



Retirement Plan Newsletter

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Markets in Review

Building on the robust performance through Q3, U.S. equity markets delivered modest gains in Q4 2025 amid sector rotation and a cooling in mega-cap technology momentum. The S&P 500 Index¹ advanced by 2.3% during the quarter, bringing its full-year 2025 return to 16.4%. While enthusiasm for the mega-cap AI trade cooled in Q4, the Nasdaq Composite Index² nonetheless ended the quarter up 2.6% and appreciated 20.4% for the full year. Meanwhile, the Dow Jones Industrial Average³ outperformed both indices in Q4, posting gains of 3.6% as investors navigated a softening labor market and the Federal Reserve's continued rate-cutting cycle by pivoting toward value-oriented sectors and defensive plays. For 2025, the Dow was up a more modest 14.9%, reflecting the outperformance of growth over value over this longer time horizon.

While the S&P 500 Equal Weight Index⁴ posted gains of 0.9% in the quarter, trailing the market cap weighted S&P 500 Index by 1.4%, the return differential narrowed from the 5.6% and 3.4% performance gaps of Q2 2025 and Q3 2025, respectively, indicating improved market breadth. Still, for the full year, the market cap weighted version of the index outperformed equal weight by 7.0%, indicating that market leadership remained concentrated in mega-cap technology names and AI-linked

beneficiaries for most of 2025. Further evidence of narrow market leadership is found in the "Magnificent Seven"⁵, which saw a marked performance decline in Q4 yet still delivered an average return of 3.6%, bringing the full year average return to 22.4%.

The Russell 2000 Index⁶, tracking small-cap stocks, followed an exceptionally strong Q3 with a more pedestrian return of +1.9% in Q4, bringing its 2025 performance up to 11.3%. Small cap equities experienced choppy price action in the quarter, initially benefiting from lower borrowing-cost expectations before giving back gains late in the quarter as growth concerns re-emerged.

International markets extended their positive gains in Q4 2025, outperforming U.S. equities amid a stable dollar and regional tailwinds. The MSCI World ex USA Index⁷ appreciated by 4.9% in the quarter, supported by a value-led rally in developed international markets, and finished 2025 up 28.6%. The MSCI Europe Index extended its strong run with a 5.9% quarterly return, bringing its 2025 performance to 31.9%. European equity market performance was propelled by prior ECB rate cuts and expansionary fiscal policy in key EU countries such as Germany. The MSCI Japan Index gained 3.1% in Q4, building on prior momentum driven by corporate governance reforms and more recent reflationary momentum, and ended the year up 22.1%.

Emerging markets posted solid results, with the MSCI Emerging Markets Index⁸ up 4.3% and 30.6%, in Q4 2025 and 2025, respectively. Emerging market performance was largely attributable to Korea in Q4 with the MSCI Korea Index advancing 27.0%, fueled by AI-driven semiconductor demand and aggressive corporate governance reforms. The outperformance was not confined to Q4 as the index nearly doubled (+96.6%) in 2025. The MSCI India Index, while significantly lagging Korea, was nonetheless up 4.6% in Q4, though full year index performance was a lackluster +3.0%. China was a significant Q4 laggard, with the China MSCI Index falling by 7.7% in Q4 due to weaker than expected economic data, renewed real estate crisis fears, and persistent tariff and trade headwinds. Despite the Q4 downturn, the index still managed to appreciate 28% in 2025 on strong performance in Q1 and Q3 2025.

On the domestic monetary policy front, the Federal Reserve remained accommodative, delivering two additional 25-basis-point rate cuts in October and December. These cuts brought the Federal Funds Rate to a range of 3.50%–3.75%. However, the December decision saw an unusual 9-3 vote, reflecting growing dissent among officials regarding the balance between a sluggish job market and stubbornly elevated inflation. Markets broadly interpreted the Fed's positioning as constructive for liquidity conditions going into 2026, though the central bank continued to stress data dependency. The updated Summary of Economic Projections indicated a median expectation for two additional cuts by year-end 2025, with futures markets aligning closely on this path.

In fixed income, the 10-year U.S. Treasury yield ended 2025 at 4.18%, up from 4.16% at the start of the quarter, but down considerably from the 4.58% level at the end of 2024. This modest quarterly increase once again masked intra-quarter fluctuations: yields plunged to quarter low of 3.94% on 10/21/25 before a late quarter surge pushed rates higher to close out the year. The iShares Core U.S. Aggregate Bond ETF (AGG)⁹ advanced 0.9% in Q4 while the longer-term falling yield trend resulted in the ETF finishing the year up 7.2%. Longer duration bonds were negatively impacted by the modest increase in Q4 yields, with the iShares 20+ Year Treasury Bond ETF (TLT) falling 1.0% (+4.2% in 2025). By contrast, short-term exposure via the iShares 1-3 Year Treasury Bond ETF (SHY) yielded a Q4 return of +1.1% (+5.0% in 2025).

Brent crude, after closing Q3 at \$67.02 per barrel, experienced sharp swings: falling 10.4% to \$60.07 on 10/20/25 on oversupply fears before bouncing back up by 11.0% in just four days as increased geopolitical risk briefly cast doubt on the supply glut hypothesis. While the commodity experienced some price volatility in the ensuing weeks, the overall trend was mostly lower, with Brent crude closing out the year at \$60.85, representing a 9.2% (18.5%) decline in Q4 2025 (2025).

Precious metals extended their strong 2025 performance, supported by lower real yields, central-bank demand, and continued interest in portfolio hedging. Gold surpassed \$4,000 per ounce for the first time in October, driven by central bank buying and its status as a safe-haven asset amid geopolitical uncertainty. Gold delivered a Q4 return of 12.6% on its way to a full year gain of 64.5%. Silver, however, was the standout commodity of 2025, with a staggering 2025 return of 142.3% on the back of a Q4 gain of 51.6%. Silver's outsized returns can largely be traced to persistent supply deficits, robust industrial

demand, and the same safe haven dynamics that have propelled gold prices higher.

As we transition into 2026, the market narrative continues to hinge on two interconnected forces: labor market trends and the trajectory of inflation. Current data shows a resilient consumer, persistent yet still-manageable inflation pressures, and a potentially softening labor backdrop that has meaningfully diverged from consumer demand. However, downside risk remains in the case of resurgent inflation and/or sustained labor market weakness.

Spring Cleaning

Spring will arrive soon, promising new growth and a fresh beginning. It could also be the perfect time to do some spring cleaning for your plan. Let's look at some areas that you might consider reviewing to ensure your retirement plan is operating efficiently.

Document your **processes and procedures** to make certain that plan tasks can be handled in case of any absences during an enrollment or pay period. Having a backup in place can prevent errors and delays that could lead to penalties.

Make sure to have a process in place to notify all **new enrollments** of their eligibility, regardless of whether the plan has automatic enrollment. Depending on the timing for plan entry, including the plan enrollment paperwork with the new hire paperwork could make entry easier for you..

Deposits of employee deferrals and loan repayments must be submitted to the plan as soon as possible to avoid penalties and corrections. For plans with less than 100 participants, a safe harbor rule allows deposits to be made within seven business days. For larger plans, the expectation is that the money will be deposited more quickly. Depositing these funds on the pay date will avoid the possibility of being late.

Monitoring **deferral contribution limits** during the calendar year will avoid refunds after year end. Make sure that your payroll is set up to stop deferrals once the limit is reached, including any catch-up contributions for those who have reached age 50.

To keep the plan in compliance, **employer contributions** must be deposited timely. Due dates are impacted by the type of contributions, required status and tax deductibility.

Most plans must be covered by a **fidelity bond**. The minimum coverage is 10% of plan assets (rounded up to the next \$1,000) and the maximum coverage is \$500,000. Additional requirements apply to plans with employer securities or non-publicly traded assets. If your fidelity bond is insufficient, now is the time to raise the coverage. Inflation clauses that increase the bond amount as the plan assets increase can ensure that your bond coverage is always adequate. Contact your insurance provider if you don't have a fidelity bond.

Another area to review is **communication with participants**. Helping your employees understand and trust the plan can increase their contributions. Be sure that your procedures include distributing any plan-related communications—including required participant notices.

Distributions also involve communication, including some of the aforementioned notices. Discussing distribution options with terminated participants, possibly as part of an exit interview, can help to reduce risk of lost participants.

Your **plan document** is the legal source on how the plan should be administered; operating within its parameters is critical. It's always worth taking time to review the plan document to ensure that you fully understand and are following its provisions. We'll cover more details about the plan document later in this newsletter. We're here to support you in keeping your plan in compliance. Please feel free to reach out with any questions.

Cybersecurity & ERISA Compliance: Protecting Your Plan

Cybersecurity has become a necessary consideration in many aspects of life, and your retirement plan is no exception. For plan sponsors, understanding your responsibilities—as well as those of the third party administrators (TPAs) and recordkeepers that you work with—is a fundamental part of ERISA (Employee Retirement Income Security Act) compliance and the fulfillment of your fiduciary responsibilities. Retirement plans hold significant financial assets and large volumes of highly sensitive participant data, making them an attractive target for cybercriminals. As a result, the protection of this data and access to it has become inseparable from the obligation to act prudently and in the best interests of participants.

Why Cybersecurity Matters

Under ERISA, fiduciaries are required to act with care, prudence and diligence when administering a plan and safeguarding its assets. In today's environment, plan assets include not only the money held in trust, but also the systems, data and processes that control access to those assets. Cyber incidents such as account takeovers, fraudulent distributions and data breaches can directly harm participants and may be viewed as a failure of fiduciary prudence. The DOL (Department of Labor) has reinforced that managing cybersecurity risk is now an expected part of plan governance—not an optional enhancement. A failure to consider known and growing cyber risk can expose plan sponsors to regulatory scrutiny, participant claims and reputational damage.

Your Role in Cybersecurity

For plan sponsors, cybersecurity is closely tied to the duty to prudently select and monitor service providers. Sponsors are expected to understand how TPAs and recordkeepers protect participant data, prevent fraud and respond to incidents; evaluating these practices has become just as important as reviewing fees, services and operational capabilities. Let's look at what role each has in protecting your plan:

- TPAs can play a critical role in the administration of your plan and routinely handle sensitive participant information and transactional data. As such, they are expected to maintain strong internal controls, secure workflows and documented policies designed to protect plan operations from cyber threats.

- Recordkeepers are often the primary point of interaction for participants and therefore sit in the front line of cybersecurity risk. For them, secure participant access, identity verification, transaction monitoring and distribution controls are essential to protecting retirement savings.

Bottom Line

The Department of Labor's cybersecurity guidance underscores the expectation that plans and their service providers will maintain formal security programs, protect data through appropriate controls, prepare for incidents and clearly communicate with participants. To see the DOL's Cybersecurity Program Best Practices, please visit the URL provided at the end of this article. Following these principles help demonstrate procedural prudence and supports compliance with ERISA's fiduciary standards.

Ultimately, effective cybersecurity protects participants, strengthens trust in the plan, and reduces fiduciary and operational risk. In the current regulatory and litigation environment, sound cybersecurity practices are a clear reflection of prudent plan management.

Source: Department of Labor | Cybersecurity Program Best Practices: <https://www.dol.gov/agencies/ebsa/key-topics/retirement-benefits/cybersecurity/best-practices>

The Plan Document: Why Understanding it Matters

An employer-sponsored retirement plan is an extremely valuable benefit a company can offer its employees. At the heart of this benefit is the plan document—the official rulebook that explains exactly how the plan works. For plan sponsors, understanding this document isn't just helpful; it's essential. Here's why:

It keeps the plan compliant.

The plan document spells out the rules that make the plan comply with government laws and regulations. These rules cover everything from eligibility requirements to contribution limits and distribution options. If the company doesn't follow these rules, it could face serious consequences, such as fines, audits or even the loss of the plan's tax advantages. By knowing what the document says, plan sponsors can make sure the plan stays in compliance and avoid costly mistakes.

It helps you run the plan.

The plan document provides clear instructions on how the plan should operate day-to-day. It explains who can enter the plan, when they can enroll, how contributions are calculated, and when employees can withdraw their account balance. If these rules aren't followed, errors can occur—such as enrolling someone too early or miscalculating contributions. Such mistakes can be expensive and time-consuming to fix.

Understanding the document helps sponsors keep their plan running smoothly.

It protects employees and the plan sponsor.

Plan sponsors have a fiduciary responsibility, which means they are obligated to act in the best interest of employees. Knowing the plan's provisions ensures that decisions about investments, distributions, and other plan features are made fairly. This not only protects employees' retirement savings but also helps the company avoid potential legal challenges.

It makes changes easier.

Laws and company policies evolve over time, and retirement plans often need to be updated to reflect changes. If plan sponsors understand the current plan provisions, they are better equipped to make updates more efficiently and avoid creating conflicts or gaps in the rules. This proactive approach keeps the plan flexible while remaining compliant.

It improves communication.

Employees will have questions about their retirement benefits. When can they start contributing? When are they eligible for a distribution? Plan sponsors who understand the plan document can provide clear, accurate answers. This builds trust and helps increase employee confidence in their retirement planning.

As you can see, the plan document isn't just paperwork—it's the foundation of the retirement plan. For plan sponsors, understanding the plan document means staying compliant, avoiding costly errors, protecting employees, and ensuring smooth operations.

Understanding RMDs: What Plan Sponsors Need to Know

As a plan sponsor, it's critical to understand the rules surrounding Required Minimum Distributions (RMDs) because they directly impact compliance, participant education and operational processes. RMDs are mandatory withdrawals from qualified retirement accounts, and failure to handle them correctly can lead to penalties for participants and fiduciary risks for your plan.

In general, **participants who turned age 73 in 2025** are mandated to take their first RMD from qualified retirement plans. This requirement stems from the SECURE Act 2.0, which raised the RMD age from 72 to 73 starting in 2023. For employees born in 1960 or later, the RMD age will increase to 75 in future years. Awareness of the shifts in these age thresholds is necessary for identifying which participants are affected in any given year. Please note that distributions from an IRA will not satisfy the requirement for an RMD from a qualified plan.

For qualified retirement plans, if the plan document allows it, most active employees have the option to delay RMDs until they

retire. However, a 5% owner of the business must begin distributions at the appropriate age regardless of employment status. Plan sponsors should ensure these distinctions are clear. The 5% ownership threshold includes ownership attributed from other family members.

Your role is to make sure the plan complies with IRS rules. In terms of RMDs, your responsibilities will include:

- **Identifying affected participants:** Work with us to flag employees who have reached RMD age, as well as any 5% owners who haven't retired.
- **Communicating deadlines and amounts:** Provide clear instructions to participants about when and how much they need to withdraw.
- **Monitoring distributions:** Confirm that you have methods in place for tracking and processing RMDs to avoid errors.

The timing of RMDs is critical. Missing these deadlines can trigger penalties:

- A participant's first RMD is due **by April 1 of the year after reaching RMD age**.
- Subsequent RMDs must be completed **by December 31 each year**, creating the possibility of two distributions in the first year.

The RMD amount is calculated based on the prior year-end account balance divided by a life expectancy factor set by the IRS. Plan sponsors don't calculate these amounts directly, but they should understand the process to answer participant questions and verify accuracy.

Failing to take an RMD can result in a **25% excise tax** on the amount that isn't withdrawn. For plan sponsors, improper handling of RMDs can lead to fiduciary concerns and potential IRS scrutiny.

While RMDs are technically a participant responsibility, they also represent a compliance obligation for your plan. By proactively identifying affected employees, confirming administrative processes, and communicating clearly, you reduce risk and support participants in meeting their distribution requirements.



Upcoming Compliance Deadlines

March 2026

2nd: IRS Form 1099-R Copy A - Deadline to submit Form 1099-R Copy A to the IRS for participants and beneficiaries who received a distribution or a deemed distribution during the prior plan year. This deadline applies to scannable paper filings. For electronic filings, the due date is March 31, 2026.

15th: ADP/ACP Corrections - Deadline to process corrective distributions for failed ADP/ACP tests without a 10% excise tax for plans without an Eligible Automatic Contribution Arrangement (EACA).

16th: Employer Contributions - Deadline for employer contributions for amounts to be deducted on 2025 S-corporation and partnership returns (unless extended).

April 2026

1st: Required Minimum Distributions - Deadline to distribute a required minimum distribution (RMD) for participants who attained age 73 during 2025.

15th: Excess Deferral Correction - Deadline to distribute salary deferral contributions plus related earnings to any participants who exceeded the IRS 402(g) limit on salary deferrals.

15th: Employer Contributions - Deadline for employer contributions for amounts to be deducted on 2025 C-corporation for filers with a calendar fiscal year end and sole proprietor returns (unless extended).

Sources:

1. The S&P 500 Index is designed to be a leading indicator of U.S. equities and is commonly used as a proxy for the U.S. stock market.
2. The Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange. The composition of the NASDAQ Composite is heavily weighted towards companies in the information technology sector.
3. The Dow Jones Industrial Average is a widely followed, price weighted stock market index of 30 prominent companies listed on stock exchanges in the United States.
4. The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight of 0.2% of the index total at each quarterly rebalance.
5. The term "Magnificent Seven stocks" refers to a group of seven dominant and influential technology-focused companies in the U.S. stock market. The components of the Magnificent Seven are: Apple Inc. (AAPL), Microsoft Corporation (MSFT), Amazon.com, Inc. (AMZN), Alphabet Inc. (GOOG), Meta Platforms, Inc. (META), NVIDIA Corporation (NVDA), and Tesla, Inc. (TSLA).
6. The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index. The index is commonly used as proxy for U.S. small cap stock market performance.
7. The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets countries (excluding the U.S.) and 24 Emerging Markets countries.
8. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets countries.
9. The iShares Core U.S. Aggregate Bond ETF offers broad-based exposure to U.S. bonds and tracks the Bloomberg U.S. Aggregate Bond Index that is commonly used as a proxy for the U.S. bond market.

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Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your BFSG account holdings correspond directly to any comparative indices or categories. **Please Also Note:** (1) comparative benchmarks/indices may be more or less volatile than your BFSG accounts; and (2) a description of each comparative benchmark/index is available upon request.

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