TRANSAMERICA PRESCIENCE REPORT

Second report:
Expert opinions on
trends in the U.S. economy

WE ARE GRATEFUL TO OUR PANEL OF EXPERTS FOR PARTICIPATING IN THIS SECOND POLL IN THE SERIES AND FOR SHARING THEIR MUCH VALUED INSIGHT.

Yaqub Ahmed
Franklin Templeton

Chris J. Brown
Sway Research

Jeff Cheshier
RPAG

Catherine Collinson
Nonprofit Transamerica Institute

Paul D'Aiutolo, CRPS®
The D'Aiutolo Malcolm & Associates Institutional Consulting Group

Barbara J. Delaney, AIF®, PRP®
StoneStreet Renaissance

Ed DeMarino
SEI

Darrell Ellisor, AIF®, ChFC®, CLU®
Peak Financial Group

Jonathan Epstein, AIF®
DCALTA

Ilene H. Ferenczy, J.D., APA, CPC
Ferenczy Benefits Law Center

Ira Finn, PHR, SHRM-CP, CPSP

Sheri Fitts
Sheri Fitts & Co

Daniel P. Gaertner, CRPS®

Matt Gnabasik
Cerity Partners

Keith J. Gredys, J.D., AIF®
Kidder Advisers, LLC

Robin M. Green, AIF®
WinMore Plans

GRP Advisor Alliance

Taylor Hammons
Kestra Financial

Paula A. Hendrickson, CFP®, C(k)P®, CBFA™
NFP

Paul Henry

Gene Huxhold
John Hancock Investments

Michael M. Kane, CLU®, ChFC®, AIFA®, CBFA™
Plan Sponsor Consultants

Ellen R. Lander
Renaissance Benefit Advisors

Chad J. Larsen, AIF®, PRP®

Barry Levy, QKA
Levy & Associates, Inc.

John Ludwig, ChFC, AIF®, CRPS®, CPFA
LHD Retirement

Vince Morris, AIF®
OneDigital

Stig Nybo
Strategic Retirement Partners

Sean D. Patton, AIF®
Westminster Consulting

Daniel J. Peluse, AIF®, C(k)P®, CBFA, CRPS®
Wintrust Wealth Management

Stephen Popper, AIF®, QPFC
Sageview Advisory Group

Terrance P. Power, CFP®, QPA®, CRPS®
The Platinum 401(k)

Richard Rausser, CPC, QPA®, QKA
Pentegra

Fred Reish, J.D.

James D. Robison, AIF®, CBFA
Strategic Retirement Partners

Tina Santelli, CBC, GBDS
Alera Group

Patrick M. Shelton, GBA
Benefit Plans Plus

Sheridan Road Financial, **a division of HUB International**

Courtenay V. Shipley, AIF®, CRPS® CPFA™, CEPA, CHSA®
Retirement Planology

Kaci D. Skidgel, C(k)P®, QPFC, AIF®
Summit Financial Group

Adam M. Sokolic
HUB International

Craig M. Stanley, CPA, QPFC
Summit Group of Virginia

Donald Trone
The Center for Board Certified Fiduciaries

Greg Ward, CFP®
Financial Finesse

Gerald J. Wernette, CPA, CEBS, AIFA®, C(k)P™
Rehmann Financial

Geoff White
GRP Financial

Robert C. Wisner
The Paragon Alliance Group

TABLE OF CONTENTS

INTRODUCTION

Prescience \ ‘pre-sh(ē-)ən(t)s, ‘pr ē,-s(ē-) ən(t)s
Foreknowledge of events; human anticipation of the course of events; foresight.

ABOUT TRANSAMERICA PRESCIENCE 2026

Transamerica Prescience 2026 is the seventh in a series of modified Delphi studies designed to help executives and the professionals who work with them develop employee benefit programs, based on expectations about future trends. The study is being conducted through a series of polls conducted over a 12-month period in 2022 and 2023.

Panelists are invited to participate in the polls based on their positions as thought leaders and experienced professionals in the retirement plan, employee benefits, and financial well-being business. Their experience and expertise make them well-suited to anticipate high-level trends ahead. The goal of the research is to present insights helpful in evaluating, developing, and refining plans and strategies.

Results presented here are from the second Prescience 2026 poll, examining trends in the U.S economy affecting defined contribution plans, the labor pool, and employment policy. Fifty-eight experts representing trade groups, research organizations, consulting firms, academic institutions, advisory firms, investment management firms, service providers, and trade media from across the nation, answered the 22-question survey.

Results of Poll No. 1, discussing employee financial well-being, can be viewed here. Future polls in the Prescience 2026 series will explore regulation, technology, workforce dynamics, human capital management, investments, plan design, participant education, and communication as they relate to retirement plans, employee benefits, and financial well-being.

EXECUTIVE SUMMARY

In our second poll, we asked our experts to provide insights in several key areas that impact and are impacted by the retirement and employee benefits systems. We asked for predictions about the stock market, employment rates, benefit costs, and retirement and employee benefit plans. Results indicate our experts are positive about the future of the American economy and the stock market. But there were some less-positive indicators.

Our experts confirmed what most people should already understand about the economy and investing — past performance is no indication of future results and predictions are often controversial.

MAJOR FINDINGS

Experts in the second poll in this series are largely positive about the future of the American economy and the U.S. stock market.

THE U.S. ECONOMY

We asked our experts to make predictions about key economic and other indicators in the coming years. A strong majority foresee a significant increase in the S&P 500 — up 20% from August 18, 2020, its highest point to date.

> *A bull market will be triggered with an eventual easing in monetary policy. But markets will decline in the near term before this pivot begins."*
>
> — **JONATHAN R. EPSTEIN**, AIF® — DCALTA

AGREE OR STRONGLY AGREE

By year-end 2026, the S&P 500 will reach 4,000	By year-end 2026, DC plan assets will reach $9 trillion*
89% agree or strongly agree	**90%** agree or strongly agree

*(up from $7.1 trillion in September 2021)

> *With retirement plan assets reaching $9 trillion, embracing workplace wealth should be at the core of how we approach working with plan participants at their worksite. We have the opportunity to help them feel confident about saving and investing for their full financial lives, no matter what their current financial situations are or how they change. We have to also remember plan participants' financial lives are about more than saving for retirement. Competing priorities like managing debt, saving for other financial goals, and paying monthly bills can all play a role in whether people save enough for retirement."*
>
> — **TAYLOR HAMMONS**, HEAD OF RETIREMENT PLANS — KESTRA FINANCIAL

Our experts were less convinced about the level of the U.S. gross domestic product (GDP) in 2026. GDP is the total monetary or market value of all finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

Some pessimism was revealed when panelists were asked about how the U.S. economy would fare as compared to the worldwide economy. By the end of 2026, 55% agree or strongly agree that the U.S. economy will represent 20% or less of the world economy, down from 24% in 2020 and 30% in 2000.

Results were mixed when the panel was asked about retail sales and corporate profits in the U.S.

GDP will have reached $30 trillion by year-end 2026, up from $23 trillion in 2021 and $21 trillion in 2020

48%

disagree or strongly disagree

By the end of 2026, retail sales will have surpassed $10 trillion, up from $6.9 trillion as of September 2022

34%

agree or strongly agree

28%

disagree or strongly disagree

U.S. corporate profits will have reached $4.5 trillion by the end of 2026, up from $2.8 trillion in 2021

31% agree or strongly agree	**40%** disagree or strongly disagree

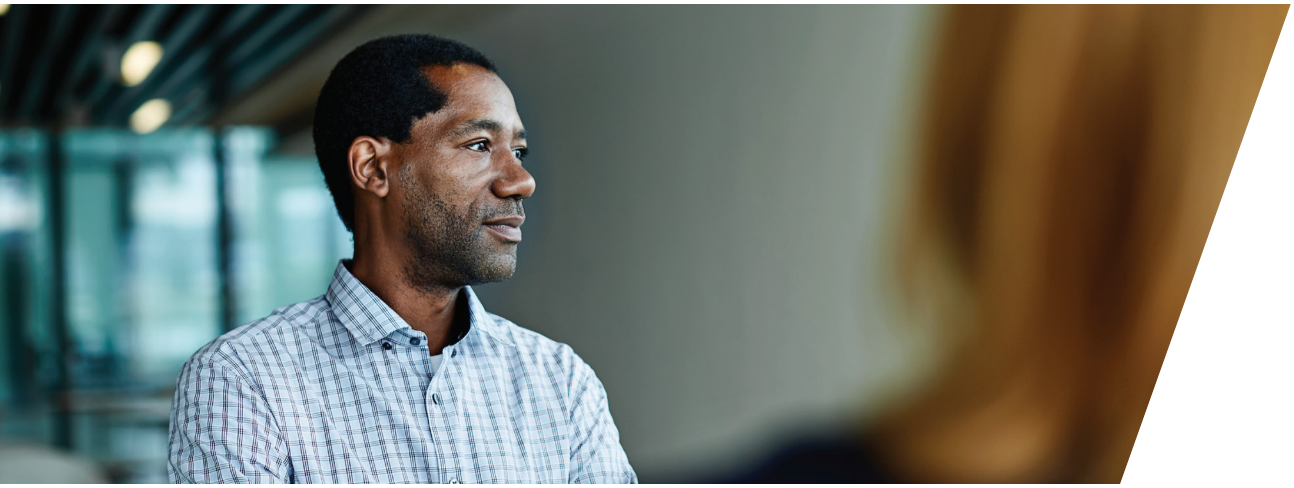
Money has been cheap and easy this past decade, but that has largely ended. $4.5 trillion in U.S. corporate profits by 2026 implies a very cooperative economic backdrop, which isn't likely. I don't see it happening."

— STIG NYBO — STRATEGIC RETIREMENT PARTNERS

THE WORKFORCE

The U.S. workforce is evolving rapidly. By 2026, we should expect an increase in labor force participation driven by people returning to the workforce after the pandemic, expansion of the gig economy, and by Baby Boomers and Generation X extending their working years beyond age 65. To illustrate the extent to which people expect to work longer and retire at an older age, my team's research finds that almost half of workers expect to retire after age 65 or do not plan to retire."

— CATHERINE COLLINSON, CEO & PRESIDENT — NONPROFIT TRANSAMERICA INSTITUTE AND TRANSAMERICA CENTER FOR RETIREMENT STUDIES



WORKFORCE PARTICIPATION

The panel foresees changes in workforce participation by the end of 2026.

They expect the population of workers ages 65 and older to grow. Several factors may contribute to this expectation, including increased financial responsibilities, lack of preparation for retirement, and improvements in health. The experts also predict an overall increase in workforce participation, expecting a level last seen in 2012. The increase could be due, in part, to the increase among those over the age of 65.

AGREE OR STRONGLY AGREE

81%
By the end of 2026, workforce participation among those ages 65 to 75 will rise to 30%

54%
Workforce participation among those age 75+ will have reached 10% by the end of 2026

74%
U.S. workforce participation will continue to grow, reaching 64% by the end of 2026

By year-end 2026, workforce participation among those ages 16 to 24 will have declined from 55% to 51%

40%
agree or strongly agree

36%
disagree or strongly disagree

An aging workforce has implications for employers. Workers ages 65 to 75 often have knowledge, expertise, and experience. At the same time, a multi-generational workplace can present challenges. Determining the right policies, practices, and benefits to support older and younger workers is crucial.

IMPACT OF CHANGING WORKFORCE PARTICIPATION

A change in the makeup of the workforce may impact productivity, and our experts had somewhat split opinions about it. When asked about productivity of the U.S. workforce, 41% of respondents agreed or agreed strongly that by year-end 2026, the U.S. long-term labor force productivity will have grown by an average annual rate of 2.5%, a level not seen since 2000-2007. But 33% disagreed or strongly disagreed with the same statement.

Respondents remain cautiously optimistic about unemployment at the end of 2026, with 59% saying they agree or strongly agree that, by then, unemployment will be below 5%, compared to 3.5% today. Just under half of them expect the number of W-2 jobs in the U.S. to have declined to 150 million, down from 153 million in September 2022, with 45% agreeing or strongly agreeing.

> *Many workers are currently unhappy with their 'gigs' and are now seeking employment where they can be part of a team and have greater security — even if they forfeit the flexibility. It could be a blip, a sort of reaction to post-pandemic freelancing and contracting, or the beginning of a trend."*
>
> — **ROBIN GREEN**, PRESIDENT — WINMORE PLANS

Regardless of whether they are W-2 or 1099, workers will continue to file tax returns. Two-thirds of our experts agree that the number of individual tax returns, including those whose income appears as non-employee compensation on a 1099 rather than a W-2 from an employer, will have risen to 30 million (27.3 million today) by 2026.

THE COST OF LABOR

Labor costs continue to play a significant role in the challenges faced by employers and, ultimately, consumers. We asked the experts to weigh in on their expectations for the cost of benefits — a large portion of the overall cost of labor.

In recent years, employers seeking better cost containment have leaned on wellness programs and initiatives, including technology and managed healthcare approaches. Employees, who share the burden of increasing healthcare costs, are also interested in finding ways to improve or maintain their health. Unfortunately, many employees put off needed health assessments or treatments due to out-of-pocket costs they can't afford.

Average benefit costs will grow to $19 per hour by the end of 2026, from $12.72 per hour today

74%

agree or strongly agree

The challenges for employers and employees are unlikely to abate any time soon.

Some on the panel expect the non-benefit aspects of labor costs to rise, too, although the opinions are more divided. For example, 50% of respondents agree or strongly agree that training and development budgets will outpace cost-of-living increases.

Wage increases are likely to continue, according to our experts. Sixty percent agree that, by year-end 2026, the total average employee cost per hour will have grown to $55 in the U.S., compared to $41.03 today.

“In part, the average employee cost per hour is rising to nearly $55 per hour due to inflationary pressures of wage increases, but more importantly it is costing more to find skilled, experienced employees — in many sectors there are not enough workers to fill jobs. So, employers may have to pay more to onboard the talented worker.”

— **MIKE KANE** — PLAN SPONSOR CONSULTANTS

When asked to predict the federal minimum wage by the end of 2026, 51% of our experts agree or strongly agree that it will have reached $17 per hour. And 61% agree or strongly agree that the average compound annual cost-of-living increase from 2022 through the end of 2026 will be in the range of 5% to 10%.

GOVERNMENT POLICY

The U.S. national debt will continue to grow, according to 59% of survey respondents, reaching $40 trillion by the end of 2026 from its current level of $31 trillion.

“*While current estimates put the U.S. National Debt in the mid $37 trillion range by 2026, when you combine a weakening economy with uncooperative interest rates, $40 trillion by 2026 is a very real possibility.*”

— **STIG NYBO** — STRATEGIC RETIREMENT PARTNERS

Opinions on interest rates set by the federal reserve were mixed in our poll. When asked if they believe the interest rate set by the federal reserve will be 5% or higher by the end of 2026, 41% agree or strongly agree and 45% disagree or strongly disagree.

“*The fed funds rate will begin to lower in late 2023/early 2024. We will be in a better place as eventual easing turns into actual cutting over the next couple of years.*”

— **JONATHAN R. EPSTEIN**, AIF® — DCALTA

Expectations around cryptocurrency investments in retirement plans are limited, with only a third agreeing or strongly agreeing that they will be allowed by the DOL by the end of 2026.

The Department of Labor will have updated Compliance Assistance Release No. 2022-01 to allow in-plan cryptocurrency investing within guidelines by the end of 2026

31%
agree or strongly agree

48%
disagree or strongly disagree

CONCLUSION

The Prescience 2026 panel seems to look toward the future with both trepidation and optimism. As the economy continues its volatility, they foresee strong investment markets, increasing DC plan balances, and growth in the U.S. GDP. They also expect record-high labor costs and a surge in the number of senior citizens entering or remaining in the workforce.

Keeping these factors in mind, as well as those gleaned from the other Prescience 2026 polls — such as financial well-being discussed in Poll No. 1 and workforce dynamics in Poll No. 3 — may help employers anticipate benefit programs that address the challenges ahead.

ABOUT TRANSAMERICA

With a history that dates back more than 100 years, Transamerica is recognized as a leading provider of life insurance, retirement, employee benefits, and investment solutions, serving millions of customers throughout the United States. Recognizing the necessity of health and wellness during peak working life, Transamerica's dedicated professionals work to help people take the steps necessary to live better today so they can worry less about tomorrow. Transamerica serves nearly every customer segment, providing a broad range of quality life insurance and investment products, individual and group pension plans, as well as asset management services.

RS3 2718795 03/23

TRANSAMERICA®