PWMG 401(k) Advisors

FIDUCIARY EDUCATION

Retirement Plan Optimization Guide

Balancing compliance with strategies that strengthen participation, retention, and retirement readiness.

> A modern workforce needs a modern retirement plan. Outdated designs can limit participation and retention.

This educational guide highlights key updates and strategies to refresh your existing 401(k) plan, boost engagement, and align benefits with business goals.

Key Insights at a Glance

— **Entry** | Eligibility, Enrollment, & Deferral

— **Savings** | Building Retirement Readiness

— **Investing** | Committee Best Practices

— **Education** | Meeting Employees Where They Are

— **Withdrawals** | Retirement Income

Years ago, a group of dedicated leaders sat around a table and made an important decision—to offer a retirement plan to support the long-term financial security of their employees. They carefully weighed their options, evaluated costs, and chose features they felt would best serve their workforce at the time. Their commitment laid the foundation for the plan your company offers today.

But a lot has changed since then. Those leaders may no longer be with the company, and your workforce likely looks very different. New challenges have emerged, new benefits have been introduced, and new expectations have taken hold. So, while the plan still stands—does it still serve the evolving needs of your people and your business?

It's a powerful question. And one that deserves reflection.

Why Refresh Your Retirement Plan Design?

The past decade has brought significant changes to retirement savings, making company-sponsored plans the primary vehicle for Americans to accumulate wealth for retirement. With evolving regulations, new plan design features, and enhanced tax incentives, keeping up with these developments can be overwhelming for business owners and plan sponsors.

As a fiduciary, making sure your plan remains competitive and compliant requires ongoing assessment. This educational guide breaks down the latest retirement plan updates into simple and actionable insights, helping you navigate the evolving landscape. We'll walk through key features, evaluate their pros and cons, and provide clear considerations to help you make informed decisions about your plan design.

How to Use This Guide

This guide is a conversation tool for reviewing your current retirement plan. As you move through each section:

- Check the features your plan offers today
- Answer the reflection questions to identify strengths and gaps
- Discuss each topic with your plan consultant to determine whether updates are needed
- Use the insights gathered to prepare for Cycle 4 restatement or other plan improvements

This guide is about understanding your plan and deciding how you want it to evolve.

Entry ➔ Savings ➔ Investments ➔ Education ➔ Retirement Income

1 / Entry

Eligibility, Enrollment & Deferral

While it may sound basic, it's important to start at the beginning. How employees enter the plan shapes their entire savings experience. Before they can start saving, they need to understand when and how they become eligible and can enroll.

Your plan design should reflect the experience you want employees to have, from eligibility to enrollment to how deferrals are set. Consider the experience you want to create, and work with your TPA or advisor to ensure these features align with that vision.

This guide is a starting point, not an exhaustive list. Every decision should be reviewed with a TPA or consultant to confirm compliance, administrative feasibility, and support for your workforce.

Use this section to assess how employees access your plan today and whether updates could better support your goals.

STEP 1 | ELIGIBILITY

☐ Employees must meet specific age and service requirements before becoming eligible.

Age requirement:

- ☐ None
- ☐ 21 years old
- ☐ Other: ....

Service requirement:

- ☐ None
- ☐ 1000 hours
- ☐ Other: ....

**Long-term part-time employees who have worked 500 hours per year for two consecutive years must be eligible to participate.*

STEP 2 | ENROLLMENT

☐

Entry Dates

After employees meet the eligibility rules, they can enroll in the plan on the next entry date.

How often employees can enter the plan:

- ☐ Daily
- ☐ Monthly
- ☐ Annually
- ☐ Other: ....

1 / Entry (cont'd

STEP 3 | DEFERRAL

☐ **Automatic**

Employees are automatically enrolled to defer a set percentage of pay when they become eligible. They can change their rate or opt out at any time.

Automatic deferral rate:

- ☐ 3%
- ☐ 6%
- ☐ 10%
- ☐ 15%
- ☐ Other:...............

OR

☐ **Elective**

Employees decide how much to defer.

STEP 4 | ESCALATION

☐ **None**

OR

☐ **Automatic**

Automatic escalation raises an employee’s contribution rate each year without action required.

OR

☐ **Elective**

Employees choose to have their contribution rate increase automatically each year.

Timing:	Annual escalation increment:	Cap limit:
☐ Annual increase on hire anniversary	☐ 1%	☐ 10%
☐ Plan year	☐ 2%	☐ 15%
☐ Other:	☐ Other:	☐ Other: ....

SECURE Act 2.0: Most new 401(k) plans require auto escalate by 1% annually, up to 10–15%. Seek ERISA consultant for specifics.

If you reimagined entry, how would you like employees to join the plan?

Many employers are adjusting their entry requirements to immediate eligibility with auto-enrollment and 10% automatic deferral.

2 / Savings

Building Retirement Readiness

Now for the technical conversation. (Don't worry, we'll try to make it pain-free).

Retirement plan design is complex, but with the right partners who understand the ins and outs, we can create a plan that aligns with the goals of the business, participants, and their beneficiaries.

Use this section to evaluate whether your current contribution structure still aligns with your compensation philosophy and supports stronger long-term retirement outcomes.

Employee Contributions (Select if applies in your CURRENT plan)

Contribution Type	Description
☐ Pre-Tax	Reduces employee taxable income; taxes paid on withdrawals.
☐ Roth	After-tax employee contributions; tax-free withdrawals.
☐ After-Tax Contributions	Employee contributions above normal limits; may support Roth conversions (if allowed). Rare outside large or highly compensated groups. Requires ACP testing unless plan uses Safe Harbor matching.

Should you expand, simplify, or remove any employee contribution types?

2 / Savings (cont'd)

Employer Contributions

Under ERISA, employer contributions are defined by two factors: the employer contribution category and the tax treatment of the contribution.

EMPLOYER CONTRIBUTION CATEGORIES

- **Matching Contributions** | Employer-funded contributions made only when an employee defers salary into the plan.
- **Non-Elective Contributions** | Employer-funded contributions made regardless of whether the employee defers.

TAX TREATMENT OPTIONS

- **Pre-Tax Employer Contributions** | Excludable from the employee's income and tax-deductible to the employer.
- **Roth Employer Contributions** | Included in the employee's taxable income and must be 100% vested at the time of contribution. Deposited as Roth dollars for tax-free qualified withdrawals.

The Roth option was introduced under SECURE 2.0 and, while still relatively new, is growing in popularity as employers modernize their plan design. Implementing employer Roth contributions typically requires additional coordination with your payroll provider, TPA, and recordkeeper to support proper tax reporting and operational compliance.

(Select if applies)		
Pre-Tax	☐ Yes	☐ No
Roth	☐ Yes	☐ No

Have you heard of Roth employer contributions?

2 / Savings (cont'd)

Employer Contributions (cont'd)

What is your current plan design formula?

Safe Harbor Options (Select if applies)

Eliminates nondiscrimination testing. Requires employer contributions. Provides predictable contribution structure for businesses.

Type	Description
☐ Non-elective	3% to all eligible employees, regardless of participation.
☐ Matching	100% of first 3% + 50% of next 2% contributed.
☐ Enhanced	More generous than basic match (e.g., 100% up to 4%).
☐ QACA	Requires auto-enrollment (min 3%, escalates to 6–10%). Employer contributions are either matching (100% of the first 1%, then 50% of the next 5% of compensation, max 3.5%) or non-elective (3% to all eligible employees and allows 2-year cliff vesting). QACA plans offer more flexibility than traditional Safe Harbor designs and, following SECURE Act 2.0, are gaining favor among plan sponsors.

Match Formula (Select if applies)

Type	
☐ Match	_ % of _%

Some employers are "stretching the match" formula to encourage stronger savings behavior (e.g., 25% of 8%).

2 / Savings (cont'd)

Profit Sharing (Select if applies)

Profit sharing is a discretionary employer contribution. Each year, the company may decide whether to contribute and how to allocate that contribution. The method chosen determines how the total amount is divided among employees.

Allocation Method	Description
☐ Pro Rata	Discretionary employer contributions based on company profits. Everyone receives the same percentage of pay.
☐ New Comparability	Allows different contribution rates for employee groups.
☐ Age-Weighted	Contributions favor older employees nearing retirement.
☐ Other:	

Vesting Schedules (Select if applies)

Vesting Type	Description
☐ Immediate Vesting	Employer contributions are fully vested immediately.
☐ Graded Vesting	Employer contributions become vested gradually over time (e.g., 20% per year for five years).
☐ Cliff Vesting	Employer contributions become fully vested after a set period (e.g., 100% after three years).

As we approach Cycle 4 restatement, does your current employer contribution structure still reflect your compensation philosophy and the workforce you have today or is it really a legacy design built for a different version of your company?

3 / Investing

Committee Best Practices

Now let's take a look at how participants invest once their savings are in the plan. Your investment lineup - especially the default - plays a major role in guiding participants toward long-term retirement success. As you review your current plan, consider whether your QDIA, core menu, and additional features still align with fiduciary best practices and the needs of today's workforce.

Use this section to assess whether your investment lineup, default options, and fiduciary oversight process still meet the needs of your workforce and follow best practices for monitoring, documentation, and committee governance.

Key Investment Considerations

- **Investment Policy Statement (IPS)** – A documented IPS provides guidelines on selecting, monitoring, and reviewing plan investments.
- **Advisor Relationship** – Employers should consider working with a fiduciary advisor to support with investment selections, meeting plan objectives, and complying with regulatory requirements.
- **Default Investment Strategy** – Most plans utilize a Qualified Default Investment Alternative (QDIA), such as a target-date fund, balanced fund, or managed account.
- **Core Investment Lineup** – A diversified selection of funds may include options across asset classes, such as equities, fixed income, and stable value funds.
- **Self-Directed Brokerage (SDB) Option** – Some plans offer an SDB for participants seeking additional investment choices beyond the core lineup.

Investment Feature	Description	Select That Applies
QDIA	Provides age-based diversification and automatic rebalancing, such as a target-date fund, balanced fund, or managed account. If you don't have a QDIA, it increases your fiduciary risk.	☐ Yes ☐ No
Core Investment Lineup	Offers participants a range of asset classes to choose from.	☐ Yes ☐ No
Self-Directed Brokerage (SDB)	Expands investment options but may increase risk and complexity.	☐ Yes ☐ No
Managed Accounts	Provides personalized investment management.	☐ Yes ☐ No

3(21) Fiduciary
Co-Fiduciary

- Provides investment recommendations
- Assists with monitoring and documentation
- Supports the review process
- Shares fiduciary responsibility with the committee

3(38) Fiduciary
Investment Manager

- Makes fund decisions on your behalf
- Monitors, replaces, and manages the lineup
- Takes on full discretion and liability for investment selection

Committee Conversations	Notes
What is your committee structure?	
What is your meeting frequency?	
How do you document decisions?	
What are the written goals for the plan?	
How is your IPS maintained?	
How often do you check plan fees?	
When and how do you communicate with employees?	
Should investment duties stay with you or shift to a fiduciary investment manager?	

4 / Education

Meeting Employees Where They Are

Plan design sets the stage, but education brings it to life. Employees need clear, relevant guidance to make confident decisions. Because each generation learns differently, your education strategy should adapt to their needs. Effective education helps employees navigate options, reduce stress, and feel empowered.

Use this section to evaluate how well your education strategy supports different generations in your workforce and where improvements could enhance confidence, engagement, and long-term financial wellbeing.

How is your plan catering to different generations in your company and their unique financial education and savings needs?

Baby Boomers ...

Gen X ...

Millennials ...

Gen Z ...

Do you believe that your employees are on track to replace enough income in retirement?

Financially educated employees feel more confident, supported, and connected to their employer.

When financial wellness is delivered with clarity and empathy, it reinforces positive behaviors that improve long-term retirement outcomes.

Does your plan reflect the business you are in today and the workforce you have now? If not, what aspects would you adjust?

What educational topics do your employees struggle with the most today?

FINANCIAL WELLNESS TOPICS WE COVER:

- Budgeting
- Credit Building Tips
- Financial Organization
- Savings Best Practices
- Student Loans
- Debt Management
- 401(k) Distribution
- Health Savings (HSA)
- 401(k) Loans
- Social Security
- Retirement Income
- Roth vs Traditional
- Medicare
- Emergency Savings
- Employer Matching

5 / Withdrawals

Retirement Income

As employees approach retirement, the way they withdraw their savings matters. Retiring employees need clear, flexible options that help them make informed decisions and support long-term financial security.

Use this section to evaluate whether your plan's withdrawal and retirement income features provide the flexibility, clarity, and support employees need as they transition from saving to spending.

Retirement Withdrawal Strategies

Is this withdrawal option available in your plan?	Description
☑ Required Minimum Distributions (RMDs)	Required IRS-mandated withdrawals starting at age 73 (per SECURE 2.0).
☐ Guaranteed income options	Annuities or managed payout funds offering lifelong income. Reduces market risk but may have higher fees.
☐ Lump-sum distributions	Entire balance withdrawn at once.
☐ Partial withdrawals	Flexible withdrawals based on need. Offers flexibility but requires careful budgeting.
☐ Systematic withdrawals	Employees receive scheduled distributions (monthly, quarterly, annually). Provides predictable income.
☐ Other:	

Approximately, how many employees retire each year?

Everyday, over 10,000 baby boomers reach age 65, which is why retirement income conversations are taking center stage as baby boomers transition savings accounts into retirement income.

Examples of Retirement Income Strategies*

A Retiree Using Systematic Withdrawals

Mary, 65, elects to withdraw 4% of her balance annually to align with the “4% rule” for sustainable income. This method provides steady cash flow while aiming to preserve capital.

A Retiree Opting for a Guaranteed Income Option

Malcolm, 70, rolls over part of his 401(k) into an annuity for fixed monthly income for life. This option protects against longevity risk but limits liquidity.

A Retiree Managing RMDs Efficiently

Susan, 73, begins required minimum distributions (RMDs) to avoid penalties. She works with an advisor to minimize tax impact by coordinating withdrawals with other income sources.

What would you like your plan’s retirement income experience to look and feel like for your retiring employees?

*For illustrative purposes only.

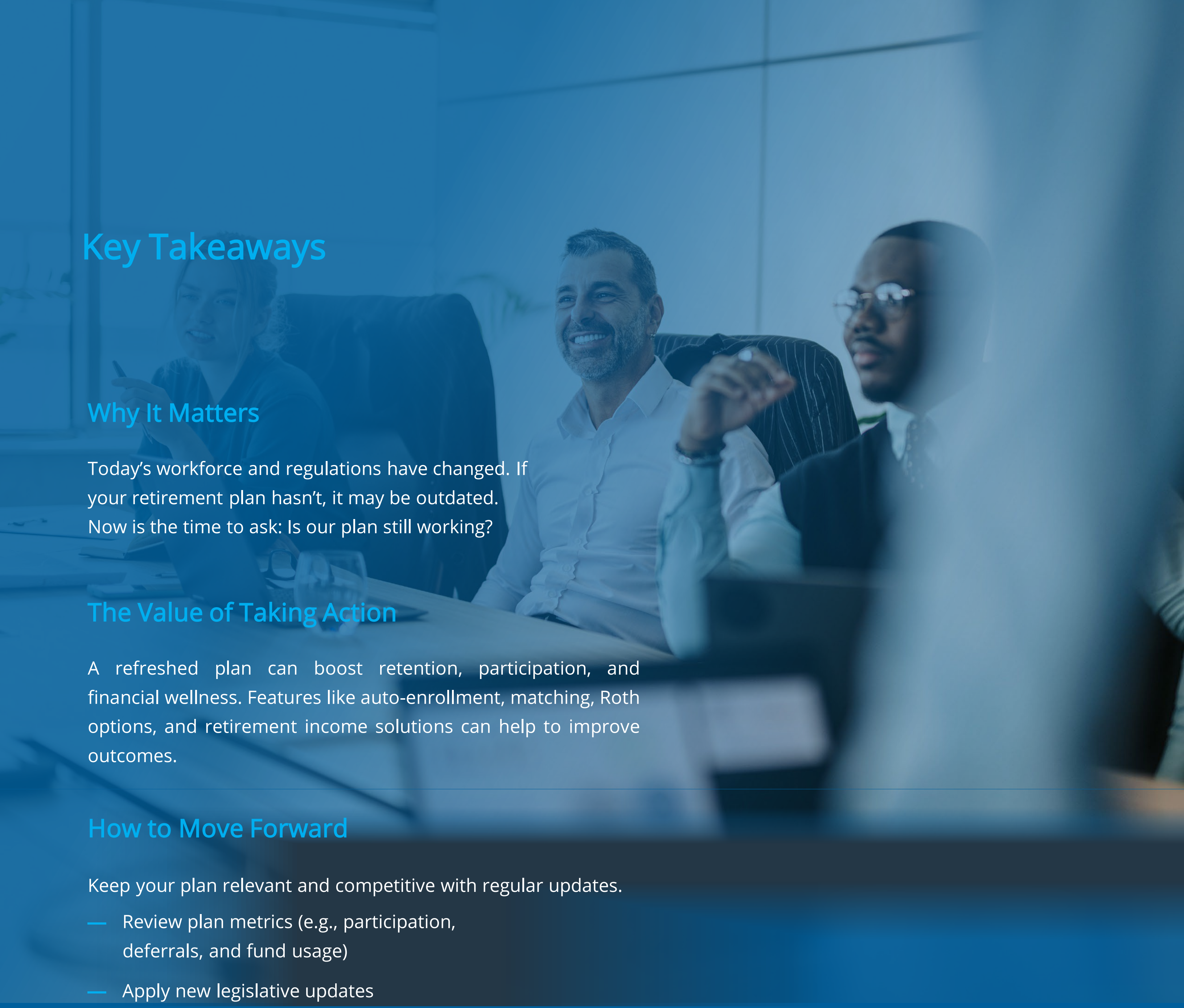
Steps to Refresh Your Plan Design

Retirement plans have evolved significantly over the years, offering a variety of contribution structures and features designed to maximize savings and improve participation.

To build an effective plan, it's important to start with the end goal in mind, which is helping your employees reach a confident retirement.

Assess Current Plan →	Evaluate Effectiveness →	Engage an Experienced Plan Advisor →	Communicate and Educate →	Implement & Monitor
Identify participation gaps, deferral rates, and investment trends.	Assess plan features and how effective it is at helping your employees save.	Work with a 401(k) consultant to explore optimization strategies.	Educate employees on changes, resources. and new benefits.	Review plan updates align with company goals and employee needs.

> Refreshing your retirement plan design is a strategic opportunity to enhance employee retirement readiness, comply with new regulations, and leverage tax incentives. By incorporating updated provisions from SECURE Act 2.0 and other legislation, plan sponsors can create a more dynamic, tailored, and effective retirement plan.



Key Takeaways

Why It Matters

Today’s workforce and regulations have changed. If your retirement plan hasn’t, it may be outdated. Now is the time to ask: Is our plan still working?

The Value of Taking Action

A refreshed plan can boost retention, participation, and financial wellness. Features like auto-enrollment, matching, Roth options, and retirement income solutions can help to improve outcomes.

How to Move Forward

Keep your plan relevant and competitive with regular updates.

- Review plan metrics (e.g., participation, deferrals, and fund usage)
- Apply new legislative updates
- Work with an experienced, fiduciary advisor
- Communicate changes clearly
- Align with the plan with your business goals

> A few thoughtful updates today can lead to stronger outcomes, for your business and your employees, tomorrow.

We are committed to guiding plan sponsors through these changes and helping design customized retirement solutions. Contact us to discuss how we can help optimize your plan for long-term success.

For more information on fiduciary best practices and plan design enhancements, contact us today.

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