Building Financial Futures

Trends and insights of those saving for retirement across America.
Executive Notes

With the Coronavirus pandemic reshaping how we live and work, trends we have historically seen in retirement plans will likely be impacted by the world events. Our focus remains on helping our customers make informed decisions about their money in this continually changing world. Q1 2021 data remained relatively steady, with participants continuing to improve their savings behaviors and increase their balances, while workers slightly reduced their loans and withdrawals.

Separately, this quarter we asked a panel of participants to tell us if and why they have taken a loan or withdrawal from their 401(k) or 403(b) in the past and how they used it. These insights are included in the Participant Pulse.
Participants were most likely to use their loan or withdrawal for debt or daily living expenses

44% of participants used their loan/withdrawal for debt like paying down/off a credit card or outstanding bills or daily living expenses, while 37% used the money for home expenses, including a home purchase, improvement, or paying down mortgage debt.

Despite many workers continuing to face financial challenges related to the pandemic, loans and withdrawals on Fidelity’s platform dipped slightly in Q1 2021. The percentage of workers with an outstanding 401(k) loan dropped to 17.5%, down from 19.7% in Q1 2020. Only 1.6% of 401(k) savers initiated a new loan in the first quarter, flat from Q4 2020 and down from 2.4% a year ago. The percentage of workers who made a withdrawal from their 401(k), including hardship withdrawals, dropped to 2.4% in the quarter, down from 6.1% in Q4 and 3.0% a year ago.

In a separate study, Fidelity asked a panel of participants if they have ever taken a loan or withdrawal from their 401(k) or 403(b) and if so, why and how they used it. We learned that many participant needs were immediate, with 59% using the funds within the same week they received the money.

How did you use the money from most recent loan/withdrawal?* (％)

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay down or pay off credit card debt</td>
<td>25</td>
</tr>
<tr>
<td>Outstanding bills</td>
<td>23</td>
</tr>
<tr>
<td>Daily living expenses</td>
<td>12</td>
</tr>
<tr>
<td>Medical expenses</td>
<td>7</td>
</tr>
<tr>
<td>Current mortgage payments or rent</td>
<td>4</td>
</tr>
<tr>
<td>Pay down or pay off student loan debt</td>
<td>1</td>
</tr>
<tr>
<td>Student loan payment</td>
<td>1</td>
</tr>
<tr>
<td>Home purchase or refinancing</td>
<td>21</td>
</tr>
<tr>
<td>Home improvement or repairs</td>
<td>19</td>
</tr>
<tr>
<td>Pay down or pay off mortgage debt</td>
<td>3</td>
</tr>
<tr>
<td>Automobile purchase or refinancing</td>
<td>10</td>
</tr>
<tr>
<td>College tuition for my family</td>
<td>5</td>
</tr>
<tr>
<td>Wedding expenses</td>
<td>4</td>
</tr>
<tr>
<td>Investment</td>
<td>3</td>
</tr>
<tr>
<td>Vacation expenses</td>
<td>2</td>
</tr>
<tr>
<td>Child-care expenses</td>
<td>1</td>
</tr>
<tr>
<td>Non-college school/educational expenses</td>
<td>1</td>
</tr>
<tr>
<td>College tuition for myself</td>
<td>1</td>
</tr>
</tbody>
</table>

*Respondents could select more than one response.
Participant Pulse: A snapshot on participants’ loans and withdrawals

Participants chose to borrow from themselves. Many did not have an emergency savings to utilize

To some participants, taking a loan/withdrawal from their 401(k) or 403(b) was an attractive option. In fact, the top reason for taking a loan or withdrawal was because participants preferred borrowing from themselves than from others (60%) and the second was that the interest rate was lower than borrowing from other sources (41%)³.

Tied as the top three reason, more than 1/3 (36%) of participants said they had no other savings to tap into³.

Why did you decide to take a Loan/withdrawal from your 401(k) or 403(b)³?

- My household experienced a loss of income (e.g., due to furlough/lay-off, loss of side work, illness) 15%
- I had no other savings to tap into 36%
- I would rather borrow from myself than from others 60%
- The interest rate was lower than borrowing from other sources 41%
- I didn’t want to take a loan from my 401k or 403b 18%
- I didn’t want to take a withdrawal from my 401k or 403b 21%
- It was a convenient way to get money 36%
- I couldn’t borrow from banks due to my credit status 10%
- Other sources such as home-equity or credit card were unavailable or maxed out 9%
- Some other reason 8%
Most (80%) participants who took a loan or withdrawal did not reduce or stop contributing to their workplace plans. Those who did indicated they were in significant financial distress.³

This suggests most participants are still determined to save for the long-term, even if a temporary event occurs.

In your own words, why did you stop or reduce saving in your 401(k) or 403(b) plan?³

“Falling behind on bills, single parent raising two children need help financially. Need the money in my paycheck.” ~41 year-old participant

“To get caught up on my bills. Once that happens I will go back up to the 5%.” ~34 year-old participant

“Because I don't have infinite resources and needed to balance savings vs loan repayment vs keeping the lights on at home.” ~ 49 year-old participant

*The experiences of these participants may not be representative of the experiences of all participants and is not indicative of future success.
Defined Contribution Plan trends
DC plan participation continues to climb

Auto enrollment (AE) proves to be a changing force as DC plan participation continues to increase.

**ADDITIONAL INSIGHTS¹:**

- 91% of employees who are auto enrolled don’t opt out.
- Participation among Millennials* has increased by 46% over the last 10 years in part due to employers adopting auto-enrollment.

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**Average participation rates in DC plans¹**

- 2010: 66.0%
- 2012: 67.8%
- 2014: 68.5%
- 2016: 70.0%
- 2018: 73.5%
- 2020: 72.9%

**Average participation rates AE plans v. non-AE plans¹**

- 2010: AE plans 81.8%, Non-AE plans 54.6%
- 2012: AE plans 83.9%, Non-AE plans 53.3%
- 2014: AE plans 85.1%, Non-AE plans 50.9%
- 2016: AE plans 85.9%, Non-AE plans 49.9%
- 2018: AE plans 88.3%, Non-AE plans 52.3%
- 2020: AE plans 87.2%, Non-AE plans 51.9%

Participation data as of end of Q4 in all years. Updated annually.
Contributions hold steady

Despite these unprecedented times, very few employees or employers have decreased savings rates.

ADDITIONAL INSIGHTS¹:

• 7.5% of participants contributing to their 401(k) plan decreased their deferrals during Q1 2021, down from 9.4% the year before.

• 66% of deferral increases were due to Auto Increase Programs in Q1 2021.
DC plan balance

With the recent market activity, balances have increased by 2% from the previous quarter.

ADDITIONAL INSIGHTS¹:

• With average balances increasing this quarter, those who have been saving over the long-term (15 years) have saved an average of $490,100.

• Millennials* who have continuously invested in their DC plan for 15 years have an average balance of $261,700 in Q1 2021.
Investment diversification improves over time

With 98% of employers offering target date funds and 92% using them as the default investment option¹, employee diversification has improved greatly over the last 10 years.

ADDITIONAL INSIGHTS¹:

• Baby Boomers* are the most likely generation to be too aggressively invested—potentially putting them at risk so close to retirement.

• 69% of Millennials* are 100% invested in a target date fund, due in part to being auto-enrolled in their 401(k) and defaulted into the option.

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Percent of employees holding 100% or 0% equity¹

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2013</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>20.2%</td>
<td>16.2%</td>
<td>13.7%</td>
<td>11.4%</td>
<td>10.0%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

As of Q1 in the year noted

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Percent of employees with a stock allocation higher than suggested¹**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2013</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>32.6%</td>
<td>29.9%</td>
<td>25.0%</td>
<td>22.6%</td>
<td>21.5%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

As of Q1 in the year noted
Trends in workplace managed accounts

The percent of plans offering a workplace managed account has continued to rise.

ADDITIONAL INSIGHTS¹:

• While plan sponsor adoption of managed accounts has grown, participant adoption is still relatively low.

• 49% of larger plans (with over 1,000 participants) have adopted a workplace managed account.
Trends in DC Investment Lineups

The largest corporate DC plan sponsors now offer around 15 investment options in their lineup\(^1\)

Large Employer - average number of investment options offered\(^1\)

As of Q1 in the year noted

<table>
<thead>
<tr>
<th>Year</th>
<th>Options Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>25.5</td>
</tr>
<tr>
<td>2012</td>
<td>23.1</td>
</tr>
<tr>
<td>2013</td>
<td>17.9</td>
</tr>
<tr>
<td>2014</td>
<td>17.8</td>
</tr>
<tr>
<td>2015</td>
<td>17.1</td>
</tr>
<tr>
<td>2016</td>
<td>16.9</td>
</tr>
<tr>
<td>2017</td>
<td>16.4</td>
</tr>
<tr>
<td>2018</td>
<td>16.3</td>
</tr>
<tr>
<td>2019</td>
<td>16.2</td>
</tr>
<tr>
<td>2020</td>
<td>16.0</td>
</tr>
<tr>
<td>2021</td>
<td>15.4</td>
</tr>
</tbody>
</table>

\(^1\) As of Q1 in the year noted.

Large plans are those with approximately $500M or more in DC plan assets.
Loans and withdrawals dip

Despite many workers continuing to face financial challenges related to the pandemic, loans and withdrawals on Fidelity’s platform dipped slightly in Q1 2021.

ADDITIONAL INSIGHTS¹:
- The percentage of workers with an outstanding 401(k) loan dropped to 17.5%, down from 19.7% in Q1 2020.
- The average amount for loans initiated in Q1 2021 was $12,250 up slightly from $11,890 in Q4 2020.

Percent of participants with loans outstanding¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>22.1%</td>
</tr>
<tr>
<td>2013</td>
<td>22.4%</td>
</tr>
<tr>
<td>2015</td>
<td>22.0%</td>
</tr>
<tr>
<td>2017</td>
<td>20.8%</td>
</tr>
<tr>
<td>2019</td>
<td>19.9%</td>
</tr>
<tr>
<td>2021</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

Average loan amount by age¹

- 70-79: $12,714
- 60-69: $15,197
- 50-59: $14,519
- 40-49: $13,111
- 30-39: $10,297
- 20-29: $5,604

Average Loan Amount Initiated in Q1 2021
Loans and withdrawals dip

Just before the provision ended in Q4 2020, participant utilization of the CARES Act for loans and withdrawals was the highest it had been all year. In turn, **newly initiated 401(k) loans and withdrawals in Q1 2021 slowed**.

**ADDITIONAL INSIGHTS:**

- 1.6% of 401(k) savers initiated a new loan in the first quarter, flat from Q4 2020 and down from 2.4% a year ago.

- The percentage of workers who made a withdrawal from their 401(k), including hardship withdrawals, dropped to 2.4% in the quarter, down from 6.1% in Q4 and 3.0% a year ago.

- The average Hardship distribution amount in Q1 was $3,900 and the median amount was $1,000.
Roth 401(k)

In just the last five years, the percent of plans offering Roth in 401(k)’s has increased by 32%, and with this option being increasingly popular with younger participants, contributions are also on the rise.

**ADDITIONAL INSIGHTS**:  
- Millennials* are the most likely generation to be contributing to Roth, increasing from 10% to 16% in the last 10 years.
- 26% of plans offer employees the ability to convert pre-tax assets to Roth, twice the number who offered this option in 2016.
Tax-exempt workers making strides

Tax-exempt companies, such as religious, healthcare, higher education and governmental organizations are increasing retirement savings through engagement and education.

ADDITIONAL INSIGHTS:

- Balances in Q1 2021 continued to cross the $100,000 mark, with a 38% increase in balances from one year ago.
- Women make up 60% of employees record-kept by Fidelity in tax-exempt organizations; 81% of this group allocated all of their assets in a target date fund (TDF) in Q1 2021.

*Considers average balance across all active plans for 5.3M unique individuals employed in tax-exempt market
IRA Trends
IRA balances

8.8 million people are saving and investing for retirement through 11.2 million IRA accounts where the number of accounts has grown by 12.3% and average balances have increased 31.4% between Q1 2020 and Q1 2021.⁵

**ADDITIONAL INSIGHTS⁵:**
- Female Millennials* owned IRA accounts increased by 28% between Q1 2020 and Q1 2021.

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**Historical IRA average balances⁵**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$71,300</td>
</tr>
<tr>
<td>2012</td>
<td>$76,700</td>
</tr>
<tr>
<td>2014</td>
<td>$92,400</td>
</tr>
<tr>
<td>2016</td>
<td>$94,200</td>
</tr>
<tr>
<td>2018</td>
<td>$99,100</td>
</tr>
<tr>
<td>2020</td>
<td>$128,100</td>
</tr>
<tr>
<td>Q1 2021</td>
<td>$130,000</td>
</tr>
</tbody>
</table>

Annual Data
IRA contributions

While not all account holders contribute to their IRA on an annual basis, the number who do has increased by 52% between Q1 2020 and Q1 2021.

ADDITIONAL INSIGHTS:

- Across the generations, Roth IRAs are the savings vehicle of choice with 60.2% of all IRA contributions going to Roth in Q1 2021.
- Contributing millennial* Roth IRA accounts increased 67% in Q1 2021 compared with Q1 2019, with their overall dollar contributions increasing 68.8%.

Average IRA contribution amount historical

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$4,200</td>
</tr>
<tr>
<td>2012</td>
<td>$4,100</td>
</tr>
<tr>
<td>2014</td>
<td>$4,300</td>
</tr>
<tr>
<td>2016</td>
<td>$4,100</td>
</tr>
<tr>
<td>2018</td>
<td>$4,200</td>
</tr>
<tr>
<td>2020</td>
<td>$4,400</td>
</tr>
<tr>
<td>Q1 2021</td>
<td>$3,300</td>
</tr>
</tbody>
</table>
401(k)-IRA trends

Insights on those saving in both a DC retirement plan and an IRA
Combined balances

The people with balances in both a DC retirement plan and an IRA, are maximizing their savings opportunities in the pursuit of retirement readiness.

ADDITIONAL INSIGHTS:

- Average combined assets for Millennials* increased 51.7% from Q1 2020 to Q1 2021.

Combined average balances for savers with both a workplace retirement plan and an IRA:

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
<th>2020</th>
<th>Q1 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$194,900</td>
<td>$256,800</td>
<td>$275,600</td>
<td>$281,000</td>
<td>$369,000</td>
<td>$375,100</td>
</tr>
</tbody>
</table>

*Millennials are defined as individuals born between 1981 and 1996.
Contributions

Contributing to more than one retirement plan takes budgeting and dedication. Contribution rates have recovered following the financial crisis of 2008/2009 and have remained steady the last several years, hitting an average annual high of $4,700 in 2020.6
3 things for employees to consider while saving for retirement

During these unprecedented times, employees may begin to consider decreasing their contributions to their retirement account(s), taking money from their savings plan, or changing their investment options. It’s important to encourage them to think through what may be necessary in the short-term while keeping their long-term goals in mind. Below are three things employees should keep in mind to help them stay on track.

1. **Making changes to your contributions:**
   - If you have to lower your contribution, try to contribute enough to get any available company match—don’t leave free money on the table.
   - Revisit your saving contributions regularly and consider adjustments as we get through these uncertain times—even 1% more can make a big difference over time.

2. **Accessing money from your plan in a financial emergency:**
   - Options vary depending on your employer’s plan rules, including hardship withdrawals and loans, so be sure to understand what’s available based on your personal situation.
   - Note that CARES Act distribution provisions are no longer available in 2021.
   - Make sure your bank and personal information is up to date. This helps us send your money faster with direct deposit.

3. **Making changes to your investments:**
   - To help you feel more confident about your investments, it’s important to understand how your retirement account is invested. Factors to consider include the numbers of years until you retire, your financial situation, and how much risk you are willing to take on.
   - Decide if you want to manage your own investments or get help. If you don’t want to do it alone, consider a target date fund or managed account.
**Footnotes**

*Baby Boomers are those people born between 1946 and 1964.
*Gen X are those people born between 1964 and 1980.
*Millennials are those people born between 1981 and 1997.

**Investing involves risk, including risk of loss.**

**For “Asset Allocation” purposes, the participant’s current age and equity holdings are compared with an example table containing age based equity holding percentages based on an equity glide path. The Fidelity Equity Glide Path is an example we use for this measure and is a range of equity allocations that may be generally appropriate for many investors saving for retirement and planning to retire around ages 65 to 67. It is designed to become more conservative as participants approach retirement and beyond. The glide path begins with 90% equity holdings within a retirement portfolio at age 25 continuing down to 24% equity holdings at age 93. Equities are defined as domestic equity, international equity, company stock, and the equity portion of blended investment options. The Fidelity equity band is not intended as a benchmark for individual investors; rather, it represents a range of equity allocations that may be appropriate for many investors saving for retirement. Investors should allocate assets based on individual risk tolerance, investment time horizon, and personal financial situation. A particular asset allocation may be achieved by using different allocations in different accounts or by using the same one across multiple accounts**

Target Date Funds are an asset mix of stocks, bonds and other investments that automatically becomes more conservative as the fund approaches its target retirement date and beyond. Principal invested is not guaranteed.

1 Based on Fidelity analysis of 23,500 corporate DC plans (including advisor-sold DC) and 19.6 million participants as of 3/31/2021.
2 Based on Fidelity analysis of 26.8 million total DC/TEM participants as of 3/31/2021.
3 Based on a quantitative online survey among 1315 Fidelity plan participants. This survey was conducted by Ipsos, an independent third-party research firm, on behalf of Fidelity in February 2021.
4 Based on Fidelity analysis of 10,400 Tax-exempt plans and 7.2 million participants as of 3/31/2021. Considers average balance across all active plans for 5.3M unique individuals employed in tax-exempt market.
5 Fidelity business analysis of 11.2 million IRA accounts as of March 31, 2021.
6 Fidelity business analysis of people saving in both a DC retirement plan and an IRA as of March 31, 2021.

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