VOL. 51, NO. 2 AUTUMN 2025

Employee Relations
LAW JOURNAL

Employee Benefits

How the Second Trump Administration Could Affect Retirement Plans

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Retirement planning in the United States is shaped by the intersection of tax policy, federal entitlement programs, financial regulation, and macroeconomic conditions. Donald J. Trump's second presidential term could bring significant changes to this landscape. While proposals remain somewhat fluid, an examination of Trump's prior term, policy preferences, and aligned Republican legislative goals provides insight into how retirement plans may be affected under the new Trump administration.

TAX POLICY AND RETIREMENT SAVINGS

Tax policy is central to retirement savings strategy. During Trump's first term, the cornerstone of his fiscal reform was the Tax Cuts and Jobs Act of 2017.[1] This legislation temporarily lowered individual tax rates, increased the standard deduction, and raised estate tax exemptions. During his second term, Trump will probably aim to make these

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provisions permanent or extend them, as many are scheduled to expire at the end of 2025.

From a retirement planning perspective, lower income tax rates in the future make traditional pre-tax retirement contributions more appealing. However, questions about the ultimate future of tax rates are prompting some people to consider making Roth-style contributions instead. The Trump administration may introduce additional "Rothification" proposals – ideas floated by lawmakers to shift the tax burden from future withdrawals to present-day contributions, effectively raising near-term federal revenue.

Additionally, Trump's first administration supported legislation like the SECURE Act of 2019,[2] which expanded retirement saving opportunities by increasing the age for required minimum distributions (RMDs) and encouraging small business retirement plan creation. His activity in this area suggests he might continue to support policies that make it easier for individuals and employers to contribute to tax-advantaged retirement accounts, perhaps pushing for broader automatic enrollment mandates.

SOCIAL SECURITY AND MEDICARE

Trump has repeatedly pledged to protect Social Security and Medicare, often drawing a line between himself and other Republican figures who have proposed reforms. Yet budgetary pressures remain. According to the Social Security Trustees, the trust fund is projected to become insolvent in the 2030s,[3] at which point benefits would be reduced unless changes are made.

While Trump is unlikely to initiate a full-scale overhaul, he could decide to support cost-containment measures. Potential changes might include raising the full retirement age, modifying cost-of-living adjustment formulas, or means-testing benefits for higher-income retirees.

Concerns also stem from Trump's previous suggestion to eliminate the payroll tax, which funds both Social Security and Medicare. Though framed as a short-term economic stimulus, such a change – if made permanent – could undermine the financial foundation of these programs unless offset by other funding mechanisms.

REGULATORY ROLLBACK

One of the most tangible ways the Trump administration previously affected retirement planning was through regulatory rollbacks. This is certainly to continue in his second term. An executive order issued by Trump in January 2025 significantly restricts the issuance of new federal regulations and establishes a new stringent regulatory framework for federal agencies.[4] Under the order, agencies are required to offset the incremental costs of any new regulation by eliminating existing regulations of equal or greater cost. Also, new regulations may not be issued unless they were included in the most recent Unified Regulatory Agenda or have been approved in advance by the Office of Management and Budget. Finally, agencies must repeal at least ten existing regulations for each new regulation proposed.

TARIFFS, ECONOMIC POLICY, FINANCIAL MARKETS, AND RETIREMENT ASSETS

The broader economic environment under a Trump administration would also influence retirement plans, particularly through its impact on investment portfolios. Trump's first term saw strong equity market performance, buoyed by corporate tax cuts and deregulation. However, this growth was accompanied by significant volatility, often linked to trade tensions with China, abrupt policy announcements, and geopolitical uncertainty.

Investors in retirement accounts such as 401(k) plans and IRAs, particularly those in equity-heavy portfolios, would benefit from business-friendly policies that spur earnings growth. Yet tariffs, renewed trade disputes, and political instability have resulted in unpredictable market swings, which are particularly concerning for those near or in retirement.

Interest rate policy also factors heavily into retirement planning. Trump has criticized the Federal Reserve for keeping rates too high and advocated for lower borrowing costs to stimulate economic activity. Falling interest rates, however, means that retirees relying on bonds, certificate of deposits, and annuities for income may experience lower returns, potentially necessitating larger withdrawals from their principal to maintain their desired income levels. Also, if inflation reemerges, possibly as a byproduct of tariffs or other pressures, the purchasing power of retirees on fixed incomes would diminish.

ESG INVESTING

During his first presidency, Trump implemented policies that significantly curtailed the consideration of Environmental, Social, and Governance (ESG) factors in retirement plan investments governed by ERISA, and the DOL introduced regulations emphasizing that fiduciaries must prioritize "pecuniary" factors – those directly related to financial returns – over non-financial considerations.[5] In March 2021, however, the Biden administration's DOL announced it would not enforce the Trump-era ESG and proxy voting rules and began the process of revising them.

By November 2022, Biden's DOL finalized a new rule allowing fiduciaries to consider ESG factors as part of a prudent investment process, provided they do not subordinate the financial interests of participants and beneficiaries.[6]

In a continuation and intensification of policies from his previous administration, Trump has taken significant steps to restrict the use of ESG factors in retirement plan investments. For example, Trump's DOL has begun to revise fiduciary standards to emphasize that retirement plan investments should be based solely on financial considerations. This move aims to eliminate the consideration of ESG factors in investment decisions for retirement plans. Moreover, the DOL may rescind the final ESG regulations that were implemented during the Biden administration. Finally, in another move, Trump issued a policy memo instructing the DOL as part of an "America First Investment Policy" to update fiduciary standards to discourage investments in foreign adversaries, notably China.[7] This policy reflects concerns over national security and economic competition.

BITCOIN AND PRIVATE EQUITY

The second Trump administration is likely to support or even expand access to private equity investments in 401(k) retirement plans, as well as Bitcoin and other cryptocurrencies. This outlook is based on policies from his first term, which leaned toward deregulation and increased investment flexibility for individuals.

In 2020, the Trump-era DOL issued guidance that marked a significant shift in retirement policy. It stated that private equity could be included in 401(k) plans, but only as part of diversified investment vehicles like target-date or balanced funds.[8] This opened the door for ordinary retirement savers to access investments that were traditionally limited to institutions like pension funds and university endowments. The goal was to potentially increase returns and enhance diversification, though it came with added risks such as higher fees, reduced liquidity, and greater complexity. The DOL emphasized that plan fiduciaries must evaluate these options carefully to ensure they act in participants' best interests.

On the subject of Bitcoin and cryptocurrencies, Trump's previous administration didn't issue direct policy endorsing crypto in retirement plans, but it also did not impose any restrictions. That neutrality allowed providers like Fidelity to later announce offerings that included Bitcoin exposure in 401(k) accounts. In contrast, the Biden DOL responded with concern, warning plan sponsors about the speculative and volatile nature of cryptocurrencies and suggesting that offering them could trigger regulatory scrutiny.[9]

The second Trump administration could roll back those cautionary guidelines and take a more permissive stance. While Trump himself has criticized Bitcoin in the past, his administration was broadly supportive of reducing regulatory barriers across financial sectors. This makes it likely that he would encourage plan providers and sponsors to offer a wider range of investment options, including cryptocurrencies, particularly when they are part of structured or professionally managed portfolios.

As with any investment offering in retirement plans, fiduciary standards would remain in place. This means plan sponsors would still be responsible for ensuring that options like private equity and cryptocurrencies align with participants' best interests. Any such investments would need to be carefully evaluated, prudently selected, and continuously monitored. Even if a second Trump administration loosens regulatory guidance and encourages broader access, the responsibility to act in employees' best financial interests would continue to rest with plan fiduciaries.

HEALTHCARE

Healthcare is one of the largest expenses in retirement, especially for early retirees not yet eligible for Medicare. The Trump administration made repeated attempts to repeal the Affordable Care Act,[10] including supporting court challenges to eliminate it. Though these efforts ultimately failed to dismantle the law, they created considerable uncertainty around healthcare access and affordability.

The new Trump administration is not likely to prioritize full repeal, but partial reforms could still impact retirees. For example, changes to subsidy structures or minimum coverage requirements could make insurance more expensive or less comprehensive. Additionally, policies that encourage short-term health plans or reduce Medicaid expansion funding could indirectly increase premiums for older individuals in the marketplace.

EMPLOYER-SPONSORED PLANS AND SMALL BUSINESSES

Encouraging retirement savings through workplace plans was another area of focus during Trump's first presidency. His administration supported regulatory changes to allow pooled employer plans (PEPs), which enable small businesses to band together to offer 401(k) plans at reduced administrative cost and liability.

A renewed Trump administration would likely continue supporting initiatives that reduce barriers for small businesses to offer retirement plans. This could include streamlined compliance requirements, new tax credits for plan sponsors, and promotion of automatic enrollment features. These efforts would be especially impactful for workers in sectors that have historically lacked access to retirement savings options.

WEALTH TRANSFER AND ESTATE PLANNING

Estate planning intersects with retirement planning, particularly for high-net-worth individuals. The Tax Cuts and Jobs Act significantly increased the federal estate and gift tax exemption – now over $13 million per person. This provision is set to expire at the end of 2025 unless extended or made permanent.

Trump has consistently advocated for reducing estate taxes, making it likely that he would support extending the current elevated exemption or even eliminating the estate tax entirely. Such changes could significantly reshape how retirement assets are addressed within estate planning, offering greater flexibility for wealth transfer and legacy planning.

STRATEGIC IMPLICATIONS FOR RETIREMENT PLANNING

Given these potential shifts, individuals and advisors may want to consider several proactive strategies. For instance, they might evaluate the relative merits of Roth versus traditional retirement contributions. Monitoring legislative developments around Social Security and Medicare could inform decisions about when to claim benefits or how to adjust retirement age expectations.

Healthcare contingencies should be addressed with sufficient savings or supplemental insurance coverage, especially for those planning to retire before age 65. Investors may also consider diversifying income sources, incorporating inflation-protected securities, annuities, or dividend-producing assets into their retirement portfolios.

CONCLUSION

The second Trump administration will bring challenges for retirement planning. On one hand, policies aimed at reducing taxes and increasing retirement account flexibility could create opportunities for savers and investors. On the other hand, tariffs, entitlement reform pressure, healthcare uncertainty, and market volatility introduce significant variables into the retirement planning equation.

For retirees and those approaching retirement, vigilance and adaptability will be essential. Financial strategies should remain flexible, guided by both short-term policy shifts and long-term economic trends. Whether through changes in tax law, Social Security, Medicare, or financial markets, the new Trump administration will likely leave a significant mark on the way Americans save for and experience retirement.

Notes

1. Pub. L. No. 115-97, 131 Stat. 2054 (2017).

2. The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, Pub. L. 116-94, 133 Stat. 2534 (2019).

3. 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (May 6, 2024).

4. Executive Order 14192 (January 31, 2025).

5. 85 FR 72846 (November 13, 2020).

6. 87 FR 73822 (December 1, 2020).

7. Presidential Memorandum "America First Investment Policy" (February 21, 2025).

8. DOL Information Letter 06-03-2020 (June 3, 2020).

9. DOL Compliance Assistance Release No. 2022-01 (March 10, 2022), rescinded, DOL Compliance Assistance release No. 2025-1 (May 28, 2025).

10. Pub. L. No. 111-148, 42 U.S.C. § 18001 et seq. (2010).