

What to watch in the retirement industry

# TRENDS

2026

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# What's ahead for 2026

As we move into 2026, America's employers are navigating a landscape that feels both troublingly familiar and unsettlingly new. The concerns that dominated conversations last year—workforce shortages, recession fears, technological disruption—haven't disappeared. But they've evolved, sharpened by ongoing legislative shifts and an economic environment that refuses to follow anyone's script.

For this 2026 TIAA Trends report, we surveyed 300 nonprofit employers across education, health care, and government to find out their top worries on certain issues, and what they plan to do about them. What's striking is how these worries intersect: Regulatory uncertainty collides with talent retention. Market volatility complicates capital planning. Technology promises efficiency but demands investment when most institutions are experiencing revenue and funding cuts.

Yet the nonprofits we spoke with are demonstrating remarkable resilience. They are ready to face 2026 with an eye toward developing new revenue and are attempting to grow their way out of financial challenges, rather than cut costs.

Nearly three-quarters say they plan to expand programs, reach new consumers, and find new ways to monetize institutional properties. Their take on the economic sustainability of their institutions and industries is a bold approach given the backdrop of rising expectations around artificial intelligence (AI), ongoing market volatility, and rapid-fire policy changes.

Employers also are using benefits to counter staffing challenges. Deferred compensation plans are being expanded beyond senior executives to attract and retain rising stars. They're taking a cautious approach when it comes to adding loudly touted but potentially riskier investment products to their retirement plan menus.

We hope this report serves as a catalyst for meaningful, strategic conversations that help you translate these insights and ideas into action in 2026.

# No. 1

## MARKET OUTLOOK



## AI talk is not cheap

Artificial intelligence creates opportunity and risk for investors.

Niladri “Neel” Mukherjee’s forecast two years ago that enthusiasm for AI would help spur the “next great bull market” looks prescient—perhaps too much so. A powerful advance in shares of microchip, data, and other AI-linked companies shows “markets are pricing in these transformative changes more quickly than we had anticipated,” Mukherjee says.

Looking into 2026, TIAA Wealth Management’s chief investment officer sees both opportunity and risk in what’s fast becoming an AI-driven economy. While Mukherjee expects positive stock market returns in 2026, he also sees greater risk of market volatility. The bar is

high for richly valued large-cap tech stocks, which means they may be prone to sell-offs should earnings not live up to investors’ lofty expectations.

Whatever markets do, Mukherjee expects AI to remain the economy’s dominant force. AI-related fixed investments reached \$1.4 trillion by the second quarter of 2025, accounting for 75% of all nonresidential and residential fixed investments during that period. In 2026 alone, “hyperscalers” such as Microsoft, Amazon, Google, Meta, and Oracle—companies involved in large-scale cloud computing—are expected to have more than \$500 billion in capital

expenditures, representing more than one-third of what the total S&P 500 is expecting to spend. That's up from less than 15% just three years ago.

Mukherjee stresses that transformational innovation rarely progresses smoothly. Two concerns stand out. First, tech companies are borrowing more—a lot more. AI-related debt now accounts for 30% of total U.S. issuance, up from roughly 15% in 2024. More leverage means more risk if earnings don't grow as expected. Second, investors have become more discerning. They want to see gains in productivity and profits from the companies touting AI prowess. "The idea now is, 'Show me the ROI,'" says Mukherjee, referring to the need to see return on investment instead of simply high potential for it.

## **"K-SHAPED" RISKS**

Mukherjee also points to the risks of divergent, "K-shaped" U.S. economic growth. The upward-trending arm represents wealthy consumers and big tech. The downward-pointing arm indicates lower-income consumers and other industries.

AI's success, Mukherjee says, has "papered over some other concerns percolating through the economy"—manufacturing in recession, a stalled housing market, lower-income consumers taking on more credit card debt, more subprime lending, and rising

loan delinquencies. When a narrow band of consumers and industries drive the economy, investors face the risk that key drivers may slow or deteriorate.

## **BONDS AND BORDERS**

In a turnabout from recent years, international stocks outperformed U.S. stocks for most of 2025, and Mukherjee sees continued opportunities in non-U.S. stocks in 2026. Tariffs and rising geopolitical fracturing are forcing other nations to invest more in their own defense, infrastructure, and technology.

Mukherjee expects any significant changes around trade policy, a slowing labor market, and uncertainty around the Federal Reserve's path for setting interest rates to drive bond market volatility as well. He anticipates the 10-year Treasury yield to trade in a 3.5% to 4.25% range. But he points out that renewed concerns about U.S. fiscal sustainability—the United States is expected to borrow more than \$2 trillion in 2026—could nudge it higher.

In the corporate bond market, the rate spread between high-credit-rating and low-credit-rating bonds remains near decade lows. Given the relatively low yields offered by riskier bonds, "we're keeping our bias to high quality," Mukherjee says.



AI innovation may be transforming our economy, but transformational innovation rarely happens smoothly.

# No. 2

GOVERNMENT POLICY



## A big, beautiful balancing act

New policies are reshaping higher education and health care employers' finances and operations.

Higher education and health care employers had a tumultuous year of executive orders, research funding cuts, and major tax legislation.

The fire hose of directives that dominated headlines in 2025 will drive 2026 priorities, according to the 300 nonprofit institutions surveyed by TIAA in September 2025. The One Big Beautiful Bill Act (OBBBA) in particular will have implications for staffing and revenues, while the provisions of other saving and retirement account directives should come into sharper focus this year. The following are among them.

**Research grants.** More than 4,000 federal grants were terminated in 2025, and \$6 billion in research grants was frozen, affecting institutions in every state.<sup>1</sup> "We'll be more cautious about approving new grants," says one benefits leader.

**Endowment tax.** Endowment tax changes weren't as sweeping as feared in the OBBBA. Only private colleges and universities with more than 3,000 students and an endowment larger than \$500,000 per student will be subject to the excise tax, says Chris Spence, TIAA's managing director for government relations.

<sup>1</sup> "Mapping Federal Funding Cuts to U.S. Colleges and Universities," Center for American Progress, July 23, 2025.

<sup>2</sup> "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package," Kaiser Family Foundation, July 23, 2025.

<sup>3</sup> "Fall 2025 Snapshot of International Student Enrollment," Institute of International Education, November 2025.

<sup>4</sup> 2025 TIAA Plan Sponsor Listening Tour.

**Health care.** OBBBA's Medicaid cuts may leave 10 million more Americans uninsured.<sup>2</sup> "The reduction in reimbursements and loss of coverage will drive up uninsured visits that will never be paid," one health care leader predicts. "The double-whammy of reduced revenue plus increased resource use as patients delay [until care is more costly] will push us to expand telehealth and inter-organizational partnerships," says another.

**Immigration.** New H-1B visa petitions must be accompanied by an additional \$100,000 fee. "Increased H-1B costs are creating a significant concern for international faculty recruitment," says a state university benefits leader. In higher ed, one possible solution is pressing qualified staff into teaching classes, in addition to their day jobs, until new faculty members can be onboarded. However, a 17% drop in first-year international students this past fall might mitigate the strain on teaching staff.<sup>3</sup>

**Student loan eligibility changes.** OBBBA could pose significant challenges for colleges and universities seeking to provide federal student aid. According to Aaron Smith, cofounder of Savi, which helps simplify student loan management, "Ending Grad PLUS loans in 2026 will likely create financing gaps for many students. Some may not go forward or may choose

private student loans because they won't get enough federal aid," particularly for graduate programs like a master's degree in nursing or education.

**Trump Accounts.** Introduced in OBBBA, these savings accounts for children are expected in summer 2026. Half of nonprofit leaders expect high employee interest.<sup>4</sup> "We want to give employees more benefits without adding a big cost," says an HR director.

**Next up ...** While a "SECURE Act 3.0" is not expected in 2026, discussions are under way on Capitol Hill about future legislation that could encourage more employers to adopt in-plan annuities—expanding on provisions in the first two SECURE acts. Employers also should expect fresh guidance in 2026 from the Department of Labor around adding alternative investments to defined contribution plan menus, which could include lifetime income. Says Spence: "Regulatory actions could result in lifetime income being available to more Americans."



Following 2025's major policy reforms, nonprofits remain focused on boosting employee savings and improving retirements.

# No. 3

## ALTS IN RETIREMENT PLANS



## Window shopping

DC plan sponsors eye new alts products, but adoption requires more info.

Employers hear the buzz surrounding “alternative” investments. But as fund shops ready a slate of new products, a September 2025 TIAA survey of 300 nonprofit plan sponsors suggests limited enthusiasm for actually adding them to their retirement plans.

The catch-all term alternatives refers to asset classes other than traditional stocks and bonds and includes private equity, private credit, real estate, hedge funds, infrastructure, and even cryptocurrencies. Investors typically use alts to seek more

diversification, less volatility, and higher returns. In exchange, they typically accept higher fees, less transparency, and lower liquidity.

While 83% of plan sponsors say they’re interested in alts,<sup>1</sup> they still want a lot more clarity around how alts would fit into existing investment lineups, how best to communicate about adding them, and whether the risks outweigh the rewards to employees and the organization.<sup>2</sup>

<sup>1</sup> 2025 TIAA Plan Sponsor Listening Tour.

<sup>2</sup> Ibid.

<sup>3</sup> Americans held \$13 trillion in all employer-based defined contribution retirement plans on June 30, 2025, of which \$9.3 trillion was held in 401(k) plans, according to the Investment Company Institute as of September 18, 2025.

## IT'S COMPLICATED

A growing number of alternative asset managers have announced new products designed for the \$13 trillion defined contribution (DC) market, which scarcely dedicates any investment menu space to alts currently. Their push gained momentum after an August 2025 White House executive order encouraged including them on plan menus.<sup>3</sup>

A cross-section of health care and higher education plan sponsors reveals nuanced, risk-averse stances toward adding alts to DC plans. “I am—and we are—very, very conservative,” says one health care employer. “Our retirement plan consultant advisor has discussed that topic numerous times with the plan committee. And every single time it gets shut down.” Others in health care say there is little advantage in being an early adopter of untested products. “I don’t see our committee adding alternative investments until there’s higher adoption among comparable plan sponsors,” another health care employer says.

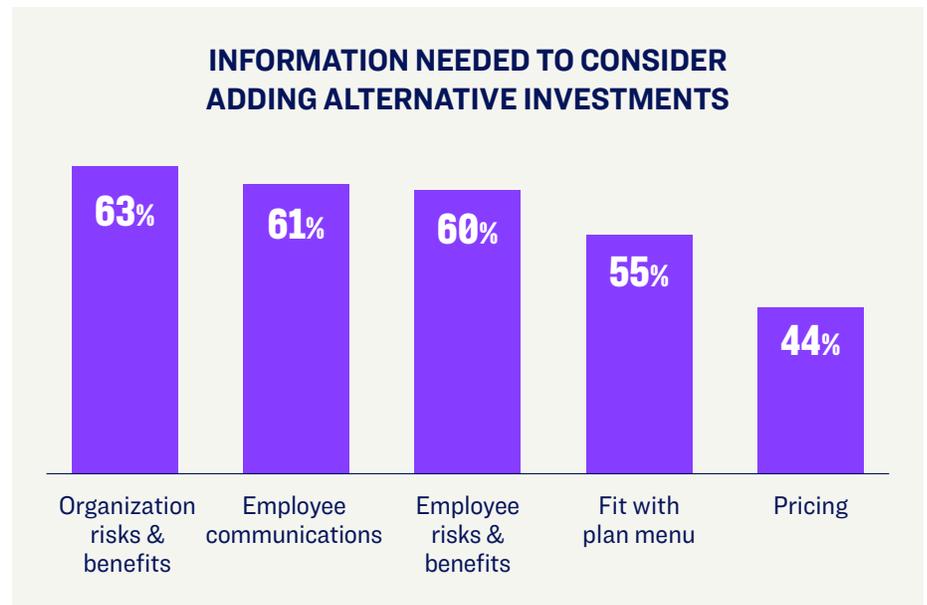
Additionally, some sponsors say they worry that adding alternatives to their menus raises litigation risk. “Avoiding lawsuits is going to be a big part of the decision,” says one Ivy League plan sponsor. “I’d be reticent to enter that market until a structure is developed to [help me] perform a fiduciary role comfortably.”

## ALTERNATIVES HIDING IN PLAIN SIGHT

Conversations about alts and DC plans aren’t going away, and demand from nonprofit sponsors will likely increase over time with the right guardrails in place. At the same time, rather than seek new alternative asset products, plan sponsors may be satisfied knowing alternatives have long been part of the investment strategy for TIAA’s General Account (GA). The GA’s investments generate income that gets distributed through our fixed annuities’ interest rates and payouts. While the bulk of the GA’s portfolio is in long-duration, high-quality bonds, about 20% is invested in direct real estate, real asset and infrastructure properties, private credit, private equity, and other alts.

“I don’t see our committee adding alternative investments until there’s higher adoption among comparable plan sponsors.”

HEALTH CARE PLAN SPONSOR



Source: 2025 TIAA Plan Sponsor Listening Tour

# No. 4

## NONPROFIT ECONOMIC REALITIES



## Doubling down on growth

Forget cost-cutting: Nonprofits want to grow their way out of today's financial challenges.

Higher education and health care organizations are choosing offense over defense as they face economic headwinds and new federal restrictions. When asked about their strategy in a September 2025 TIAA survey, 72% of nonprofit employers said they plan to tackle financial challenges by boosting revenue. Only 12% will lead with cost-cutting.

Higher ed is facing revenue shortfalls driven by macro-economic trends and societal pressures. The number of new high school graduates will have peaked in 2025, followed by a decline until 2041.<sup>1</sup> The general erosion of higher ed's perceived value doesn't help:

Nearly half of Americans in 2024 questioned the value of a four-year degree, according to Pew Research.<sup>2</sup> Those who do attend college are demanding more modern amenities that many institutions struggle to keep up with. And recent federal legislation is restricting grants and student loans. "We lost \$70 million in federal grants and research funding," says one benefits leader for a large private university. "That resulted in furloughs and terminations."

Health care organizations are facing chronic staffing shortages, shrinking profit margins, and their own demographic event—the aging of America. "In 1985, 40% of the population we served

<sup>1</sup> Graham Vysem, "What Is the Demographic Cliff?" *Chronicle of Higher Education*, March 3, 2025.

<sup>2</sup> Richard Fry, Dana Braga, and Kim Parker, "Is college worth it?" *Pew Research Center*, May 23, 2024.

<sup>3</sup> 2025 TIAA Plan Sponsor Listening Tour.

<sup>4-7</sup> Ibid.

was under age 29; today it's less than 10%," says one health care leader. Medicaid changes in the OBBBA will leave millions without coverage, a problem for all health care organizations. A city-based health system leader says: "Our patient volume isn't expected to change, but the payment mix will shift to charity care, and we'll have a greater administrative burden to prove Medicaid eligibility."

## **GROW BIG OR GO HOME**

The list of how higher ed and health care organizations are planning to increase revenue is as long and varied as the challenges they're facing. Higher ed's growth playbook focuses on expanding existing programs (59%), launching new offerings (58%), and pursuing untapped markets (53%).<sup>3</sup> For instance, a CFO for a private four-year college says they're "looking at leasing land, developing a campus arboretum as a public attraction, and creating a campus-based childcare center open to the community."

Fifty-five percent of health care organizations say finding new customer bases is their first strategy, and 53% say program expansion topped their list.<sup>4</sup> Some health care organizations are expanding to include pharmacies and clinics, which bring specialized care closer to patients. The nursing shortage remains an acute issue: 48% of employers say they're focused on new hiring techniques.<sup>5</sup>

"We're going into local schools and talking to eighth- and ninth-grade students about health care careers," says a rural health care benefits leader. "It's kind of like college football recruiting. And we do a formal signing day for nursing graduates when they choose where they'll work. It's been a big success." Hiring permanent employees helps cut costs—travel nurses often earn twice as much as staff nurses.

Thinking broadly about organizational change, 47% of nonprofit leaders said AI will help their organizations by reducing administrative costs and speeding up processes.<sup>6</sup> Government funding will continue to be an economic concern for nonprofit employers: 50% of health care leaders and 46% of higher education leaders say it's a top issue they'll track throughout the next 12 months.<sup>7</sup>



**Both higher ed and health care organizations say they'll expand programs in their drive to thrive.**

# No. 5

## EXECUTIVE BENEFITS



## How nonprofits retain their stars now

More nonprofits are using deferred compensation to keep top talent.

People who work at nonprofits may be working toward a greater good, but money is still a powerful motivator. So organizations are getting savvier about using financial incentives to keep their best and brightest.

Nonprofits are expanding their use of deferred compensation programs to persuade top talent to stay, according to a September 2025 TIAA study. In a survey of 300 HR and finance leaders across education, health care, and other nonprofits, more than 60% say deferred compensation plans will become more important to

their recruiting and retention strategies over the next two years.<sup>1</sup> The trend is more pronounced in health care, where more than three-quarters of organizations say these benefits are becoming more valuable.<sup>2</sup>

Deferred compensation arrangements allow a portion of an employee's pay to be set aside and paid at a future date, with the accumulated amount growing tax-deferred until distribution. It's been a way for highly compensated employees (HCEs) to save more than what's allowed in their

<sup>1</sup> 2025 TIAA Plan Sponsor Listening Tour.

<sup>2-4</sup> Ibid.

<sup>5</sup> "Where are exiting CEOs headed in 2025?" Becker's Hospital Review, August 20, 2025; "Why hospital CEOs are leaving," The Advisory Board, July 25, 2022.

<sup>6</sup> "Charted: Hospital CEO turnover is rising, and organizations aren't prepared," Advisory Board, September 4, 2025.

employer's 403(b) or 401(k) plan. More than half of nonprofits say deferred compensation is becoming more important for retention.<sup>3</sup>

Employers are now designing deferred compensation programs to allow HCEs who are a bit earlier in their careers to defer their own compensation. As they rise through the ranks, employers will often make contributions to reward executive-level performance.

Younger HCEs seem to appreciate having an additional way to save and create wealth, the survey shows: More than half of nonprofit deferred compensation participants are under age 45.<sup>4</sup>

"Our 35- to 45-year-old physicians are done paying off debt and becoming more established in their specialties," says one benefits leader at a leading urban health care system. "Many are dual-income households and can afford to save more. For them, deferred compensation is an important part of our total rewards."

There's a great urgency to retain health care leaders. In the first half of 2025 alone, 68 hospital CEOs announced their departures, more than during the same six-month period in 2022 after the height of the Covid pandemic.<sup>5</sup> More than 20% of health care CFOs also left their jobs in 2024.<sup>6</sup> This leadership exodus comes

as health care continues to struggle with staffing shortages at every level.

## **FINANCIAL WELL-BEING AND STABLE LEADERSHIP**

Holding onto current leaders long enough to develop a pipeline of future leaders is crucial for any organization. When current and potential leaders feel more financially secure, they're more likely to stay focused on achieving their organization's goals. One health care system uses deferred compensation in a graduated way to offer more financial advantages as leaders advance in their careers.

"You need to offer deferred compensation to stay competitive," says another senior benefits leader.

"With each level of leadership comes better benefits. It's designed that way."



More than half of nonprofit deferred compensation participants are under age 45.

# How will your organization navigate 2026?

We can help. Connect with a TIAA representative or email us at [retirementsales@TIAA.org](mailto:retirementsales@TIAA.org). And stay tuned for more on the industry trends worth watching in 2026.

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