Market & Legal Update

November 2025

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

MARKET UPDATE | Through the Government Fog: Markets Find Their Way

November unfolded as a month of recalibration as investors await a backlog of delayed economic releases following the end of the longest government shutdown in U.S. history. The S&P 500 advanced 0.3% for a seventh consecutive monthly gain on the heels of a strong Q3 earnings season while the Dow Jones Industrial Average gained 0.5%, reflecting resilience in industrials and dividend-oriented names. In contrast, the Nasdaq fell 1.5%, pressured by profit-taking in high-growth technology stocks and concerns over slowing AI adoption and monetization of the large capital expenditures from the sector. AI-related equities, which fueled much of this year's rally, faced valuation scrutiny and signs of dampening enthusiasm. International markets were mixed, with the MSCI EAFE Index up 0.6% and Emerging Markets down 2.4%, as global growth uncertainty and currency volatility weighed on risk appetite. Bond markets posted modest gains, with the Bloomberg U.S. Aggregate Bond and High Yield Indexes both up 0.6%, as the 10-year Treasury yield eased to 4.02% from 4.11%, reflecting expectations for gradual Fed rate cuts in early 2026.

Market Return Indexes	Nov 2025	YTD 2025	2024
Dow Jones Industrial Average	0.5%	13.9%	15.0%
S&P 500	0.3%	17.8%	25.0%
NASDAQ (price change)	-1.5%	21.0%	28.6%
MSCI Eur. Australasia Far East (EAFE)	0.6%	27.4%	3.8%
MSCI Emerging Markets	-2.4%	29.7%	7.5%
Bloomberg High Yield	0.6%	8.0%	8.2%
Bloomberg U.S. Aggregate Bond	0.6%	7.5%	1.3%
Yield Data (Month End)	**Nov 2025**	**Oct 2025**	**Sept 2025**
U.S. 10-Year Treasury Yield	4.02%	4.11%	4.16%

November unfolded as a uniquely challenging and transitional month for the U.S. economy and financial markets, marked not only by ongoing global and domestic headwinds but also most recently by our country's longest federal government shutdown in history, which ended on November 12. This event led to notable delays in the release of economic data, adding a layer of uncertainty for investors and policymakers alike. In addition to delays, a few October reports will not be released at all as data collection was halted at the start of the 43-day shutdown beginning October 1. Key reports that will not be released include the October CPI and Employment Situation reports in addition to GDP advance estimates for Q3. This backlog also means November data will take longer to process as well, so expect extended collection periods and possible revisions later.

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At its meeting on October 29, 2025, the Federal Reserve cut its benchmark interest rate by 25 basis points to a new target range of 3.75% to 4.00%. Fed Chairman Jerome Powell injected significant caution about future actions. He pushed back against market expectations for another December cut, emphasizing that the path forward is data-dependent, and further rate cuts are "not a foregone conclusion". This uncertainty reflects a visible division among members of the Federal Open Market Committee (FOMC), with a rare two-sided dissent on the October decision. One member favored a larger 50 basis point slash, showing preference for a less restrictive stance promoting growth and staving off weakness in labor markets. While another opposed the move entirely, a move favored by those who find the Feds mandated 2% inflation goal as their top priority, further highlighting the ongoing internal debate about whether to prioritize supporting employment or controlling still-elevated inflation. As of December 1, the CME FedWatch Tool projects an 85.7% likelihood that the Fed will cut rates by 25 basis points at their December meeting.

The Bureau of Economic Analysis (BEA) will release September and October Personal Income and Outlays, including the Personal Consumption Expenditures (PCE) inflation data, on December 5, while November PCE timing remains uncertain. In contrast, the Bureau of Labor Statistics (BLS) has canceled October Consumer Price Index (CPI) and is prioritizing labor market reports, with the next CPI report expected to resume with November data later in December. BEA, under the Department of Commerce (DOC), relies on aggregated expenditure data and can recover faster, whereas BLS, under the Department of Labor (DOL), requires extensive price surveys, making its backlog more difficult to clear. This helps explain why there will be no October CPI report in addition to providing some clarification on why the PCE report, the Feds preferred measure of inflation, will have a shorter turnaround time. These delays complicate inflation monitoring and may influence near-term market expectations for Federal Reserve policy. The late October release of September data showed a modest consumer price increase of 3.0% from a year earlier but below the 3.1% forecast. However, there have been no other official inflation releases since our October 2025 Market & Legal Update.

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As noted, there will be no retroactive October jobs report, and November's report has been delayed until December 16 due to the government shutdown. However, the delayed September jobs report was finally released following the government shutdown on November 20. The report showed nonfarm payrolls increasing by a solid 119,000, ahead of consensus expectations but was coupled with a net employment revision for July and August of 33,000 lower than previously reported. The unemployment rate edged up slightly to 4.4%, followed by a month of high-profile layoffs at large U.S. companies covered in our October MLU. This final official labor snapshot leaves what was a divided Federal Reserve in October with stale and inconclusive government data as the central bank heads into its next meeting in December.

November underscored the resilience of markets amid unprecedented policy and data disruptions. Despite the longest government shutdown in U.S. history and lingering uncertainty over economic fundamentals, U.S. equities remain within striking distance of all-time highs. Fixed income markets are stable as yields have eased, reflecting expectations for gradual monetary accommodation next year. Looking ahead, we face a delicate balance of potentially slowing growth signals, unpredictable inflation trends, and a divided Federal Reserve so volatility could persist. But through the haze of that government data fog-out, investors and policymakers navigated the aftermath of the shutdown and delayed data, relying on strong underlying fundamentals in consumer spending, job growth, and Q3 earnings to suggest that the current cautious optimism may be warranted as the market looks toward 2026.

LEGAL UPDATE | IRS Releases 2026 Contribution and Catch-up Limits: Key Changes for Your Plan

The Internal Revenue Service (IRS) issued Notice 2025-67 on November 13, 2025, providing key updates to the contribution limits, including the catch-up limits for calendar year 2026.

As you may be aware, the SECURE 2.0 Act made two major changes affecting catch-up contributions for retirement plans. First, SECURE 2.0 introduced a new increased catch-up "super catch-up" for individuals aged 60-63, allowing them to contribute a higher catch-up amount equal to the greater of $10,000 or 150% of the standard catch-up limit, indexed for inflation. The super catch-up provision went into effect beginning in 2025.

Second, under SECURE 2.0, beginning in 2026 certain highly paid individuals (HPIs) — participants aged 50 or older who earned more than $145,000 (Roth catch-up threshold, as indexed for inflation) in FICA wages (W-2 Box 3 wages) in the prior year — must make all catch-up contributions on a Roth (after-tax) basis, eliminating the ability to make catch-up contributions on a pre-tax basis. The Roth catch-up requirement was originally scheduled to take effect in 2024; however, the IRS issued a two-year administrative delay, setting the new effective date for 2026.

Below is a summary of some of the relevant changes for defined contribution plans — including the super catch-up limits and the Roth catch-up designation threshold — followed by key action items for employers and fiduciaries.

Summary of 2026 Limits

Effective for retirement plan contributions made in the calendar year 2026.

Contribution/Limit	2026 Amount
Elective deferrals under IRC 402(g) (1) for 401(k), 403(b) and 457(b) plans	$24,500
Standard catch-up contributions (age 50+) under IRC 414(v)(2)(B)(i)	$8,000
"Super catch-up" contributions (age 60-63) under IRC 414(v)(2)(E)(i)	$11,250
Annual addition limit for defined contribution plans – IRC 415(c)(1)(A)	$72,000
Prior year Roth catch-up threshold under IRC 414(v)(7)(A)	$150,000 (for 2025 wages)[1]

To access the full list of 2026 cost-of-living adjustments affecting retirement plans click here.

Key Notes:

- The elective deferral and catch-up increases reflect cost-of-living adjustments (COLAs) as prescribed by IRC §415(d).
- The super catch-up limit remains unchanged for 2026; it remains $11,250 for those attaining age 60, 61, 62 or 63 during 2026.
- The threshold of $150,000 refers to FICA wages (Box 3 wages) in the look-back year (2025) used to determine whether a participant's catch-up contributions in 2026 must be designated as Roth (after-tax).
  - If a participant turns age 50 or older in 2026 and their Box 3 wages in 2025 exceed $150,000, then their catch-up contributions for 2026 must be made as Roth contributions (assuming the plan permits) rather than pre-tax.
  - If the plan does not offer a Roth contribution feature, then such participants may not make catch-up contributions.

Action Steps for Employers/Fiduciaries

- Update plan documents[2], election forms, payroll systems, participant communications and internal procedures to reflect the new 2026 limits.
- Confirm that your plan's operational systems (payroll and recordkeeping) can:
  - Track participant age and elect-deferral limits including the increased catch-up amounts.
  - Apply the correct catch-up limits (standard vs. super catch-up) for participants who will attain age 60-63 in 2026.
- If your plan offers a Roth catch-up contribution feature, ensure that participants whose prior-year wages exceed the $150,000 threshold are directed to make catch-up contributions as Roth. Please review the rules regarding deemed Roth elections in our September 2025 Market & Legal Update.
- If the plan does not offer a Roth option, assess whether the plan's eligibility or operational systems need to address the scenario where catch-up contributions may not be permissible for certain high-wage participants.

[1] This threshold was announced in Notice 2025-67. If the 2025 W-2 Box 3 wages are greater than $150,000, the HPI is subject to the Roth catch-up requirement for 2026.

[2] The deadline to amend plan documents for SECURE 2.0 is December 31, 2026.

- Communicate to participants well in advance of the 2026 plan year about the changes. Indicate the new limits, age bands and the Roth catch-up requirement. Stress the importance of timely elections and accurate wage tracking.
- Coordinate with payroll and record-keeper to implement the look-back wages for the $150,000 threshold and ensure catch-up contributions for 2026 are treated correctly (pre-tax vs. Roth) beginning January 1, 2026.
- Review participant testing, nondiscrimination rules and top-heavy/415 limits in light of the increased limits and compensation thresholds.

How We Can Help

The SECURE 2.0 catch-up changes are significant for older participants and HPIs, requiring careful attention from employers administering defined contribution plans. Our team is ready to help you navigate how these updates impact your retirement plan and participants.

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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