

## “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.

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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.

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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## Faces of IMA Retirement The Stories That Shape Us

### Meet John Alvarez, Retirement Plan Advisor

#### How long have you been at IMA?

2.5 years.

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

I had dinner once with Sofia Vergara. The company I was with at the time brought her to town to promote a TV show she was in, and I was lucky enough to sit next to her at a group dinner. She enjoyed the fajitas.

#### Do you have any interesting hobbies or talents?

I enjoy cooking. For me it is a creative outlet that challenges me and also allows me to share with my family.

#### Who inspires you the most and why?

My dad has always been my inspiration. He was kind, giving, and always carried himself with dignity. He always had time to give me advice and support whenever I needed it.

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

Even though my dad did not come up with it, he always told me to treat people well because they may not remember what you said, but they always remember how you make them feel.

#### What is one thing you cannot live without?

Perhaps sadly, my phone. It is an incredible tool for work and home that gives me instant access to information, allows me to work anywhere, and keeps me connected with my family.

#### What is your favorite way to relax or unwind?

Travel has always been a great way to reset and experience something new and learn about people and places. Seeing where and how other people live is fascinating.

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

Read more books for both business and pleasure.

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

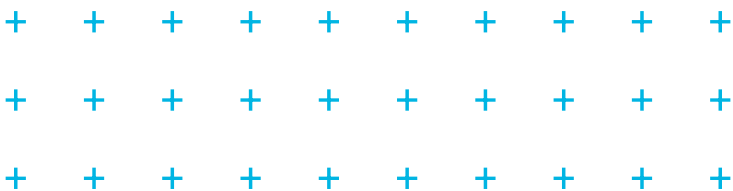
After visiting Spain, I could see myself living there and immersing myself into the culture. I enjoy the walkability of the cities, the history, the slower pace, and the emphasis on enjoying life and family.

#### What is one thing on your bucket list?

I would like to go to a major international rugby match along the lines of New Zealand vs. South Africa, or England vs. Ireland. Great locations to visit, and a very different sports experience from anything in the U.S.

#### What is the most adventurous thing you have ever done?

Definitely when I and four friends in college impulsively decided to go to Mardi Gras in New Orleans. The five of us crammed into a Ford Escort and had no place to stay. We did our best to find friends who let us stay or at least take a shower at their hotels. Ended up sleeping in the car a couple of nights, which was less than ideal.



Let's Connect



For assistance with your retirement needs, contact an IMA Retirement advisor at [retirement@imacorp.com](mailto:retirement@imacorp.com) or 877.305.1864.

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