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SECURE 2.0 Uptake and the Future of Wealth

The passage of the SECURE 2.0 Act introduced a range of retirement plan enhancements designed to bolster financial security for American workers. So far, however, most of its optional provisions are seeing minimal uptake. Taken at face value, slow uptake may seem discouraging, but it does not mean the act isn't having an impact on improving financial wellness. Consider SECURE 2.0 as part of a bigger financial wellness snowball instead. Its power is likely to grow over time, especially as it converges with other financial technologies and trends.

"The lightbulb is turning on," says Mike Webb, CAPTRUST senior manager of plan consulting. "Employers are thinking: There are so many other ways I can look out for people financially, beyond just pay and a retirement plan." SECURE 2.0 helped kickstart those conversations and bring them into the spotlight.

Different Offering, Equal Impact

"Uptake of optional provisions is just one part of the story," says Audrey Wheat, CAPTRUST senior manager of vendor analysis and strategic relations. "First, there are a number of mandatory provisions for which we can assume universal uptake. Second, it's important to point out that plan sponsors and their vendor-partners are also exploring other avenues to offer financial wellness features outside the plan itself."

For example, one optional provision offers the ability for employers to establish emergency savings accounts within retirement plans. These accounts allow non-highly compensated employees to contribute up to $2,500 of after-tax dollars.

Wheat says the overall sentiment about this provision is that's its overly complicated and carries a heavy administrative burden. "Plan sponsors may not choose to integrate this provision, but they still realize they need to have an emergency savings option," she says.

According to CAPTRUST research, some plans are choosing to offer stand-alone emergency savings programs instead. These programs often include payroll-deducted savings accounts with employer-sponsored financial coaching. The goal is to help employees build short-term financial security without modifying their retirement plan contributions or taking withdrawals, such as loans, from their plan balances.

“Sometimes, it’s easier to provide an alternative solution than to change the plan itself,” says Webb. Another example: Some companies now provide direct student loan repayment assistance instead of using SECURE 2.0’s student loan matching feature—another one of its optional provisions.

Cumulative Impact

Employers don’t need to overhaul their retirement plans to support financial wellness. Sometimes, simple tools and good guidance can be just as effective.

“When people have access to good information and tools, they’re able to manage their finances more confidently,” says Chris Whitlow, CAPTRUST senior director and head of CAPTRUST at Work, the firm’s financial wellness solution for institutional clients. “Confidence reduces financial stress today and helps people stay focused on the future.”

Whitlow says he sees employers integrating a range of third-party benefits and tools, from financial wellness platforms to artificial-intelligence-enabled budgeting tools to automated savings programs, in addition to SECURE 2.0 provisions.

“What’s really exciting is watching these different technologies and programs start to come together,” says Whitlow. “As that happens, we’re going to see financial wellness evolve much faster, and that’s going to create real, meaningful change for people.”

Webb agrees. “First, we saw the natural rise of auto-enrollment. Then the mandatory rise of auto-enrollment, automatic increases in deduction rates, emergency savings accounts, and the saver’s match, which—when combined—will add up to tremendous growth in retirement plan and other savings accounts in the future. All these layers on top of one another. The snowball is getting bigger, and it’s picking up speed.”

The Saver’s Match and a Savings Mindset

Webb says he is especially excited about the retirement saver’s match, a part of SECURE 2.0 that comes into effect in 2027. “The savers match has the potential to transform this industry as much as automatic enrollment and target-date funds did.”

The saver’s match is a government-funded matching contribution to an eligible employer-sponsored or individual retirement account. Through the savers’ match, the federal government will match 50 percent of retirement account contributions up to $2,000 for low- and middle-income taxpayers.

Sponsor participation in the saver's match is optional, so the success of the program will depend on two key factors: overall adoption rates and taxpayer education. Participants will need to elect to add a saver's match account when filing their taxes.

"We will see a tipping point," Webb says. "A lot of people have no savings at all. Suddenly, they're going to have a retirement plan account that might have $10,000 in it within two years, and if we haven't incentivized a savings mindset in them before that time, they're going to want to withdraw that money to pay bills. Now's the time to get ahead."

Having a savings mindset means staying focused on long-term financial goals. The saver's match and employer-sponsored emergency savings accounts are two ways to incentivize this type of long-term thinking. Having access to emergency savings might also help employees avoid withdrawing funds from their retirement plans.

"The truth is that most people who take loans out of their plans are taking smallish amounts of money—$1,000 to $3,000—that could easily come from emergency savings instead," says Whitlow. "Participants may not be so tempted to take loans, hardships, and other in-service distributions if they have a separate pot of money for emergencies."

Especially for early- and mid-career workers, withdrawing small sums can have detrimental long-term effects because they'll miss out on compound earnings. "If employers can automate the emergency savings piece, employees are more likely to be in better shape, both in the near and long term," says Webb.

Retirement Rich, Cash Poor?

According to Fidelity, the number of 401(k) millionaires rose 27 percent in 2024, rising from 422,000 to 537,000 people. These are historic numbers, but they're likely to look less impressive over time as younger generations get an early start at saving.

"We talk so much about the state of retirement for baby boomers and Gen Xers," says Webb. "What most people aren't talking about yet is what this all means for Gen Z and Gen Alpha. If you're in your early 20s right now with $10,000 in a retirement account, and you don't touch it, with the compounding power of continued savings and earnings, you have the potential to be able to retire as a millionaire."

"We're going to see so many people who earned modest middle-class salaries retiring with seven-figure balances in their retirement accounts," he says. "They may still be liquid-asset poor if they don't have good guidance and education, but they will retire well."

That's one of the reasons financial wellness programs are critical, and it may help explain why employers aren't rushing to integrate all SECURE 2.0's optional provisions. "Most plan sponsors and recordkeepers see SECURE and SECURE 2.0 as parts of a bigger conversation about employee attraction, retention, and financial wellness," says Wheat. The question employers are asking isn't as simple as “Which SECURE 2.0 provisions should we offer?” Instead, they’re asking “What are our ideal financial outcomes for our workforce?” Then, they’re working backward to decide which means can help them achieve their goals. SECURE 2.0 is just one of the tools in the toolbox.

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