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Defined Contribution Plans: Automation and Asset Allocation in today's market enviroment

Having enough money to retire well

NEW YORK, NY, UNITED STATES, June 8, 2022 /EINPresswire.com/ -- A key driver of innovation in defined contribution plans today is automation and the hands off or do it for me mentality prevalent among participants of Employer sponsored plans, said James Lukezic, Managing Director of Qualified Plans at Old Slip Capital Partners. "We've already experienced the very positive effects of plan auto features like auto-enrollment, auto-escalation, auto-rebalancing and even the automation of target-date features. The industry seems to be gearing up for automation," he said.

Innovation tends to happen quite slowly in the DC plan space and is often led by some combination of legislation, regulation and litigation. For several years, litigation has been the key driver as plans have looked to remove underperforming managers or ensure they are invested in the lowest share class or lowest-cost vehicle available or as they've moved to collective investment trusts for example.

On another note, Retirement income has become paramount, with many variables and a wide range of philosophies among plan sponsors on how to address this challenge without being conflicted, said Old Slip Capital's James Lukezic. Some employers want to try and solve this problem for their entire workforce while other's want to give participants options that they can elect on their own with or without the help of the plans ERISA Fiduciary Advisor.

The Economy and Savings Plans

The chances of rates increasing have improved as the Biden administration's $1.9 billion stimulus package adds momentum to the nascent economic recovery, driving up the specter of inflation.

Given this backdrop, sponsors are revisiting their asset allocation.

According to James Lukezic of Old Slip Capital, Plan sponsors need to address the potential risks of a rising rate environment or just a different fixed-income market than what we’ve experienced in the past. The issue today is passive fixed-income which seems to appear in most plans nationally, says Lukezic. There’s room to add active fixed-income whether as a core option or to augment or replace the passive option, which is particularly important as participants approach and enter the retirement phase.

Maximillian Longo
Falconer, LLC
email us here
