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Retirement

Empower spotlights major shift ahead for your retirement

Twenty years after the 401(k) reset, five experts say it’s off track.

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If you were auto-enrolled in your 401(k) and never adjusted your contribution rate, there is roughly a 38% chance your plan set your deferral below 4%, according to Vanguard's 2026 How America Saves report.

About one-third of auto-enrollment plans now default at 6%, while others still start workers at 3% or less.

That falls well short of the 12% to 15% combined savings rate Vanguard recommends for a secure retirement. Empower, the second-largest retirement plan recordkeeper, published a white paper built around interviews with five retirement experts.

The paper marks 20 years since the Pension Protection Act of 2006 reshaped workplace plans. It lays out five priorities for the next wave of reform.

Those priorities arrive as policymakers push coverage expansion, stronger defaults, and a new federal match for lower-income savers.

What Empower's expert panel says should change about your 401(k)

Empower's paper, "2026: A 20/20 Moment for Retirement," draws on five experts across policy, law, and research.

The panel includes Brian Graff, CEO of the American Retirement Association, and Barbara Marder of the Employee Benefit Research Institute. Attorneys Kent Mason and Marcia Wagner and commentator Nevin Adams round out the panel, and the panel outlined five themes for the next two decades of retirement policy.

5 key themes from the Empower expert panel

1. **Stronger plan defaults:** Raise starting contribution rates and expand auto-escalation.
2. **Faster plan-sponsor adoption:** Give employers confidence to adopt newer retirement solutions.
3. **Wider coverage:** Reach the 56 million private-sector workers who lack any workplace plan, according to research cited by the Pew Charitable Trusts.
4. **Technology and AI:** Deliver retirement guidance through better digital tools.
5. **Holistic financial wellness:** Connect retirement savings to healthcare, student debt, emergency funds, and caregiving.

The fifth theme echoes a broader industry shift, and Vanguard's 2026 data showed 6% of participants took hardship withdrawals in 2025, suggesting retirement accounts absorb financial pressure from elsewhere.

Vanguard's 25-year dataset reveals the default-rate gap in auto-enrollment plans

The Pension Protection Act gave employers legal safe harbor for auto-enrollment. Before that law, workers had to sign up themselves.

Participation among eligible employees in Vanguard plans reached a record 86%, and auto-enrollment plans see 90% participation versus 70% in opt-in plans.

However, high participation masks a savings adequacy problem across many plans. About 38% of auto-enrollment plans still set starting contributions below 4%.

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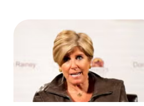

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A worker who defaulted at 3% needs five years just to reach 8%, and adding the record 4.7% employer match still falls short of targets.

Vanguard's 2026 How America Saves report recommends a total savings rate between 12% and 15%. About 71% of auto-enrollment plans now include an auto-escalation feature. But a low starting point limits how fast annual bumps help.

Vanguard's 25-year data shows auto-enrollment boosts participation, but low default contributions can still leave workers short of retirement savings targets.

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SECURE 3.0 and TrumpIRA could reshape how Americans without workplace plans save

President Trump signed an executive order on April 30, 2026, creating TrumpIRA.gov, a portal set to launch Jan. 1, 2027.

It will connect workers without employer plans to private-sector IRAs, CNBC reported, and the portal's biggest limitation is that enrollment is voluntary, not automatic.

Morningstar estimated that approximately 32.3 million workers would participate under a mandatory auto-enrollment framework, with projected wealth gains of 28% to 49%.

Kelsey Mayo, ARA's Chief Retirement Policy and Regulatory Affairs Officer, noted each reform wave reveals fresh challenges requiring further legislative action.

"As soon as something gets implemented, we find out that there are new problems to solve, and that's the continuous loop…With things like Secure 3.0, there's going to be a lot of provisions," said Mayo.

Under voluntary enrollment at the same contribution rate, those gains drop by more than half, the researchers found.

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The Saver's Match, created by the Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act, also takes effect in tax year 2027, with first payments landing in retirement accounts in 2028, according to the IRS.

SECURE 2.0 replaced the Saver's Credit with a federal match of up to $1,000 per year for lower-income workers. Only 38% of workers earning less than $50,000, the group most likely to qualify, were even aware the predecessor credit existed, Transamerica found.

The American Retirement Association is positioning SECURE 3.0 as the next major legislative push. "A much bigger bill than we've ever seen before," ARA CEO Brian Graff said at the National Association of Plan Advisors (NAPA) 401(k) Summit in April 2026.

Potential provisions include a nationwide auto-enrollment mandate for uncovered workers and expanded emergency savings options.

The Bipartisan Policy Center's June 2026 analysis reinforced those priorities, noting that 58% of retirement tax breaks flow to the top 20% of earners.

The biggest retirement decision may be one workers never make

The Pension Protection Act demonstrated that retirement outcomes depend heavily on how workplace plans are designed.

Twenty years later, participation has reached record levels, yet 38% of plans still default workers below a four percent contribution rate.

SECURE 3.0, the Saver's Match, and TrumpIRA.gov could help address those shortcomings, although none is expected before 2027.

For workers today, Vanguard's data points to whether their contribution rate was chosen automatically and where it currently sits relative to the 12% to 15% combined rate the firm identifies as adequate.

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Americans face a painful hit to retirement in their 30s

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Damilola Esebame is a finance journalist and CFEI® whose work spans credit, taxes, retirement, and budgeting. At TheStreet, he covers personal finance news and policy changes that affect your wallet, making complex topics clear and actionable.

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