerings and growing interest among plan sponsors to retain retirees amid an aging workforce, the focus is no longer just on product creation but also on plan adoption. Consequently, more plan sponsors are considering whether, how, and when to add retirement income products to their investment menus.

It is important to note that despite an increasing interest in retirement income solutions, priorities differ across plans. For example, employers with younger workforces might prioritize student loan debt repayment programs, while those with high premature withdrawal activity may focus on emergency savings programs. Understanding the specific needs of a plan's participant population is key when considering if retirement income is a top priority.

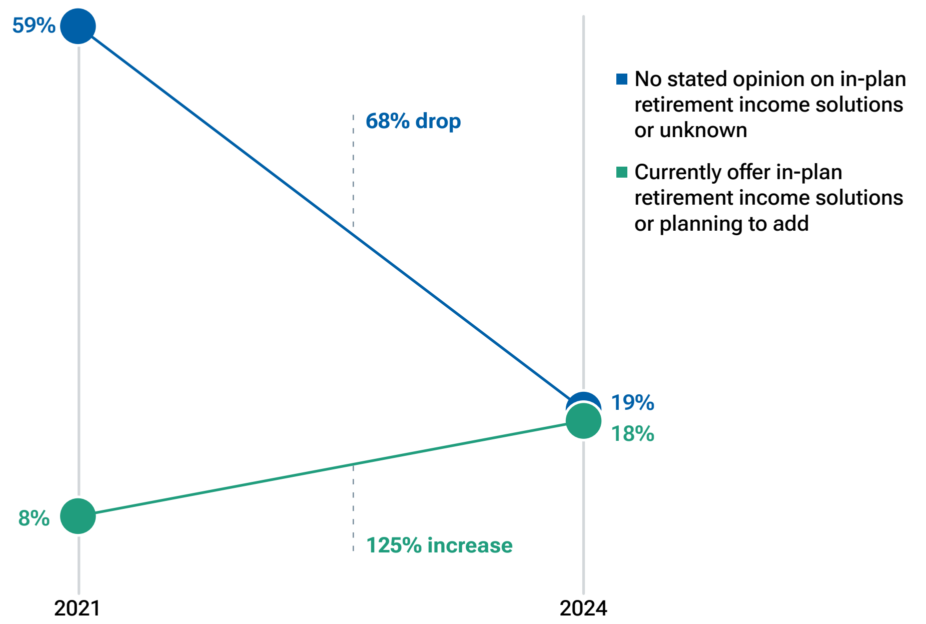
Our plan sponsor research revealed increasing recognition among plan sponsors that their participant population is aging. Furthermore, 69% of plan sponsors indicated a preference for retaining retired participants in the plan and more than two-thirds of plan sponsors (68%) are already beginning to see more retirees keeping their balances in the plan postretirement.

In-plan retirement income solutions: It's a marathon, not a sprint

The implementation of in-plan retirement income solutions is likely to be an iterative, multiyear initiative, and more plan sponsors are moving from an information-gathering stage to a decision-making stage. In particular, data show a dramatic decrease in the percent of plan sponsors described by consultants as "having no stated opinion" on in-plan retirement income solutions from 59% in 2021 to only 19% in 2024. Meanwhile, the percentage of plan sponsors

More plan sponsors are taking a stance on retirement income

(Fig. 4) Plan sponsor views on in-plan retirement income investment solutions



Source: T. Rowe Price, 2024 Defined Contribution Consultant Study and 2021 Defined Contribution Consultant Study. See Appendix for additional detail.

[5] H.R.1994—Setting Every Community Up for Retirement Enhancement Act of 2019 congress.gov/bill/116th-congress/house-bill/1994/text
H.R.2954—Securing a Strong Retirement Act of 2021 congress.gov/bill/117th-congress/house-bill/2954/text

that consultants categorized as "currently offering" or "planning to add" a retirement income solution more than doubled from 8% in 2021 to 18% in 2024 (Figure 4).

More plan sponsors are also proactively inquiring about the landscape of retirement income services and products and the status of implementation trends among peers. For plan sponsors prioritizing the retention and support of retired participants, recordkeepers, consultants, and advisors can help navigate the growing universe of retirement income plan design features, services, and solutions to identify those that best align with the needs of their participant populations.

Understanding participant needs: A five-dimensional approach to retirement income

We believe offering an array of retirement income solutions will be essential to retaining and supporting retired participants. Given the diverse needs of participants approaching and in retirement, no single solution will meet all needs.

An important first step is to identify and fully understand the “problem” that a retirement income solution is expected to solve. Understanding the needs of plan participants can help plan sponsors analyze and evaluate various income solutions to determine the best fit for their plan.

In 2024, T. Rowe Price introduced an innovative framework designed to understand and quantify the unique preferences and needs of retirement investors. The framework includes five key attributes that characterize individuals' experiences in retirement (Figure 5).[6] These attributes can be used to evaluate various retirement income solutions and can help to clarify the trade-offs inherent in each, such as balancing longevity risk with achieving a desired income level. This framework aims to assist plan sponsors in identifying retirement income solutions that emphasize attributes most valued by their participants. For example, an employer offering both a defined benefit plan and a DC plan might prioritize liquidity over hedging against longevity risk.

While the most immediate focus among plan sponsors is typically on recreating a paycheck-like experience for retirees—which may be achieved through flexible withdrawal options and/or managed payout solutions—data show that people are concerned about longevity risk. In a 2024 survey of approximately 2,500

[6] Berg Cui and Jessica Sclafani, “A five-dimensional framework for retirement income needs and solutions,” T. Rowe Price, May 2024.

Retirement income objectives

(Fig. 5) Five key dimensions of retirement income products

Attribute	Definition	Real-life meaning
Longevity risk hedge	Portfolio duration/ planning horizon	How many years will my retirement savings last?
Level of payments	Income yield	What will the amount of my annual income be?
Volatility of payments	Income volatility	How much can my “paychecks” change from year to year?
Liquidity of balance	Asset liquidity	If a need arises, how much of my savings can I access?
Unexpected balance depletion	Asset preservation	How high is the risk of my money running out earlier than planned?

Source: T. Rowe Price.

Key takeaway

With an increasingly diverse universe of retirement income product offerings, the next step is plan adoption. Retirement industry professionals are ready to assist plan sponsors who want to keep retirees in the plan.

individual investors between the ages of 40 and 85 with at least $100,000 in DC plan savings, "not running out of money before I die" was identified as a top concern.[7]

Educational support and effective tools are critical to the participant experience

While retirement income solutions are a key component of repositioning DC plans to meet the needs of retired participants, the participant experience that supplements these investment solutions is just as important. The savings phase of the retirement journey centers on accumulating assets; however, the retirement stage involves diverse participant needs that require a comprehensive range of options, tools, and services.

The transition to retirement can be overwhelming, and many participants struggle to navigate the complexities to find the best fit for their circumstances. For example, nearly two-thirds of workers who are nearing retirement don't know how much they can withdraw per month in retirement (Figure 6). An income solution with a set payout rate can simplify decisions and help ease this "analysis paralysis" by offering initial guidance on spending and allowing retirees to adjust as needed.

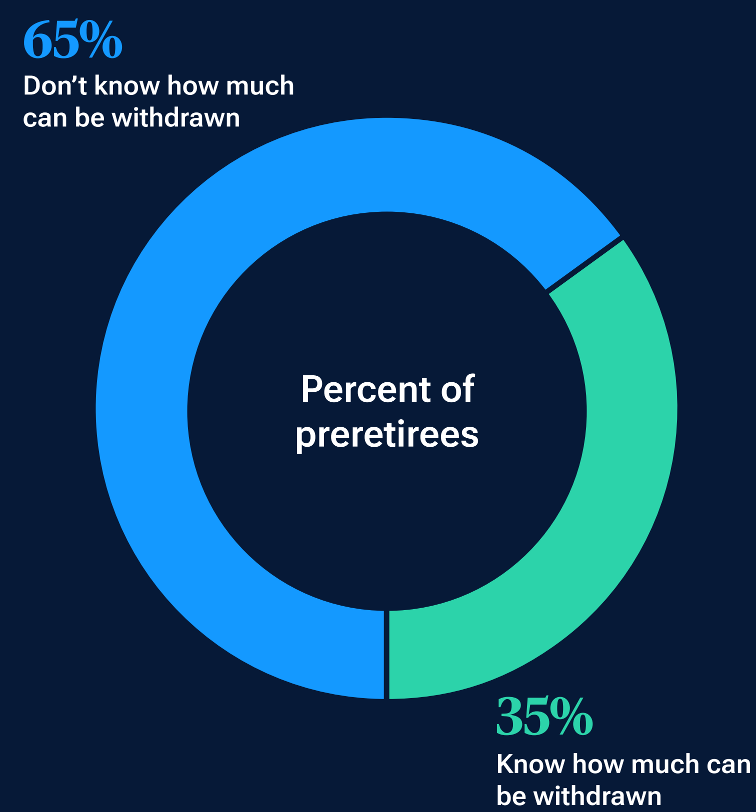
Key considerations for plan sponsors, consultants, and advisors

- **Different plans have different priorities:** The needs of the plan population should drive plan priorities. For some plan sponsors, focusing on other needs such as student loan repayment or emergency savings programs may take precedence.
- **One size does not fit all participants:** Unlike the savings phase of the retirement journey where the primary goal is to save, participant needs are diverse in retirement, requiring a broad array of options, tools, and services.
- **Define success to set expectations:** The retirement income market is still in its infancy, with modest participant adoption. Rather than focusing on short-term adoption rates, we encourage plan sponsors to consider success as offering a range of diverse solutions and services for retirees.

[7] T. Rowe Price 2024 Exploring Individuals' Retirement Income Needs and Preferences Study. See Appendix.

Participants need help with distribution options

(Fig. 6) Monthly withdrawal from retirement savings



Source: T. Rowe Price, 2023 Retirement Savings and Spending Study. Q: Do you know roughly how much you can withdraw each month from your retirement savings? Preretiree is defined as age 50+ and working.

A new era for emergency savings after SECURE 2.0

Building an emergency savings fund is a cornerstone of financial wellness, and many workers struggle to save for retirement due to lack of emergency savings. The Employee Benefit Research Institute found that in any year, 90% of employees experience a spike in expenses that is not covered by income, and 1 in 3 could not cover the expenses with savings. More than 60% leverage credit cards or a retirement loan to pay for these expenses.[8]

These premature withdrawals from retirement accounts undermine long-term savings goals. However, there is a growing understanding within the retirement industry that, given participants' financial realities, employees are more likely to safeguard their retirement savings for the future when they know some penalty-free funds are accessible for emergencies.

Legislative changes drive innovation and adoption of emergency savings

Despite recent legislative changes, employer-sponsored emergency savings accounts are not new. Over the last decade, the emphasis on financial wellness programs has increased significantly as employers have shifted toward supporting not just retirement savings but overall financial health. Many plan sponsors have offered out-of-plan emergency savings solutions as part of their financial wellness offering.

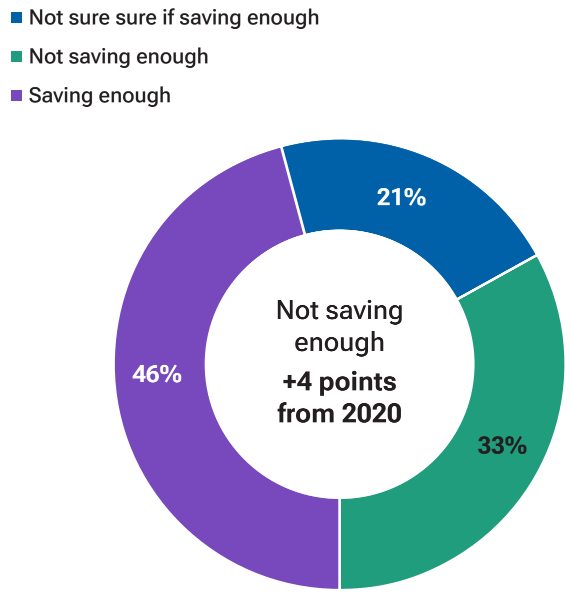
Provisions in SECURE 2.0 have further enhanced the landscape of workplace emergency savings by introducing new opportunities and incentives for employers to implement in-plan solutions. These legislative changes are poised to drive greater adoption. Recent survey data indicate that 70% of advisors and consultants anticipate a rise in the adoption of in-plan emergency savings solutions over the next three to five years, while 52% expect an increase in out-of-plan solutions.[9]

Demographic disparities suggest increasing need for emergency savings solutions

In our latest Retirement Savings and Spending Study, 33% of respondents said that they were not saving enough for retirement, and 21% were uncertain (Figure 7).[10] Among those not saving enough, 26% prioritized building an emergency fund. Data from T. Rowe Price's recordkeeping platform shows that nearly 1 in 5 participants (19.4%) had an outstanding loan balance, and 1.6% took a hardship withdrawal in 2023.[11] The deferral rate for participants taking multiple small loans annually was lower, on average, by 2.3 percentage points.

Participants are not saving enough for retirement

(Fig. 7) Participant views on their retirement savings

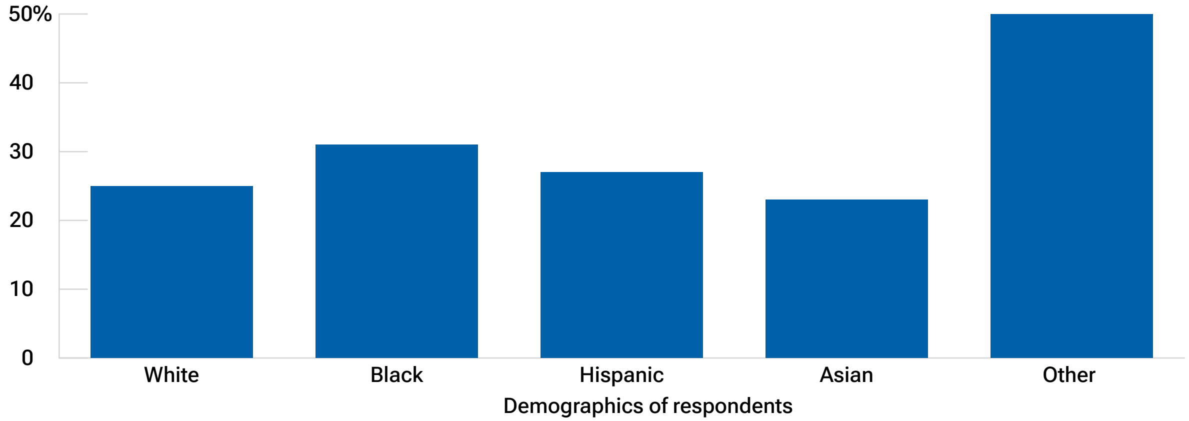


T. Rowe Price 2024 Retirement Savings and Spending Study. See Appendix for details.

[8] Craig Copeland, Michael Conrath, and Sharon Carson, "How Financial Factors Outside of a 401(k) Plan Can Impact Retirement Readiness," EBRI Issue Brief No. 591, September 2023.
[9] T. Rowe Price, 2024 Defined Contribution Consultant Study. See Appendix for details.
[10] The 2024 T. Rowe Price Retirement Savings and Spending Study. See Appendix for details.
[11] Reference Point Annual Report, T. Rowe Price, April 2024.

More minorities prioritize emergency savings

(Fig. 8) Demographics of participants prioritizing an emergency fund



T. Rowe Price 2024 Retirement Savings and Spending Study. See Appendix for details.

Key takeaway

The retirement industry acknowledges that access to emergency funds could help preserve retirement savings. Providing an emergency fund, whether inside or outside the plan, can help participants cover unexpected expenses without derailing their long-term financial goals.

Data also show that Black and Hispanic workers are more focused on building an emergency fund compared with their white and Asian counterparts (Figure 8). They are often more disproportionately affected by financial stress, with Black and Hispanic workers more likely to take early withdrawals. Black participants are also more likely to have outstanding loans compared with their white peers.[12] These early withdrawals erode long-term compounding benefits, causing minority workers to lag in retirement savings.

An increased focus on these disparities in retirement plans could further drive the adoption of emergency savings solutions. Plan sponsors, as trusted sources of financial wellness resources, can help these vulnerable populations achieve better long-term financial health by providing access to and educating them about the benefits of emergency savings. This buffer can help limit withdrawals from retirement savings during sudden financial needs and reduce leakage.

In-plan and/or out-of-plan options: Plan sponsors should choose carefully

An emergency fund, whether inside or outside the retirement plan, helps savers cover unexpected expenses without incurring additional debt, taking plan loans, or withdrawing from plan balances with penalties. Plan sponsors have several options for offering such accounts:

- In-plan emergency savings programs: SECURE 2.0 provides two main paths for in-plan emergency funds:
  - Emergency withdrawals: Participants can take one penalty-free emergency withdrawal of up to $1,000 per year. No additional emergency withdrawals can be made for the next three years unless the distribution is repaid, or equivalent contributions are made.
  - Pension-linked emergency savings accounts (PLESA): These accounts allow participants (excluding highly compensated employees) to contribute up to $2,500 on a Roth basis, invested in short-term vehicles like money market funds. Funds can be withdrawn penalty-free as often as once per month.

While in-plan emergency withdrawal options are gaining traction due to their implementation simplicity, PLESAs are less popular due to perceived complexity

[12]Jack VanDerhei, "How Large are Racial and Gender Disparities in 401(k) Account Balances and What is Causing Them: Initial Findings from the Collaborative for Equitable Retirement Savings," The Collaborative for Equitable Retirement Savings Report, March 2024.

and pending regulatory guidance. Although these withdrawals still involve funds being taken from an account linked to a retirement plan, their long-term impact is less significant because they are penalty-free.

- Out-of-plan emergency savings programs: Overall, more plan sponsors are favoring out-of-plan emergency savings accounts for their simplicity, flexibility, and ability to contribute larger amounts. Preliminary results on our recordkeeping platform indicate promising outcomes; for one of our plan sponsor clients, plan participants with an out-of-plan emergency savings solution did not take any new loans or distributions from their retirement plan, and 15% increased their total salary deferral during the period from January 22, 2024, through April 24, 2024.

Employers play a critical role in shaping the financial well-being of their workforce. Recordkeepers, advisors, and consultants can help plan sponsors evaluate whether an in-plan or out-of-plan solution would be the best fit for their participants. By leveraging the opportunities presented by SECURE 2.0 and adopting innovative emergency savings solutions, plan sponsors can help foster a more secure and resilient financial future for their employees.

Key considerations for plan sponsors, consultants, and advisors

- **Weigh the benefits versus the risks:** Employers need to balance providing short-term financial relief against the risk of reduced long-term retirement savings. Recordkeepers, consultants, and/or advisors can assess needs and assist plan sponsors in implementing effective solutions.
- **Implement pilot programs:** Pilot programs allow employers to assess the effectiveness of emergency savings features before full-scale implementation. This phased approach helps in fine-tuning the programs to better suit participant needs and organizational capabilities.
- **Communicate and educate:** Effective communication and education about the benefits and mechanics of emergency savings programs are vital to achieving higher participation rates and better financial outcomes.

Policies evolve to support growing needs of plans and participants

Recent years have seen significant developments in retirement policy, particularly with the SECURE Acts of 2019 and 2022. Looking ahead, tax reform will be a primary focus for Congress in 2025, potentially affecting retirement policy, along with several legislative and regulatory themes outlined in this section.

- **Tax reform is imminent:** With the expiration of several major provisions of the Tax Cuts and Jobs Act at the end of 2025, tax reform is imminent. Amid political discourse and partisan polarization, the search for revenue sources could target the retirement industry, including:
  - "Rothification" of retirement contributions, i.e., transitioning from traditional pretax to Roth (after-tax) contributions
  - Implementing caps on certain high-level IRAs
- **Parity for 403(b) plans:** Current securities laws prevent 403(b) plans from utilizing CITs in the same way as other retirement plans. The SECURE 2.0 Act initiated changes to address this, but further legislation is required for 403(b) plans to fully utilize CITs and unregistered insurance company separate accounts. Congress is working toward passing securities legislation to address these needs.
- **SECURE 2.0 Act enhancements:** This law ushered in a host of mandatory and optional changes, but further guidance is still needed for several provisions. We expect updates and technical corrections to provide greater clarity and guidance on:
  - The structure and management of PLESAs
  - Implementing student loan matching provisions
  - The implementation of Roth catch-up contributions
- **Fiduciary Rule pause:** The 2024 Fiduciary Rule, which aimed to revise the standards and scope of fiduciary responsibilities for financial professionals under the Employee Retirement Income Security Act of 1974 (ERISA), faced significant legal challenges, delaying its implementation. Additional litigation or Department of Labor (DOL) action will determine its future.
- **Potential environmental, social, and governance (ESG) Rule challenges:** The U.S. Supreme Court's June 2024 Loper Bright decision[13] struck down the long-held standard for judicial review of rulemakings by regulatory agencies and shifted interpretative authority from the executive branch to the judicial branch. This change could influence several federal court rulings challenging the DOL's ESG rule.
- **Congressional themes for 2025 and beyond:** Ongoing congressional discussions focus on two themes:
  - Increasing retirement coverage—there is a concerted effort to bring new people into the system and expand access to retirement plans. Proposals range from mandating employer-provided retirement plans to reducing plan eligibility age from 21 to 18.
  - Retirement income—after years of prioritizing the accumulation of savings, the industry focus is shifting to the spending phase, aiming to help ensure that savings last throughout retirement.
- **Litigation reform:** ERISA-related class action litigation and settlements have surged over the last decade. In 2023, class action settlements totaled $353 million.[14] Fear of litigation was the top deterrent listed to the implementation of retirement income solutions in our DC Consultant Study. The industry is pursuing legislative changes to address these concerns.
- **Social Security:** Social Security is vital to millions of Americans, but the Social Security Trust Fund is projected to exhaust its reserves by 2033, which could lead to a potential 20% cut in benefits.[15] Prompt congressional action is needed as further delay narrows the set of options to fix the program.

T. Rowe Price will continue to monitor these emerging issues and provide updates to help employers and financial professionals stay informed on policy changes and their implications.

[13] Loper Bright Enterprises v. Raimondo, No. 22-451 (2024).
[14] Aronowitz, Daniel, "401(k) Litigation Continues at 'Fever Pitch,'" PLANADVISER, January 9, 2024. https://www.planadviser.com/401k-litigationcontinues-fever-pitch
[15] "The 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," Social Security Administration, May 6, 2024. https://www.ssa.gov/oact/TR/2024/tr2024.pdf

Appendix

2021 Defined Contribution Consultant Study: The study included 51 questions and was conducted from September 20, 2021, through November 2021. Responses are from 32 consulting and advisory firms with more than $7.2T in assets under administration.

2023 Retirement Savings and Spending Study: The study was conducted between July 24, 2023, and August 13, 2023. It included 3,041 401(k) participants, full-time or part-time workers who never retired, currently age 18 or older, and either contributing to a 401(k) plan or eligible to contribute with a balance of $1,000 or more. The survey also included 1,176 retirees who have retired with a Rollover IRA or left-in-plan 401(k) balance.

2024 Defined Contribution Consultant Study: This study included 48 questions and was conducted from January 12, 2024, through March 4, 2024. Responses are from 35 consulting and advisor firms with over 134,000 plan sponsor clients and more than $7.5 trillion in assets under administration.

2024 Defined Contribution Plan Sponsor Considerations and Actions on Retirement Income Study: The survey was fielded from November 14, 2023, through December 22, 2023. Data reflect responses from 119 plan sponsors that have a role in overseeing and/or selecting their organization's DC plan investment offerings and indicated a combined approximate DC plan asset size of $100 million or greater.

2024 Exploring Individuals' Retirement Income Needs and Preferences Study: Data reflect responses from 2,582 individual investors age 40 to 85 who were currently enrolled in a DC plan and had at least $100,000 saved in their plan accounts. The survey was fielded from December 2023 through February 2024.

2024 T. Rowe Price Retirement Savings and Spending Study: The study was conducted between July 17, 2024, and August 7, 2024. It included 3,005 401(k) participants, full-time or part-time workers who never retired, currently age 18 or older, and either contributing to a 401(k) plan or eligible to contribute and have a balance of $1,000+. The survey also included 1,012 retirees who have retired with a Rollover IRA or a left-in-plan 401(k) balance.

RETIRE WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment excellence and retirement services that institutional, intermediary, and individual investors can rely on—now and over the long term.

To learn more, please visit **troweprice.com/retirementUS**.

Investment Risks

The principal value of **target date strategies** is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire. These products typically invest in a broad range of underlying strategies that include asset classes such as stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. A substantial allocation to equities both prior to and after the target date can result in greater volatility over short term horizons. In addition, the objectives of target date strategies typically change over time to become more conservative.

International investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments. These risks are generally greater for investments in emerging markets. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest-rate risk.

Personalized solutions are subject to risks including possible loss of principal. There is no assurance that any investment objective will be met.

Active investing may have higher costs than passive investing and may underperform the broad market or passive peers with similar objectives. **Passive investing** may lag the performance of actively managed peers as holdings are not reallocated based on changes in market conditions or outlooks on specific securities.

Diversification cannot assure a profit or protect against loss in a declining market.

Important Information

This material is provided for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning investments, investment strategies, or account types; it is not individualized to the needs of any specific investor and not intended to suggest any particular investment action is appropriate for you.

Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or tax professional regarding any legal or tax issues raised in this material.

The views contained herein are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

This information is not intended to reflect a current or past recommendation concerning investments, investment strategies, or account types, advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Please consider your own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

Past performance is not a reliable indicator of future performance. All investments are subject to market risk, including the possible loss of principal. All charts and tables are shown for illustrative purposes only.

T. Rowe Price Investment Services, Inc., distributor, and T. Rowe Price Associates, Inc., investment adviser.

ID0007594
202411-3988392