

How Are Plan Sponsors Measuring Participant Success?

The ultimate proof of retirement plan participant success is in the results: whether the participant achieves a financially secure retirement. In the meantime, plan sponsors can look at a variety of metrics to help evaluate and track plan outcomes. The 2025 PLANSPONSOR Defined Contribution Survey identified several of these metrics, summarized below. While not exhaustive, this overview illustrates the range of lenses sponsors use to gauge employee financial wellness and retirement readiness, beyond analysis of plan lineup investment options and performance.

Plan Participation & Contribution Behaviors.

Participation and savings patterns offer insight into how employees are engaging with their plan and whether contribution behaviors are supporting long-term savings goals.

- + **Plan Participation Rate:** Percentage of eligible employees actively contributing to the plan.
- + **Average Deferral Rate:** Average percentage of compensation deferred by participants.
- + **Employer Match Utilization Rate:** Percentage of participants contributing enough to receive the full employer match.

Auto-feature Effectiveness. These are metrics tied to automatic plan features and their influence on participant behavior over time, including retention, savings progression, and inertia effects.

- + **Automatic Enrollment Capture Rate:** Percentage of automatically enrolled participants who remain in the plan.
- + **Automatic Enrollment Opt-out Rate:** Percentage of automatically enrolled participants who decline participation.
- + **Automatic Escalation Success Rate:** Percentage of participants whose contribution rates increase as scheduled.

Participant Engagement. Engagement metrics provide insight into whether and how participants are interacting with plan resources, tools, and support channels.

- + **Participant Registration Rate:** Percentage of participants registered for online plan access.
- + **Online Engagement Rate:** Frequency of participant interaction with plan websites, tools, or planning resources.
- + **Call Center Volume and Participant Inquiry Patterns:** Frequency and subject matter of participant inquiries to plan service centers.

Financial Wellness and Stress Indicators.

These metrics offer context around participants' broader financial health, highlighting behaviors that may affect long-term savings.

- + **Financial Education Engagement Rate:** Participation in advisory sessions or group education programs.
- + **Loan and Hardship Withdrawal Rate:** Percentage of participants taking plan loans or hardship distributions.

From Metrics to Meaning

Plan sponsors have lots of data at their disposal to evaluate plan success. Working with an advisor can help sponsors identify the most relevant data points to track, interpret results in context, and emphasize progress over time rather than relying solely on snapshot comparisons or industry averages — all while remaining aligned with the plan's overall goals.

Sources:

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Employer-Supported Emergency Savings Features: Plan Sponsor Considerations

Employees, particularly those early in their careers, are worried about their ability to handle major, unexpected expenses. According to a new CAPTRUST report, emergency savings is the top financial concern for workers aged 18-30 and ranks among the top three worries for older employees.

For employers, this finding highlights a broader business challenge, as employees' financial stress can affect productivity.



Employees Uneasy as Preparedness Lags

According to research by Empower, 50% of American workers admit they're stressed about their current level of emergency savings. Additionally:

- + 32% have no emergency savings
- + 64% say building emergency savings is a top financial priority
- + 52% regret not starting an emergency fund sooner

Empower also found that 29% of Americans say they can't afford an unexpected expense of more than \$400. While financial experts often recommend that individuals set aside an amount of emergency savings equal to six months of their salary, many U.S. adults fall well short of that benchmark. The Empower study found that median emergency savings across all Americans is just \$500, with amounts varying by generation:

- + Gen Z: \$400
- + Millennials: \$300
- + Gen X: \$500
- + Baby Boomers: \$2,000

What Does This Mean for Employers?

According to the CAPTRUST study, three quarters of employees say that financial concerns affect their motivation at work, and 62% report experiencing moderate to severe stress that impacts their productivity and overall wellbeing.

According to a November 2025 report by Fidelity, employee financial stress costs employers \$183 billion annually in lost productivity.

Emergency Savings Benefits

401(k)s and other workplace defined contribution plans can play a role in helping provide emergency savings, though using assets set aside for retirement savings has tradeoffs – namely, money taken from the plan will not compound over time to support a retirement nest egg.

According to an Employee Benefit Research Institute (EBRI) survey, 77% of responding firms offer or plan to offer emergency savings benefits in the next year or two. The most common emergency savings benefit is the ability to take loans from a 401(k) plan, made available by 56% of employers. While 21% allow up to \$1,000 in penalty-free withdrawals for personal and financial emergencies from retirement accounts (a new plan feature option enacted in SECURE 2.0 effective in 2024), another 43% indicated they planned to implement this benefit within the next year or two.

Additionally, SECURE 2.0 allows eligible non-highly compensated employees as defined by the IRS to open pension-linked emergency savings accounts (PLESAs) as part of their retirement plan. PLESA balances can reach up to \$2,500 and are funded with after-tax (Roth) contributions, enabling participants to withdraw funds early without being subject to the 10% early distribution penalty.

What Else Can Plan Sponsors Consider Doing?

While doing so would likely come at a cost, employers could consider leveraging retirement plan advisors to better support workers' financial preparedness. Nearly all employee respondents to CAPTRUST's survey (98%) said they would use an advisor if one were offered at no cost, and 40% identified one-on-one advice as the most helpful tool for easing their financial concerns.

Tailoring financial content and support by career stage also may help reduce stress levels. For example, early-career employees report the highest levels of mental and physical impact from financial stress, so they may require a different level of support than their older colleagues.

Sources:

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<https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/faqs/pension-linked-emergency-savings-accounts>

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<https://www.fidelityworkplace.com/s/emergency-savings>



IRS Issues New Guidance on Plan Distribution Safe Harbors?

When employees leave an organization, they face an important decision about their retirement savings. Do they leave them in their former employer's plan? Roll them into an IRA or into their new employer's plan? Or cash out? The decision a participant makes can have a lasting impact on their retirement savings trajectory.

Many participants, however, don't fully understand their distribution options or the associated tax consequences. A 2024 Government Accountability Office (GAO) report found that more than half of participants surveyed didn't know they could leave their savings in a former employer's plan, and only 38% indicated they understood the tax implications of indirect rollovers.

The IRS recently issued a guidance document aimed at helping sponsors shepherd participants through this process. IRS Notice 2026-13 provides safe harbor language sponsors can use to deliver certain written explanations to eligible participants about distribution options required under IRC Section 402(f).

What Happens When a Participant Departs?

When participants leave their jobs, they generally have four options for their 401(k) and other workplace defined contribution retirement plan account balances:

- + Leave the assets in their former employer's plan
- + Roll them into a plan sponsored by their new employer
- + Roll them into an IRA
- + Cash out via a lump-sum distribution

The first three options preserve the tax-advantaged status of retirement savings, allowing assets to continue growing under applicable tax rules. With the fourth option, however, participants may owe income taxes on the taxable portion of the distribution and may be subject to an additional 10% early distribution penalty if the participant is under age 59½.

Among the first three options, the decision to keep assets in a former employer's plan versus rolling them over can be a consequential financial choice, given potential differences in fees, investment options, and other characteristics of the former employer plan, new employer plan, and an IRA.

The Safe Harbor Guidance

In the 2024 report, the GAO recommended that Section 402(f) notices provide clearer and more concise information about the four distribution options and their associated tax consequences. The report also included recommendations for the timing of these disclosures.

In response, the IRS issued Notice 2026-13, which updates and clarifies the safe harbor explanations under Section 402(f). The revised guidance aims to help plan administrators meet the written notification requirement in light of recent statutory changes.

The notice includes two separate safe harbor explanations: one for Roth accounts and one for non-Roth accounts. Both meet the requirements of Section 402(f) for an eligible rollover distribution if they're provided to the recipient within a "reasonable period of time" (as defined in regulations) before the distribution is made.

The guidance also addresses changes to the law, including updates related to:

- + The 10% additional tax on early withdrawals from retirement plans
- + Required minimum distribution rules for surviving spouses
- + The increased age for determining dates for beginning required minimum distributions

Next Steps for Plan Sponsors

Sponsors can use the safe harbor language to meet Section 402(f) requirements when providing departed participants with an explanation of their distribution options. The language may be customized based on plan design, provided the modifications don't affect the substantive requirements of the safe harbor explanation. For example, plans without after-tax employee contribution options may remove that portion of the language.

The new safe harbors, however, may have a limited shelf life. The IRS is already anticipating updates to reflect future changes, including provisions of the SECURE 2.0 Act that become effective for taxable years beginning after December 31, 2026. Also, the updated explanations will not satisfy Section 402(f) to the extent the explanations are no longer accurate if there are changes in relevant law occurring after January 15, 2026.

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Sources:

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- <https://www.irs.gov/pub/irs-drop/n-26-13.pdf>
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- <https://www.gao.gov/products/gao-24-107167>



Faces of IMA Retirement The Stories That Shape Us

Meet Michael Waldman, Retirement Plan Advisor

We are excited to introduce Michael Waldman, Executive Vice President, Employee Benefits, from our Dallas office. Michael joined us in May 2016 and has helped design, negotiate and implement the most competitive programs in the industry, with cutting-edge technology and benefits administration systems for nearly 23 years. Let's get to know Michael a little better by taking a peek behind the IMA Retirement curtain!

How long have you been at IMA?

In July, it will be 23 years.

What is a fun fact about you that most people do not know?

I have a musical background and used to sing, act, and perform in various shows when I was younger.

Do you have any interesting hobbies or talents?

Playing guitar, listening to music, and anything related to TV and film, and learning about the next new tech product. I also love to hike in the mountains!

Who inspires you the most and why?

My father inspired me the most. He modeled a life of humility, gratitude, and genuine care for others - whether clients, friends, or family. From him, I learned that success means serving those you work with while staying rooted in community and prioritizing the people closest to you. He taught me that doing right by your clients and showing up for your family every day go hand in hand.

What is the best piece of advice you have ever received?

Only spend time worrying about things that are in your control.

What is one thing you cannot live without?

Technology - I am a tech geek, and love to learn about all of the new developments in tech.

What is your favorite way to relax or unwind?

Being with my family and watching a movie or TV show after a long day (are you sensing a theme?)

What is one goal you hope to achieve in the next year?

Personally, I'd like to find more time to spend with my family traveling and exploring new places, and professionally, I want to continue building great relationships in my community.

If you could live anywhere in the world, where would it be and why?

I would probably live in CO in the mountains. The fresh air, and the ability to be outdoors and experience nature in a way that we can't in Texas would contribute to an amazing lifestyle.

What is one thing on your bucket list?

I would love to go to Tahiti at some point in my life - it looks incredible!

What is the most adventurous thing you have ever done?

Climbing Quandary Peak near Breckenridge, CO....twice!



Let's Connect



For assistance with your retirement needs, contact an IMA Retirement advisor at retirement@imacorp.com or 877.305.1864.

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