

COMMENTARY



Retirement Plans: A Smart Investment for Small Businesses in 2025

In today's dynamic economic landscape, small businesses face unique challenges and opportunities. With the competitive job market, evolving employee expectations, and economic fluctuations, offering a robust retirement plan can be a strategic advantage for small businesses. Here's why small businesses investing in retirement plans is more crucial than ever along with advice on how to navigate the current trends.

The current economic climate

As we look ahead to 2025, the economic outlook remains cautiously optimistic. The U.S. economy is projected to grow at a moderate pace, with real GDP growth expected to be around 1.5%¹. Inflation rates are expected to stabilize, providing a more predictable environment for businesses. Despite these positive signs, the labor market continues to be competitive, making it essential for small businesses to offer attractive benefits to retain top talent.

The importance of retirement plans

In the wake of the Great Resignation, in which employees voluntarily resigned from their jobs in mass during the COVID-19 pandemic, and ongoing labor shortages, employees are increasingly selective about their job choices. They seek not only competitive salaries but also

comprehensive benefits packages that include retirement plans. According to recent data, only about 30% of small businesses currently offer retirement benefits². This presents a significant opportunity for small businesses to differentiate themselves in the job market.

Types of retirement plans for small businesses

Choosing the right retirement plan can be daunting, but understanding the options available can simplify the process. Here are some popular choices:

- 401(k) plans:** Suitable for businesses of all sizes, including self-employed individuals. The one-participant 401(k) plan is an excellent option for solo entrepreneurs.
- Simplified employee pension (SEP) plans:** Ideal for businesses looking to minimize administrative burdens while providing substantial retirement benefits.
- Savings incentive match plan for employees (SIMPLE) IRAs:** Best for businesses with fewer than 100 employees, offering ease of setup and administration.

Key considerations

When selecting a retirement plan, consider the following factors:



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- **Employee inclusion:** Decide whether you want to include all employees or just a select group. Qualified plans like 401(k)s offer flexibility in eligibility and vesting.
- **Cost and tax benefits:** Retirement plans can be cost-effective, especially with potential tax savings. For instance, contributions to SEP plans are tax-deductible, benefiting both employers and employees.
- **Employee contributions:** Determine if you want employees to contribute through payroll deductions. This can enhance their retirement savings and reduce your administrative load.
- **Performance and fee benchmarking:** Regular reviews and comparisons of service provider portfolios to ensure you are getting the best value.

Strategies for the future

Investing in a retirement plan is not just a benefit for your employees; it's a strategic investment in your business's future. By offering competitive retirement benefits, you can attract and retain top talent, enhance employee satisfaction, and position your business for long-term success. In the current economic climate, this investment is more important than ever.

Navigating the complexities of retirement plans can be challenging, but with the right provider and a clear understanding of your options, you can make informed decisions that benefit both your business and your employees.

About Chad Waddoups

Chad Waddoups has been with Mountain America Investment Services since 2008. Waddoups brings more than 20 years of financial planning, sales, compliance and business management experience to the team. Waddoups holds the following registrations through LPL Financial: FINRA Series 7, 63 and 9/10 securities licenses held through LPL Financial, as well as a life and health insurance agent's license.

He received a Bachelor of Science degree in finance from Utah State University and a MBA from Brigham Young University.

¹J.P. Morgan, "2025 Economic Outlook: Insights & Trends"

²Fidelity, "Q1 2025 Retirement Analysis"

Current trends in retirement plans

- 1. Increased adoption of Roth 401(k)s:** More small businesses are offering Roth 401(k) options, which allow employees to contribute after-tax dollars and enjoy tax-free withdrawals in retirement.
- 2. Focus on financial wellness:** Employers are increasingly providing financial education (such as Enrich and Spring) and wellness (such as Wellable and Woliba) programs to help employees make informed decisions about their retirement savings.
- 3. Technology integration:** Retirement plan providers are leveraging technology to offer user-friendly platforms such as those offered by Ubiquity and Fidelity, making it easier for small businesses to manage their plans and for employees to track their savings.

Working with a retirement plan provider

Partnering with a knowledgeable retirement plan provider can streamline the process and ensure compliance with regulatory requirements. Look for providers that offer:

- **Design support:** Assistance in evaluating and selecting the best plan for your business.
- **Compliance support:** Guidance on fiduciary responsibilities and regulatory compliance.

