The Retirement Times

Helping Gen Xers Weather a Perfect Storm

Generation X — comprising those born between 1965 and 1980 — faces unique financial and social pressures that have left almost half of them with no retirement savings. Compounding these challenges, only 1 in 10 Gen Xers plans to delay filing for Social Security until age 70 to maximize their benefit, due in part to concerns about the program's long-term solvency. For plan sponsors, providing tools and resources tailored to this generation's needs can play a crucial role in helping them take meaningful and measurable steps toward retirement readiness.

Stuck in the Middle

Generation X often finds itself as the "sandwich generation," attempting to balance financial responsibilities for both aging parents and dependent children. According to the Pew Research Center, 54% of individuals in their 40s are managing these dual caregiving roles, leaving less room to prioritize retirement savings. High levels of debt — including mortgages, student loans, and credit cards— can further limit their ability to save. Plan sponsors can provide critical support by offering financial wellness programs to help participants manage competing priorities. Resources that focus on debt reduction, budgeting and emergency savings can help employees work toward freeing up income for retirement savings.

Troubling Numbers

Economic instability during critical earning years has left many Gen Xers with insufficient savings. The Great Recession delayed savings for many. According to a 2024 Vanguard report, the average 401(k) balance for individuals aged 45 to 54 stands at $168,646, with a median of just $60,763. Plus, the decline of traditional pension plans, which many Boomers depended on, means that Gen Xers must rely heavily on defined contribution plans and personal savings to fund their retirement. Plan sponsors can encourage catch-up contributions for those 50 and older and connect participants with financial advisors to explore strategies for making the most of their remaining earning years. These strategies can help augment their retirement savings and strengthen their financial position.

Uncertainty and Risk Aversion

Market volatility and past financial crises have left many Gen X investors cautious, impacting their willingness to take on the level of risk required for significant portfolio growth. At the same time, rising healthcare costs and uncertainty surrounding the future of Social Security benefits have added layers of anxiety about retirement. Without adequate emergency funds, some participants also withdraw early from their retirement accounts to cover unexpected expenses, further compromising their future. Plan sponsors can help address these challenges by offering solutions that balance risk and growth, such as target-date funds. Educating participants about healthcare planning tools like Health Savings Accounts, when available, can also bolster retirement preparedness.

Meeting Generation X Where They Are

Helping Gen X participants achieve retirement readiness requires a proactive and empathetic approach. By addressing their financial challenges, offering tailored resources and promoting education around long-term planning, plan sponsors can help guide this group toward a more secure future.

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The Part-time Participant

The SECURE Act and SECURE 2.0 have increased many part-time employees' access to employer-sponsored retirement plans. As such, understanding the unique challenges of improving part-time participants' retirement readiness, and how their needs may differ from those of full-time employees, is essential for sponsors.

Common Reasons for Part-time Employment

Part-time employees work fewer hours for a number of reasons. Some of the most common include balancing school or training (17.3%), managing non-childcare-related family or personal obligations (13.7%) or limiting earnings due to retirement or Social Security restrictions (8.3%). These challenges highlight the importance of tailoring retirement plan support to part timers' unique circumstances.

Women Are More Likely to Be Part-time

Women are disproportionately represented in part-time roles, often due to caregiving responsibilities. Plan sponsors should recognize these dynamics and tailor communication strategies to address the financial planning challenges women in part-time roles may face, such as balancing immediate family needs with long-term savings goals.

Onboarding for Less Experienced Participants

Part-time employees may have limited familiarity with retirement plans, especially if their previous roles didn't offer such benefits. A robust onboarding process can help them understand the importance of enrolling and the potential impact of starting early. Provide simple, clear resources — like short videos or webinars — to help ensure part-time workers feel informed, supported and motivated to participate in the plan.

Lower Income Levels and Contribution Challenges

Part-time employees often earn less than their full-time counterparts, which can limit their ability to contribute to retirement savings. Employers can help boost participation by matching contributions at lower thresholds and offering resources to calculate potential tax savings from pre-tax contributions. Providing clear, targeted messaging about how even small steps toward saving can make a difference — combined with regular reminders — can also help increase engagement.

Less Access to Other Benefits

Part-time employees without access to health insurance may face higher immediate financial pressures due to out-of-pocket medical expenses, making it harder to prioritize retirement savings. Employers can support them by providing education and resources around budgeting, managing healthcare costs, and establishing an emergency fund to help address short-term financial pressures.

Financial Wellness Accommodations

Part-time employees may face scheduling challenges that make it difficult to attend live financial education sessions. Employers should provide flexible, on-demand resources tailored to their circumstances, such as recorded webinars, interactive online tools and self-paced educational materials. These options allow part-time workers to access financial education at their convenience, even if they can't attend in-person sessions.

Embrace Part-time Participants Wholeheartedly

Addressing the unique retirement planning needs of part-time employees requires understanding their distinct challenges and fostering a sense of inclusivity alongside their full-time counterparts. By carefully considering onboarding, education, communication efforts and plan design with respect to part-time workers' needs, sponsors can create a more cohesive workforce and strengthen a culture of inclusivity in the workplace.

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Amazon Faces Allegations of Mismanaged Funds

Amazon.com Inc. and the administrative committee overseeing its 401(k) savings plan have been hit with a class-action lawsuit alleging improper management of employee forfeiture funds. The lawsuit, Curtis v. Amazon.com, was filed in the U.S. District Court for the Western District of Washington and claims that Amazon fiduciaries engaged in self-dealing by using forfeited plan assets to reduce the company's own contributions rather than lowering administrative fees for participants.

According to plaintiff Cory Curtis, who is being represented by Terrell Marshall Law Group PLC, Amazon misappropriated millions of dollars in forfeited 401(k) assets between 2018 and 2023. The complaint argues that instead of using the funds to offset administrative expenses—such as recordkeeping fees, investment management fees, and transaction fees—or redistributing them to eligible participants, Amazon applied them toward its future employer contributions, effectively saving the company millions.

Amazon's 401(k) plan is among the largest in the country, with over $17 billion in assets and more than 1.3 million participants, according to its 2022 Form 5500 filing. The plan was previously administered by Vanguard Fiduciary Trust Co. until January 7, 2020, when it transitioned to Fidelity Investments, which remains the recordkeeper as of the end of 2023. In 2023, the plan also incurred administrative expenses by paying Strategic Advisors—an affiliate of Fidelity—direct compensation for plan-related services.

The lawsuit claims that Amazon's plan agreement permits fiduciaries to utilize forfeited funds in one of three ways: to restore forfeited accounts, to pay administrative costs, or to lower future matching payments. However, rather than reducing participant fees, the complaint argues that Amazon largely utilized the money to offset its own contributions.

The use of 401(k) forfeitures is the subject of a larger wave of litigation, including this case. Since 2023, over 30 similar lawsuits have been brought against large companies, including Qualcomm Inc., HP Inc., and Honeywell International Inc. Courts have ruled in favor of plan sponsors, such as BAE Systems Inc., Thermo Fisher Scientific Inc., and Clorox Co., dismissing many of these lawsuits.

Legal and industry experts have expressed skepticism about the lawsuit's merits. Daniel Aronowitz, president of fiduciary insurance firm Encore Fiduciary, argues that these cases are attempts to exploit ERISA regulations. He points out that Amazon's plan offers some of the lowest fees in the country, recordkeeping fees are only $21 per participant, and Vanguard target-date funds cost between three and four basis points, significantly lower than industry averages. "This is just plaintiff law firms trying to weaponize ERISA, and that's what's happening in the modern era with the surge of cases in the second half of 2024," Aronowitz says. "We find [it] really offensive for Amazon plan fiduciaries to be accused of somehow harming participants. They've done everything to ensure the lowest possible fees for their participants."

In 2023, the IRS reiterated that 401(k) forfeitures may be utilized for participant allocations, plan costs, or employer contributions. In spite of this, the lawsuit demands that Amazon disgorge all profits it allegedly made from managing forfeited cash, fire fiduciaries who are believed to have violated their obligations, and take additional corrective action.

Amazon spokesperson Montana MacLachlan responded to the lawsuit, stating, "While we're still reviewing the details of this case, we believe these allegations lack merit. We look forward to proving that through the legal process."

The growing number of forfeiture-related lawsuits has raised concerns about regulatory oversight. Aronowitz criticized the Department of Labor (DOL) for allowing what he calls "regulation by litigation," arguing that the agency should step in to clarify its position. "The Department of Labor and the IRS have regulations that have blessed this practice [of allocating forfeitures to employer contributions] for years and years," he says. "What needs to happen is they need to consolidate these cases before one judge and get one ruling."

As the legal battle unfolds, the case against Amazon could set a precedent for how courts interpret the use of forfeited funds in large retirement plans. If the lawsuit proceeds, it may influence fiduciary practices across the industry and prompt further regulatory scrutiny.

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IMPORTANT DISCLOSURE INFORMATION