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# RETIREMENT TIMES

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## Cybersecurity: A Top Plan Sponsor Concern

According to Escalent's 2025 Retirement Planscape study, more than half of plan sponsors rank cybersecurity as their No. 1 "plan fear," ahead of poor investment performance (45%) and insufficient participant savings (43%). That concern is not without evidence. High profile breaches such as the recent attack on a leading recordkeeper affecting more than 1,000 participants and traced to a third-party client management cloud application, demonstrates how a single weak point can compromise participant data and disrupt operations.

In the past year alone, 7% of all plan sponsors (and one in 10 mega plans) reported a 401(k)-related data breach.

The Department of Labor's website provides the Employee Benefits Security Administration's (EBSA's) best practices for retirement plan cybersecurity programs. EBSA states that the guidance is "for use by recordkeepers and other service providers responsible for plan-related IT systems and data, and for plan fiduciaries making prudent decisions on the service providers they should hire." The recommendations cover 12 areas of retirement plan cybersecurity.

1. Have a formal, well documented cybersecurity program.
2. Conduct prudent annual risk assessments.
3. Have a reliable annual third-party audit of security controls.
4. Clearly define and assign information security roles and responsibilities.
5. Have strong access control procedures.
6. Ensure that any assets or data stored in a cloud or managed by a third-party service provider are subject to appropriate security reviews and independent security assessments.

7. Conduct periodic cybersecurity awareness training.
8. Implement and manage a secure system development life cycle (SDLC) program.
9. Have an effective business resiliency program addressing business continuity, disaster recovery, and incident response.
10. Encrypt sensitive data, stored and in transit.
11. Implement strong technical controls in accordance with best security practices.
12. Appropriately respond to any past cybersecurity incidents.

Participants also can play a role by remaining vigilant for irregularities and reporting them through appropriate channels. Cyberattacks are growing more sophisticated, with AI and other advancements enabling criminals to mimic legitimate users and exploit weak points in vendor networks. Cybersecurity, is and will remain, a plan sponsor concern for the foreseeable future.



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## **Advisor Support is Key to Driving Confidence and Outcomes Among Younger Participants**

Access to an advisor tends to improve retirement confidence, according to a recent survey by the Employee Benefit Research Institute (EBRI). The Retirement Confidence Survey found that 83% of workers with advisory access feel confident about retirement readiness, compared with just 53% of those without. But is that only because those with advisors are more likely to also have accrued greater wealth over time — or will it also hold true for younger workers with smaller portfolios?

A Kiplinger deep dive into the EBRI data suggests the advisory confidence “boost” is actually greatest among lower balance savers. In other words, professional financial guidance may have its most meaningful impact on younger workers in the early stages of their wealth-building journey.

More than three in four Gen Z employees, those born from 1997 to 2012, are saving for retirement through employer-sponsored retirement plans and/or outside the workplace. Automatic enrollment trends play a role here. But prevailing generational sentiments have a large impact on behaviors too: nearly six in 10 Gen Z and Millennial 401(k) participants expect their personal accounts to be their primary income source in retirement, while only 5% anticipate relying mainly on Social Security.

But saving — and saving enough — aren’t necessarily one and the same. And unfortunately, those falling behind the curve on retirement readiness may not even realize it’s happening.





Meanwhile, many younger Americans are embracing the growing trend of “soft saving,” favoring quality of life today rather than delaying gratification and saving for future goals, such as retirement. Faced with heavy student debt, economic uncertainty and financial milestones such as homeownership feeling out of reach, some younger workers are choosing to prioritize travel, social experiences, and their mental health. Living in the moment, however, may come at substantial cost later on in terms of both mental well-being and quality of life in retirement if savings are inadequate.

This is where an experienced advisor can make a significant impact on the trajectory of a young participant. Part of the mental health “boost” of soft saving may come from the avoidance of facing the realities and challenges of planning for a secure retirement. But avoidance will only provide relief for so long — and delays in retirement planning can be costly and difficult to recover from. By providing guidance, perspective, and personalized, data-driven strategies, advisors can help younger workers balance enjoying life today while preparing for tomorrow.



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## **Auto Portability: Helping Reduce 401(k) Leakage After Job Changes**

### The Problem: Cash-Out Leakage and Lost Accounts

American workers now hold an average of more than 12 jobs over the course of their careers. During job changes, many end up cashing out small 401(k) balances and not rolling them into tax-qualified retirement plans. Industry studies estimate this trend may be causing an annual savings “leakage” of more than \$90 billion due to taxes, penalties, and the missed growth and compounding potential of those cashed-out dollars. “Forgotten” 401(k) accounts may also be slipping through the cracks, further undermining employees’ long-term financial wellness.

### Enter Auto Portability: Keeping Savings Connected to Their Owners

To address the issue, members of the retirement industry are supporting an option called “auto portability.” A consortium of major recordkeepers launched the Portability Services Network (PSN) to automatically reconnect small retirement account balances with their owners’ new employer plans when they change jobs.

The consortium’s intent is to have a process that is secure and easy for participants. Here’s how it works... If an employee leaves behind a 401(k) balance below a set level (typically \$7,000), the network’s technology searches for that individual’s new employer plan and automatically rolls the old balance into the employee’s new plan account. Participants receive a notice and can opt out if they do not want the transfer. Otherwise, their savings automatically follow them to their next job. Participants pay a low, one-time fee (capped at around \$30) when their account successfully transfers.

Plan sponsors should conduct thorough due diligence to understand the terms, conditions, and implications of activating this option for their plans.



Research estimates that if this new feature were adopted widely, it could preserve an extra \$1.6 trillion in retirement savings over the next generation. By keeping those small accounts invested instead of being prematurely drained, even modest balances can grow over time and contribute to a more secure retirement.



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