



TRANSAMERICA PRESCIENCE REPORT

First report:
Expert opinions on
employee financial well-being



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

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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

Although a great deal of information is available about current trends in employee benefits and well-being, reliable predictions about future direction is harder to come by. In a fast-changing environment, retirement plan sponsors and their advisors need a clear vision of what to expect in the years ahead so they can invest their benefits dollars wisely in the products, services, systems, and processes that best align with their future needs.

Providing that glimpse into the future is the goal of Transamerica Prescience 2026. It supplements Transamerica's other innovative research reports to draw a comprehensive picture of the private retirement plans ecosystem today and into the future. These research reports focus on current trends and practices and uncover emerging developments that could have an impact.

Transamerica Prescience 2026 is the seventh in a series of modified Delphi studies designed to help executives and their advisors develop employee benefit programs, based on expectations about future trends. Conducted over a 12-month period in 2022 and 2023, Prescience 2026 seeks a vision of how employee financial well-being programs may look based on the opinions of industry experts. The goal is to present insights helpful in evaluating, developing, and refining plans and strategies. The final Prescience 2026 report will be based on information gathered from a series of polls centered around retirement, employee benefits, and well-being topics.

This report, the first in the series, summarizes trends in employee financial well-being. Thirty-six experts from across the nation answered the survey's 47 questions. Panelists represent trade groups, research organizations, consulting firms, academic institutions, advisory firms, investment management firms, service providers, and trade media. Transamerica chose panelists based on their positions as thought leaders and experienced professionals in retirement plans, employee benefits, and financial well-being. Because of their expertise, we believe these panelists are well-suited to anticipate high-level trends that may determine the road ahead. We expect future polls to include opinions from even more of the experts who have been invited to join.

Upcoming 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

The first poll in the Transamerica Prescience 2026 series predicts by the end of 2026:

- Growing demand for retirement and financial well-being benefits will be fueled by:
 - A continued talent shortage
 - Government mandates for retirement plans
- Retirement plan coverage among employers with fewer than 100 employees will have equaled coverage among employers of 100 or more employees.
- Flexible benefits and total rewards programs will have grown in popularity to accommodate an increasingly diverse workforce.
- Financial well-being benefits, such as mortgage or rent assistance, credit improvement, and student loan repayment programs, will be offered by more than 50% of employers.
- More than 40% of employers will offer some sort of emergency savings fund mechanism.
- More than two-thirds of employers will offer high-deductible health plans (HDHP) and health savings accounts (HSA).
- Nearly 40% will offer gap insurance to help employees without the means of funding an HSA cover the risk of unexpected healthcare expenses.
- Employers less able to offer employment flexibility and mobility will be at a competitive disadvantage in the race for talent.
- The performance gap will widen between employers who are able to offer the flexible total rewards program of the future and those who simply can't.

MAJOR FINDINGS

Prescience 2026 polls ask about the evolution of retirement plans, benefits, and financial well-being offerings between now and December 31, 2026. Results of the first poll presented in this report paint a rosy picture of the future for financial well-being solutions. However, work remains to reach the ultimate goal of setting participants on course to retirement success. Most experts on the panel agree on many of the poll's predictions, but opinions diverge in some areas. Most notably, there is disagreement about the prospects for broad employer reliance on financial well-being indexes.

RETIREMENT CONFIDENCE: WORK CONTINUES

The subject of the first Prescience 2026 poll, and the goal our industry aspires to, is helping American workers achieve retirement readiness. According to the 2022 edition of EBRI's Retirement Confidence Survey, though, only 28% of workers are "very confident" they will have enough money to sustain them through retirement.¹ One worthy aspiration is for a majority of participants to feel confident they will have saved enough for retirement. Although this goal keeps us motivated, most experts do not believe we will have reached this level of confidence by the end of 2026.

¹"32nd Annual Retirement Confidence Survey," Employee Benefit Research Institute (EBRI), 2022



In open-ended comments,² our experts project that worker confidence will increase, but is unlikely to reach 50%. The panel does project that retirement plan coverage among small employers and in states where coverage is mandated will greatly increase. Many employees have joined and are saving in their workplace retirement plans thanks to the prevalence of automatic deferrals and productive default elections. However, most Americans do not have a clear idea of how much money they will need to support an adequate standard of living throughout retirement. For younger workers, retirement is far in the future and may not even be an aspiration. All of this forms the backdrop for the belief that a 50% confidence level is a worthy aspiration but may not be achievable by the end of 2026.

The percentage of workers very confident they will have enough money to live through retirement will have grown to 50% from 30% today

47%
disagree or strongly disagree

“ *I am optimistic that we will see increases in retirement confidence. Our research finds those who have access to employer-sponsored retirement benefits are more likely to be confident than those who do not. So, as our nation expands retirement plan coverage and more and more workers are participating in plans, we should see an overall increase in the percentage of workers who are confident.”*

— CATHERINE COLLINSON - NONPROFIT TRANSAMERICA INSTITUTE

MORE COVERAGE, BETTER ACCESS TO BENEFITS

In the first poll, our experts projected the incidence of retirement plans and other benefits at year-end 2026. There was a range of responses, and we rely on the median response (most experts) to project coverage on December 31, 2026.

RETIREMENT PLANS

Our experts project a tremendous increase in the level of defined contribution (DC) plan coverage, especially for small plans. In fact, most experts foresee 88% of employers offering a defined contribution plan by the end of 2026. This level of coverage has already been achieved in the 100+ employee market. But coverage among small employers is much lower where just 46% of employers with 1 to 99 employees offered an employee-funded retirement plan, as shown in the 22nd Annual Transamerica Retirement Survey published by nonprofit Transamerica Institute in 2022.³

Our panel of experts believes that state mandates will play an important role in driving up coverage. As of June 2022, 16 states and two cities mandated retirement plan coverage for at least some employers, with many mandating coverage for employers with as few as five employees.⁴

² Participant comments have been edited for clarity and brevity.

³ “Emerging From the COVID-19 Pandemic: The Employer’s Perspective,” [Transamerica Institute](#), August 2022. Transamerica Institute is a nonprofit, private foundation dedicated to identifying, researching, and educating the public about retirement security and the intersections of health and financial well-being. It is the parent organization of [Transamerica Center for Retirement Studies](#) (TCRS) which conducts one of the largest and longest-running annual retirement surveys of its kind. Transamerica Institute is funded by contributions from Transamerica Life Insurance Company and its affiliates. For more information, visit [transamericainstitute.org](#).

⁴ “State-Facilitated Retirement Savings Programs: A Snapshot of Program Design Features,” Georgetown Center for Retirement Initiatives, June 30, 2022

SURVEYED EMPLOYERS PROJECT BY YEAR-END 2026:

PLAN COVERAGE

88%

Defined contribution plans

10%

Traditional defined benefit (DB) plans

9.2%

Cash balance plans

FINANCIAL WELL-BEING BENEFITS

Panelists project popularity of a range of traditional and emerging financial well-being benefits at year-end 2026. As HDHPs become more prevalent, our experts predict that nearly 7 in 10 employers will help fill the gaps by offering HSAs, while 4 in 10 will offer gap insurance for uncovered health expenses. With their triple-tax advantage, HSAs are a powerful way to help workers fund healthcare expenses in retirement. Employers who seek to differentiate themselves from the competition for talent may also choose to offer coverage to retirees and executives. Our experts project that 13% of employers will offer retiree medical coverage and 17% will offer executive healthcare coverage by year-end 2026.

The Prescience panelists foresee today's emerging financial well-being benefits becoming prevalent by year-end 2026. Examples include mortgage or rent assistance, credit improvement programs, student loan repayments, and emergency savings funds, which are projected to be offered by 40% to 60% of employers by the end of 2026. Although not all employers are in financial condition to offer these benefits, we surmise that these benefits will set apart employers with the most successful record of attracting talent, while other employers unable to offer these benefits will struggle to maintain workforce and business performance.





SURVEYED EMPLOYERS PROJECT BY YEAR-END 2026: FINANCIAL WELL-BEING COVERAGE



69%

Health savings accounts



43%

Emergency savings fund



61%

Mortgage/rent assistance



38%

Work from anywhere



59%

Credit improvement programs



38%

Gap insurance



56%

Student loan repayments



17%

Executive health



52%

Critical illness insurance



13%

Retiree medical

LABOR MARKET CONDITIONS SUSTAIN STRONG DEMAND FOR BENEFITS

The spectacular growth in financial well-being benefits will be fueled by steady competition for top talent over the period. As of the writing of this report, the labor market is already a seller's market. In the age of the Great Resignation (or Great Reshuffle), talent is in short supply, and employers leverage employee financial well-being benefits to compete for labor. Benefits unheard of five years ago — cash assistance with the down payment toward the purchase of a first home, help with chores and adult care, assistance with student debt, and other sources of employee financial stress — are becoming more commonplace. Panelists foresee the shortage continuing through year-end 2026, spurring higher labor costs and, more importantly, the demand for retirement and well-being benefits. For the retirement plans, benefits, and financial well-being sector, the tight labor market of the mid-2020s is a boon.



AGREE OR STRONGLY AGREE

61%

The cost of labor will be rising faster than consumer goods

81%

Attracting and retaining top talent will be just as challenging as in 2022

86%

Helping employees enhance their financial well-being will be a priority

RISING DEMAND FOR FLEXIBLE BENEFITS PACKAGES

Several of our experts predict that a progressive shift to flexible benefits will take place as employers seek to attract more diverse segments of the population to the workforce. The employee population will grow more diverse and inclusive: four generations, varied levels of literacy, diverse languages, greater geographic distribution and mobility, all degrees of physical ability and mental stamina. The scope of financial well-being will be greatly expanded, and our experts anticipate that coaching and assistance with benefits selection will be in great demand.

Greater workforce inclusion will promote flexibility in benefits and prompt employees to be more involved in benefits elections than they have been in recent years. The turn is an interesting development. The Pension Protection Act of 2006 allowed automatic elections, key to enhancing the retirement readiness of working Americans. Many employees were automatically enrolled at a default deferral rate and invested in default elections, all designed to set them on a path toward successful retirement. As we move toward greater personalization of benefits, it will be important to maintain a responsible choice architecture, keeping employees from regressing to inadequate retirement funding for the sake of freedom.



AGREE OR STRONGLY AGREE

91%

Most employers (more than half) will offer intangible benefits such as total flextime, work from home.

86%

Most employers (more than half) will offer a broad suite of benefits to allow employees to meet their individual needs.

72%

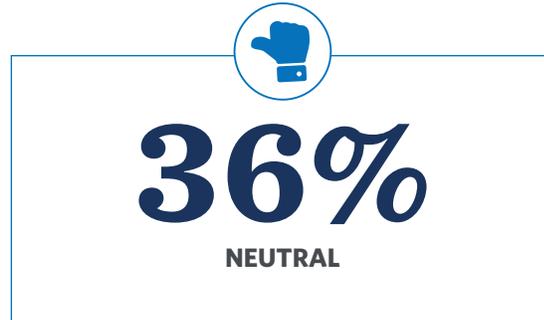
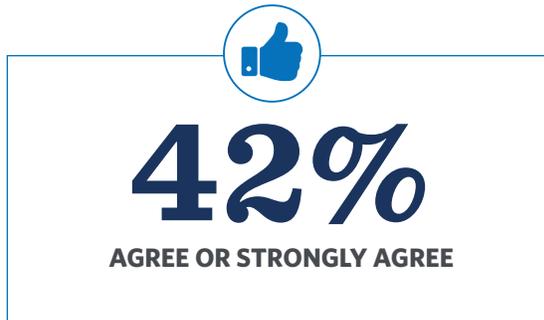
Most employers will rely on a total rewards approach to employee compensation, allowing employees a great deal of flexibility in the allocation of their compensation among net pay, retirement, healthcare, protection, paid vacation days, work hours, and other options.

UNCHARTED FUTURE/NO CONSENSUS: FINANCIAL WELL-BEING INDEXES

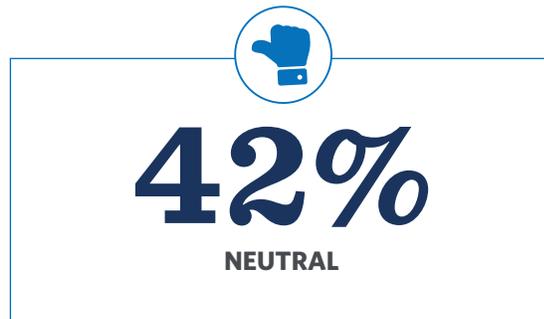
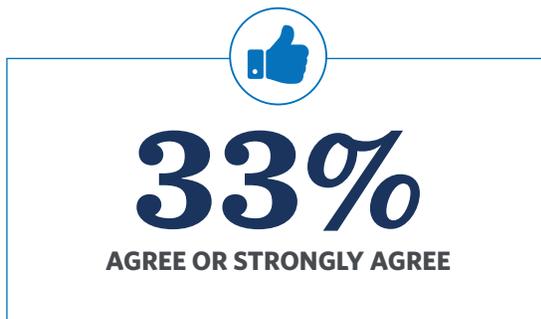
Financial well-being indexes beyond retirement readiness have emerged in recent years to help employees assess their state of financial wellness more holistically. Some of these scores are based on employee self-assessments across financial indicators: saving and investing, retirement, debt, etc. Others rely on an analysis of all assets and liabilities of the individual or household.

The panelists are divided on the future of these financial well-being indicators beyond retirement readiness. A majority (53%) agree or strongly agree that most employers will have a financial well-being rewards program in place by year-end 2026. But there is disagreement as to how employers will monitor the financial well-being of their workforce: will they monitor it themselves, or rely on the well-being indexes provided by their employee benefits partners?

Most employers (more than half) will be monitoring the financial well-being of their workforce in addition to their retirement readiness



Most employers will rely on a well-being index provided by their employee benefits partners to monitor the financial well-being of their workforce



Many of our panelists believe employee concern over the privacy of information needed to calculate a true measure of their financial wellness will constrain utilization. Indeed, many employees may be reluctant to share information with their employer about their personal debt, personal wealth, other sources of income, and resources of other family members.

BURNING ISSUES FOR FUTURE POLLS

Experts on the panel raise questions about the coaching and assistance that will be available to help employees select benefits going forward. In particular, several anticipate greater reliance on artificial intelligence (AI) and automated assistants to deliver benefits counseling to a large number of employees at a low cost. In a quest to achieve scale in such counseling, employers, human capital management (HCM) suites, and providers will likely turn to AI to deliver affordable assistance anywhere and around the clock.

How will various segments of employee populations make choices as the workforce becomes more diverse? Workforce participation at older ages will continue to grow, and many employers will have four generations in the workplace needing different benefits and making decisions in different ways.



In open-end comments, our experts suggested a range of questions and burning issues for future polls in the Transamerica Prescience 2026 series:

- Needs of employers with fewer than 50 employees
- Coverage in the under-50 employee market and the demand for pooled arrangements
- Services most appreciated by employees
- Tangible benefits for employers (i.e., benefit for the dollars and efforts spent)
- Ways to develop/offer solutions with the best interest of participants at heart
- Financial coaching/advice: employer budget and ways to contain cost
- Future of Social Security and public programs
- Employee responsibility/accountability and engagement

CONCLUSION

Opportunities for growth abound over the next four years as the labor shortage continues and the demand for more generous and more flexible benefits and total rewards programs increases. Growing demand and government mandates will place particular pressure on smaller employers with fewer than 100 employees to offer retirement benefits. The gap will widen between employers able to meet the demand for flexible total rewards programs and those who simply can't. In this context, it will behoove employers to select retirement, benefits, and HCM partners who can facilitate the migration toward a more inclusive workforce. How the industry will evolve to meet the demand with sustainable participant counseling solutions remains to be seen. Future polls in the series will help outline a clearer vision about what's ahead for the financial well-being sector.

ABOUT TRANSAMERICA

With a history that dates back more than 100 years, Transamerica is recognized as a leading provider of life insurance, retirement, 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.