September 2025

HHM
WEALTH ADVISORS

RETIREMENT TIMES

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Moving Target Dates: Delayed Retirement Realities

For many American workers over 50, retirement timelines have become a moving target, with increasing numbers now planning to stay employed longer due to economic volatility, market uncertainty, and the rising cost of living. Gen Xers, now in their mid-to-late 40s, 50s, and early 60s, are increasingly anxious about their retirement readiness. With median retirement balances of a 55-year-old at $50,000 and confidence in Social Security eroding, some say they simply can't afford to stop working.

How can plan sponsors support employees through these shifts while also managing the ripple effects?

Anticipate organizational impacts. Delayed retirement brings significant implications for employers and workers, both in terms of risks and potential rewards. For companies, wage and benefit costs can rise, succession plans may stall, and younger employees might face slower promotion paths. On the other hand, retaining experienced employees, particularly in part-time or phased-retirement roles, can help organizations preserve valuable institutional knowledge, boost mentorship potential, and add stability to teams in transition. For employees, the need for continued employment can pose challenges, especially for those with health issues. However, it can also bring greater financial stability as well as a continuing sense of purpose and contribution.

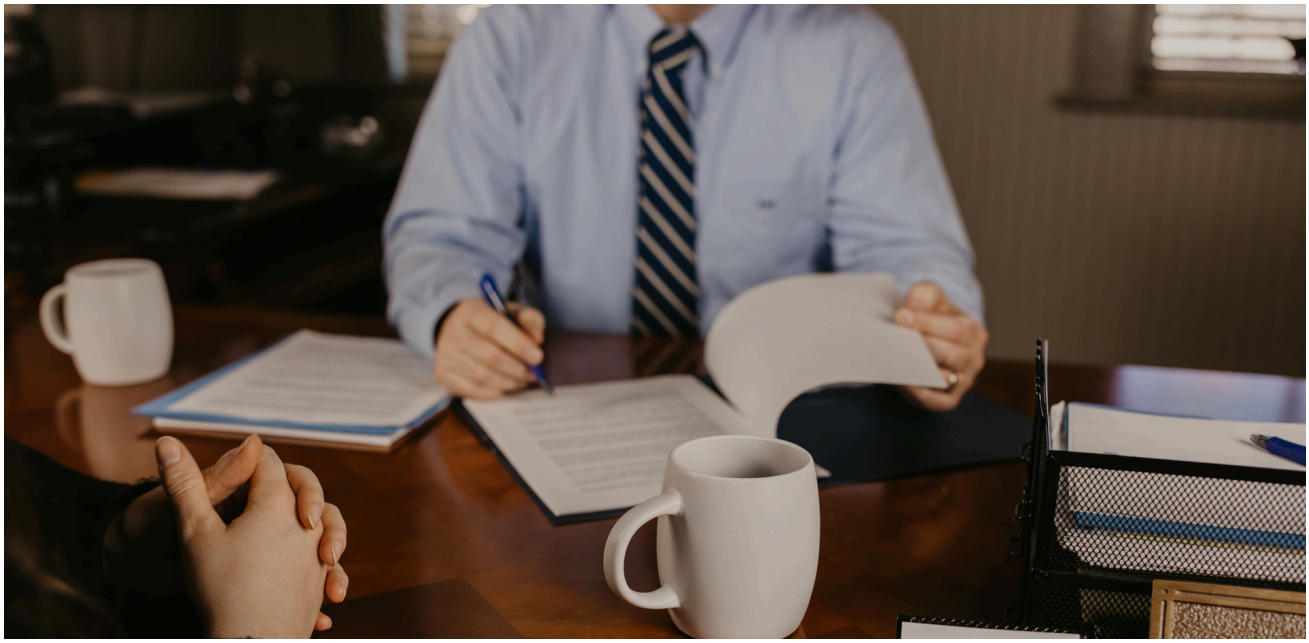
Consider "flextirement" options. More workers are looking at blending reduced hours with a phased transition out of the workforce. One survey found 80% of U.S. adults plan to work in some capacity after retirement, with 25% hoping to stay full-time beyond age 60, and 16% interested in continuing with their current employer part-time or as a consultant. Retirement can be seen as an offramp, rather than a cliff. Plan sponsors can support this shift by offering flexible arrangements that retain valuable talent while helping employees ease into retirement on their own terms.

Encourage personalized one-on-one financial planning. As confusion and anxiety about retirement grow, especially among Gen Xers uncertain about Social Security and their long-term financial stability, plan sponsors can help by making personalized, one-on-one guidance more visible and accessible. Talking through scenarios with a financial advisor can clarify trade-offs, highlight overlooked options, and give employees a better sense of control over their evolving retirement outlook.

Hitting a Moving Target

How do you hit a moving target? Anticipate movement and direction. The earlier both plan sponsors — and participants — recognize that retirement timelines are shifting, the better they can plan, prepare, and pivot. For the employee, this may mean reworking their financial plan with an advisor. And for the employer, it may involve looking for ways to continue engaging the employee through part-time work or project-based consulting in areas where their experience can create the most value, whether mentoring newer employees or leading knowledge transfer efforts.

As retirement timelines shift, sponsors have an opportunity to recalibrate their aim to keep their organizations, and their participants, on track.



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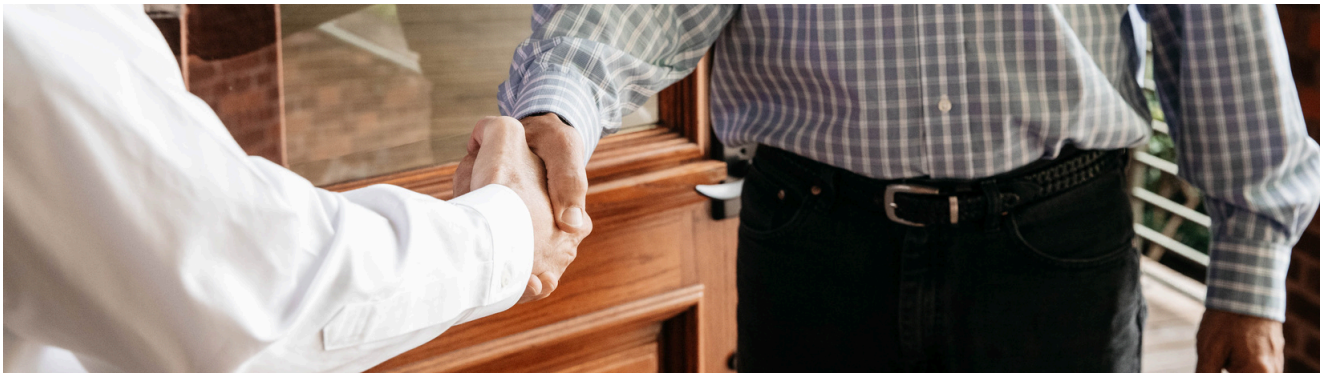
Opening the Door Wider to PE

According to the 2024 DC PLANSPONSOR Benchmarking Report, only 2.2% of plan sponsors include any alternative investments whatsoever within their 401(k)s. That number may soon begin to shift. On August 7, President Trump signed an executive order intended to expand access to private equity (PE) and other alternative assets in retirement plans. Even so, this remains a complex topic for plan sponsors, who must weigh multiple factors before adding PE to their lineup.

Private equity can offer opportunities for enhanced long-term returns and increased portfolio diversification. For some participants, access to PE through a target-date or other managed fund could be beneficial. However, these potential advantages must always be balanced against the inherent risks and challenges of this highly specialized asset class.

New Asset Class, Same Rules

Common concerns with PE as an investment for the average saver include complexity and costs . Unlike traditional equity and bond funds or ETFs, PE investments can often involve less liquidity, greater risk, and higher fees. These challenges may be mitigated through products that package PE into diversified, multi-asset vehicles with greater liquidity, though plan sponsors still have a fiduciary responsibility to ensure the investment is prudent and appropriate for their participants. Sponsors should carefully vet any PE-related investment for its valuation methods and consistency with the plan's long-term goals and risk parameters.



Regardless of the assets in the lineup, ERISA standards are clear and well-established: Plan fiduciaries must act solely in the interest of plan participants, with the exclusive purpose of maximizing risk-adjusted returns, net of fees. The recent executive order is unlikely to alter that underlying framework.

Moving Forward with Clarity and Confidence

If the choice is made to include PE exposure in the plan, clear communication becomes essential. Employers should help participants understand the nature of PE investments and how they may behave differently from more traditional publicly traded securities. And on an individual basis, they should be given tools and resources to assess how well PE fits into their overall asset allocation and financial plan — as well as the potential risks and trade-offs involved. Education can take the form of webinars, articles, videos, and in-person group and one-on-one sessions. Explaining how a PE allocation is managed within a target-date fund, for example, can also help demystify this new type of investment option for participants.

Seek Strategic Alignment

Sponsors must determine whether and how PE exposure supports their broader objectives for the plan. There's no one-size-fits-all answer, and sponsors should work closely with their retirement plan advisor, recordkeeper, and ERISA counsel when evaluating the implementation of PE into their investment menu.

The decision to expand participants' access to PE in plans should be driven by a careful consideration of participant needs, plan design, and fiduciary obligations. Plan sponsors must make a careful determination of how PE exposure aligns with the plan's Investment Policy Statement. For sponsors who proceed, the path forward should include enhanced due diligence, thoughtful communication, and ongoing monitoring to ensure the investments offered continue to serve participants well.

Sources:
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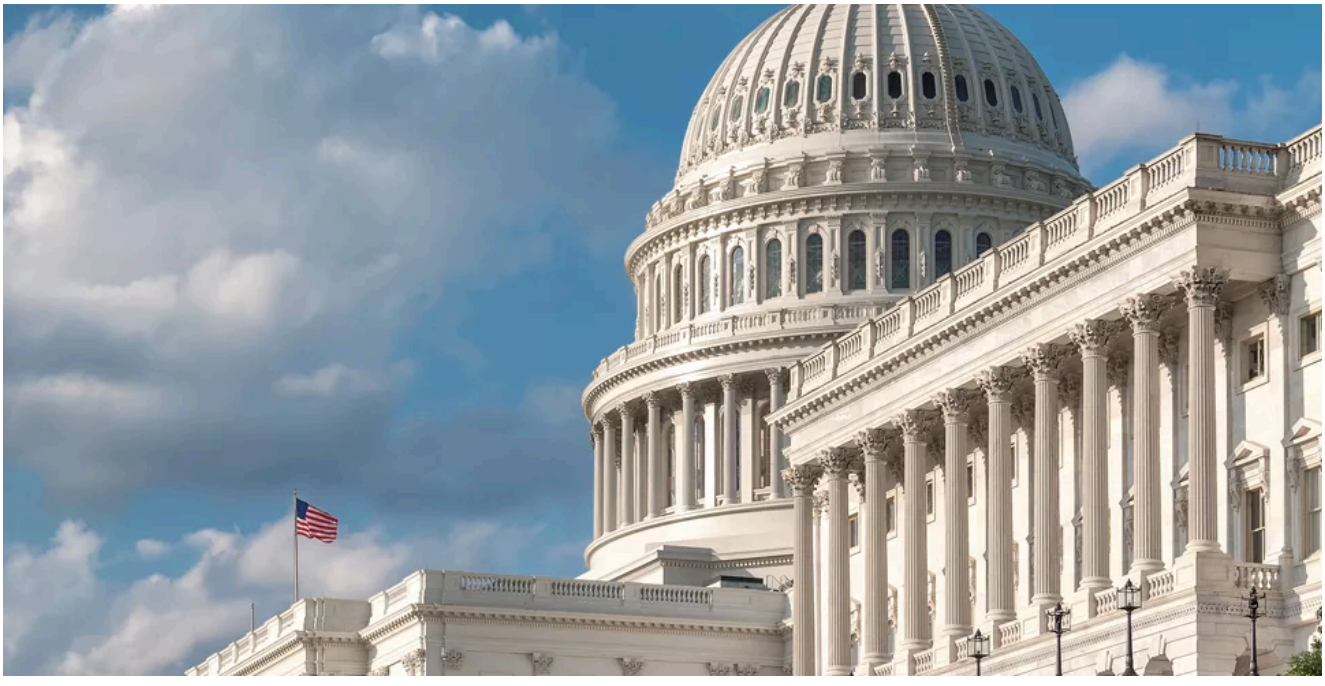
Supreme Court Lowers Bar for ERISA Lawsuits

A recent Supreme Court ruling has changed the rules of the game for retirement plan lawsuits — and it could make life more challenging for plan sponsors. On April 17, 2025, the Court issued a unanimous decision in Cunningham v. Cornell University that makes it easier for certain ERISA lawsuits to move forward, potentially leading to more cases, higher litigation costs, and increased settlement pressure.

At the heart of the case is the rule against “prohibited transactions” under the Employee Retirement Income Security Act of 1974 (ERISA). These are certain dealings between a retirement plan and “parties in interest,” such as service providers or the plan sponsor, that carry a high risk of conflicts of interest. They can include selling or leasing property to the plan, lending money, or providing goods and services. While these rules are strict, ERISA also allows for exemptions when the transaction is necessary for plan operations, the agreement is reasonable, and the compensation is no more than reasonable. These safeguards are designed to protect plan participants while allowing the plan to function effectively.



The Cunningham lawsuit centered on Cornell University's 403(b) retirement plan. Plaintiffs alleged that plan fiduciaries caused the plan to overpay for recordkeeping services from TIAA and Fidelity. Lower courts dismissed the case because the plaintiffs had not addressed whether an exemption might apply. That decision was reversed on appeal, and the Supreme Court has now affirmed that plaintiffs are not required to address exemptions at the pleading stage. Instead, it is the responsibility of the defense to raise and prove them later in the process.

Although the dispute arose in the context of a 403(b) plan, the Court's reasoning applies to all ERISA-covered plans, including 401(k) and defined benefit plans. The decision means more cases could advance beyond early dismissal and into costly discovery, increasing the likelihood of settlements even in cases where the facts may ultimately favor the defense.

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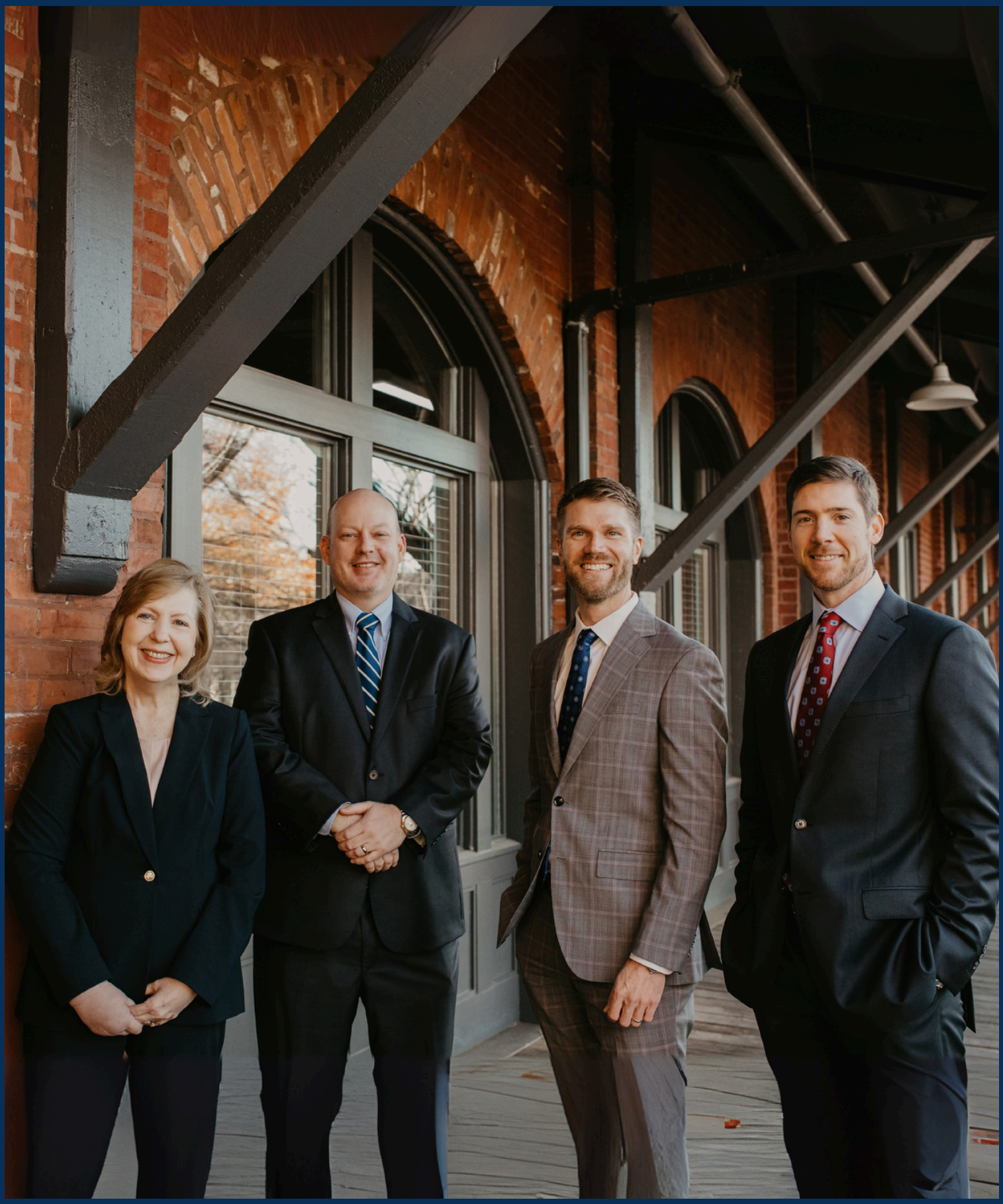
This ruling reflects a broader legal trend in which courts are allowing more ERISA cases to move forward, particularly those involving service provider arrangements and fees. For plan sponsors, the message is clear: proactive oversight is essential. Regularly benchmarking plan fees, reviewing all forms of compensation, and documenting fiduciary decisions in detail can help demonstrate prudence and reduce risk.

In today's environment, a strong and well-documented fiduciary process is not just best practice — it's your strongest line of defense against costly and time-consuming litigation.

Sources:

Supreme Court Opinion in Cunningham v. Cornell University, April 17, 2025.



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