Market & Legal Update

December 2025

Stay on top of the latest market developments and legal and regulatory updates that may affect your business.

MARKET UPDATE | S&P 500 Posts Third Consecutive Year of Double-Digit Gains

Global equity markets posted solid gains for 2025 with the S&P 500 Index returning 17.9% and having a third consecutive year of double-digit gains. The index was essentially flat for December (+0.1%) as well as November, to fall short of a third year in a row of gains of 20% or more, which last occurred during the late 1990s during the internet boom. However, NASDAQ posted a third consecutive year of 20% gains, returning 20.4%. International stocks outpaced U.S. stocks with MSCI EAFE and MSCI Emerging Markets advancing 31.2% and 33.6%, respectively. Bond markets also rallied with the 10-year treasury yield falling from 4.55% at the beginning of the year to 4.17% at year end, which contributed to the Bloomberg Aggregate Bond Index returning 7.3% (yields fall; bond prices rise in value). The year 2025 was a great year for the markets, despite the headwinds of President Trump's tariff policy, the longest government shutdown in U.S. history, rising unemployment and lingering geopolitical risks. Fueling the market gains was a U.S. economy growing much stronger than anticipated for the second and third quarters, artificial intelligence (AI) showing productivity gains, tariffs not materially impacting inflation as much as economists feared, three Federal funds interest rate cuts and corporate profits soaring above analyst expectations.

Market Return Indexes	Dec 2025	YTD 2025	2024
Dow Jones Industrial Average	0.9%	14.9%	15.0%
S&P 500	0.1%	17.9%	25.0%
NASDAQ (price change)	-0.5%	20.4%	28.6%
MSCI Eur. Australasia Far East (EAFE)	3.0%	31.2%	3.8%
MSCI Emerging Markets	3.0%	33.6%	7.5%
Bloomberg High Yield	0.6%	8.6%	8.2%
Bloomberg U.S. Aggregate Bond	-0.2%	7.3%	1.3%
Yield Data (Month End)	**Dec 2025**	**Nov 2025**	**Oct 2025**
U.S. 10-Year Treasury Yield	4.17%	4.02%	4.11%

The U.S. economy as measured by U.S. Gross Domestic Product (GDP) grew at 4.3% for Q3 2025 (year-over-year), much better than economist consensus forecasts with the U.S. Bureau of Economic Analysis releasing the initial estimate on December 23. Several key economic data releases were delayed due to the government shutdown. An updated estimate for Q3, including by industry, is scheduled for release on January 22, 2026. U.S. GDP growth for Q3 was substantially higher than Q2 (at 3.8%) which had been revised several times higher from its initial estimate of 3%. The Q3 GDP reading was the strongest since Q3 of 2023.

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AI advancements accelerated in 2025 across business segments with the expectations that AI could further propel productivity gains that the internet exhibited during the late 1990s. Productivity gains can help businesses do more with less, leading to improved bottom line results. AI productivity gains in 2025 include faster task completion in software development (e.g., coding and writing), healthcare diagnostics (e.g., X-rays, MRIs, automating administrative tasks to free up clinicians) and scientific (e.g., accelerated medical research). While the largest gains were in the Communication Services and Technology sectors more tied to AI, other industries such as Basic Materials, Industrials and Financial Services prospered indicating the market rally was more widespread across S&P 500 sectors than prior years. While market valuations are stretched due to AI optimism, P/E ratios were much higher prior to the internet bubble that burst in March 2000.

Effects on inflation and unemployment were not as bad as feared back in early April when President Trump announced his tariff policy. The President's 2025 tariffs went beyond the tariffs from his first term and even more than the Smoot-Hawley Act of 1930. The average tariff on U.S. imports rose from 2% to 18% according to Yale Budget Lab, the highest level since the 1930s. However, the Consumer Price Index (CPI) was essentially unchanged from a year ago, ending November at 2.7%, the same level as a year ago. Unemployment slightly rose from 4.1% at the end of 2024 to 4.6% in November. Part of the increase in unemployment was due to Federal job cuts (over 200k jobs this year). With the labor market slowing throughout the year, the Federal Reserve cut interest rates three times between September and December 2025 with the rate between 3.5% and 3.75% at year-end. The expected rate a year from now, according to Federal Funds Rate futures is 3.0% to 3.25%, or another half percent easing.

According to FactSet, the S&P 500 reported earnings growth of about 13.4% to 14% for Q3 2025, which was significantly above analyst estimates of 7% to 8% growth. The S&P 500 reported its fourth consecutive quarter of double-digit earnings growth. Based on recent FactSet data (as of late December 2025), the estimated earnings growth for S&P 500 companies was 8.3% for Q4 2025 and 15% for the calendar year of 2026. The 8.3% earnings growth was revised upwards from 7.2% at the start of the fourth quarter and would mark the 10th consecutive quarter of growth for the index. The 15% estimate for 2026 was well above the 10-year average of 8.6% and could mark the third consecutive year of double-digit earnings growth.

Despite the mentioned headwinds, the economy and markets continued to deliver above expectations. For 2026, it may be more challenging for the U.S. equity markets to extend their rally. A 15% earnings growth expectation is lofty, and U.S. stocks are trading at higher price/earnings multiples compared to historical measures. While tariffs have not materially impacted inflation, some economists fear they have been delayed as businesses have not fully raised prices or fully depleted their pre-tariff inventories. Tariff policy remains volatile with the U.S. needing to iron out agreements with China and India and ongoing disputes with Canada and Mexico. The Fed funds rate cuts will need to help stabilize the job market from further weakening, otherwise concerns over a recession could build. President Trump is expected to hire a new Federal Reserve Chairman to replace Jerome Powell which could cause market speculation on the direction of the economy in 2026 and beyond. Finally, 2026 will mark midterm elections, which have been associated with heightened volatility and lower returns (essentially flat historically) in the 12 months prior to midterms. The good news is that since 1950, the S&P 500 has risen an average of 16% in the 12 months following the vote and have not had a negative return since 1939! Happy Holidays and New Year to everyone!

Start 2026 by marking your calendar with important compliance deadlines. Below is a summary of important 2026 (and upcoming) deadlines and action items for employer-sponsored retirement plans.

Retirement Plan Amendment Requirements

Pre-approved 403(b) Plan Document Restatement Deadlines: Under Internal Revenue Service (IRS) Notice 2024-38, as part of the second remedial amendment cycle, employers using a pre-approved 403(b) plan document format must adopt the new pre-approved restated plan on or prior to December 31, 2026.

Amendment Deadlines: Most retirement plan documents, under IRS Notice 2024-2, will have to be amended by December 31, 2026 (or 2028 for collectively bargained plans, or 2029 for governmental plans), for the following legislation:

- The Setting Every Community Up for Retirement Enhancement Act (SECURE Act)
- The Bipartisan American Miners Act (Miners Act)
- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- The SECURE 2.0 Act of 2022 (SECURE 2.0 Act)

Required Amendments List for Individually Designed Plan Documents: In IRS Notice 2025-60 (the most recent required amendments list), the IRS identified changes that would require an amendment to most individually designed qualified or 403(b) plans. Interestingly, Notice 2025-60 delayed the amendment deadline for such individually designed plans until December 31, 2027, for the required minimum distribution changes under the SECURE Act and SECURE 2.0 Act.

Tools and Resources for Employers

Employers face compliance deadlines in 2026 that arise in the normal course of plan administration. 2026 also brings adjusted cost-of-living limitations that apply to retirement plans. Below is information about these deadlines and limitations.

2026 Retirement Plan Compliance Calendars: Employers can access detailed guidance on the regular administrative compliance deadlines in the following calendars for defined benefit pension plans and defined contribution plans.

DB **Defined Benefit**
pension plan requirements
View here

DC **Defined Contribution**
plan requirements
View here

2026 Cost-of-Living Adjustments Affecting Retirement Plans: The IRS annually publishes cost-of-living adjustments (COLAs) applicable to defined benefit pension plans and defined contribution plans. Access the 2026 COLAs below.

COLA **Cost-of-Living Adjustments**
(COLAs)
View here

Recommended Action for Employers in 2026

USI Consulting Group (USICG) recommends that employers **maintain fiduciary files** for their retirement plans.

There are many benefits of maintaining a fiduciary file for your retirement plan:

- **Plan governance documentation organized** in one convenient location
- **Preparedness for audits** by the plan's accountant, IRS or U.S. Department of Labor (DOL)
- **Preparedness for due diligence** in the context of mergers and acquisitions
- **Identification of potential compliance issues** to address outside of enforcement
- **Improved fiduciary structures** and compliance, and mitigated liability
- **Avoidance of administrative errors** or missed deadlines

Here is a list of items you might maintain in your fiduciary file for your retirement plan:

- **Governing plan document** (including any basic plan document, adoption agreement, amendment, trust agreement, IRS determination letter or IRS opinion letter) – in chronological order, all executed and dated
- **Summary plan description (SPD),** including any summary of material modifications thereto
- **Retirement committee charter** (or a list of plan provisions regarding governance), including any written delegations from the board of directors or other managing body
- **Investment policy statement**
- **Funding policy (if applicable)**
- **ERISA fidelity bond**
- **Any liability insurance policy covering ERISA fiduciaries**
- **Service agreements with plan service providers** (*e.g.*, platform provider, investment advisor or manager, actuary, third party administrator, or auditor), including ERISA fee disclosures
- **Form 5500, all attachments and any audit report,** for the last six plan years
- **Form 8955-SSA,** Annual Registration Statement Identifying Separated Participants With Deferred Vested Benefits, for the last six years
- **Regulatory participant notices** (*e.g.*, safe harbor notice, blackout notice, participant fee disclosure, QDIA notice, summary annual report or notice of reduction of benefit accruals) for the last six plan years
- **Investment advisor plan performance reports** from the plan's investment advisor (including any service provider fee benchmarking) for the last six years
- **Plan compliance testing** (if applicable)
- **Retirement committee minutes,** in writing, documenting and explaining important committee decisions (*e.g.*, qualification of domestic relations orders or beneficiary determinations)
- **Governmental filings,** routine or corrective
- **Governmental correspondence** during the last six years
- **Actuarial reports** (funding and accounting)
- **Credit balance election forms**
- **Pension Benefit Guaranty Corporation Premium Filings** (if applicable)

USI Consulting Group Can Assist

Your retirement plan may have additional compliance requirements not listed here. USI Consulting Group can assist with your retirement plan compliance matters, address your concerns and answer any questions you may have.

Retirement Resources for You

USI Consulting Group's team of experts is happy to assist employers with all retirement plan compliance matters and changes in the market, including those discussed here, to help you mitigate risk and financial impact to your organization.

To learn more, please contact your local USICG representative, visit our Contact Us page or reach out to us at information@usicg.com.

Find the address and telephone number of your local USI Consulting Group office here.

For previous market and legal commentaries please click here.

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An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment.

The higher the yield, the better the economic outlook.

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