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. While Q1 2020 data remained relatively steady, our commitment to tracking these trends and sharing insights will be our top priority in the coming quarters.
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:

- 90% of employees who are auto enrolled don’t opt out.
- Participation among millennials has increased by 55% over the last 10 years in part due to employers adopting auto-enrollment.
Contributions hold steady

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

ADDITIONAL INSIGHTS²:

• 9.4% of participants contributing to their 401(k) plan have decreased their deferrals during Q1 2020, up from 8% the year before.

• 63% of deferral increases were due to Auto Increase Programs in Q1 2020.
DC plan balances

With the recent market activity, balances have decreased by 11% from two years ago.

**ADDITIONAL INSIGHTS²:**

- While average balances decreased this quarter, those who have been saving over the long-term (15 years) have saved an average of $352,800.
- Millennials who have continuously invested in their DC plan for 15 years have an average balance of $163,200 in Q1 2020.
Investment diversification improves over time

With 98% of employers offering target date funds and 91% using them as the default investment option, employee diversification has improved greatly over the last 10 years.

ADDITIONAL INSIGHTS:

- 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.
Trends in workplace managed accounts

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

ADDITIONAL INSIGHTS:

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

• 47% 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 16 investment options in their lineup

Large Employer - average number of investment options offered

As of Q1 in the year noted

Large plans are those with approximately $500M or more in DC plan assets.
DC loans trending down

While employers continue to focus on decreasing leakage from retirement plans, during these unprecedented times, the immediate needs of their employees are top of mind. Loan usage continued to trend down during Q1 2020, but is a trend we will closely watch during Q2.

ADDITIONAL INSIGHTS²:

• Only 2.3% of the population initiated a new loan in Q1 2020.
• Prior to availability of the CARES Act, the average amount for loans initiated in Q1 2020 was $10,550.
Withdrawals

While the goal is to save and invest for the long-term, unexpected events can create a need to withdraw savings to cover near-term expenses.

**ADDITIONAL INSIGHTS²:**

- Cash out rates among younger employees remain high, with 42% under age 30 taking a full distribution when changing jobs.
- Prior to availability of the CARES Act distribution, the average hardship withdrawal amount for Q1 2020 held steady at $4,650.
Roth 401(k)

In just the last five years the percent of plans offering Roth in 401(k)’s has increased by 41%, and with this option being increasingly popular with younger participants, contributions are also on the rise².

ADDITIONAL INSIGHTS²:

• Millennials are the most likely generation to be contributing to Roth, increasing from 10% to 15% in the last 10 years.

• 23% of plans offer employees the ability to convert pre-tax assets to Roth, twice the number who offered this option in 2015.
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 INSIGHTS⁴:

- With recent market activity, balances have decreased 7% from two years ago.
- 46% of all assets in tax-exempt plans are invested in target date funds.
IRA Trends
IRA balances

7.9 million people are saving and investing for retirement through 10 million IRA accounts where the number of accounts has grown by 7% and average balances have increased 2% between Q1 2019 and Q1 2020.

ADDITIONAL INSIGHTS:

• Female millennial-owned IRA accounts increased by 20% between Q1 2019 and Q1 2020.
IRA contributions

While not all account holders contribute to their IRA on an annual basis, the number who do has increased by 27.1% between YTD Q1 2020 and YTD Q1 2020.

ADDITIONAL INSIGHTS:

- Across the generations, Roth IRAs are the savings vehicle of choice with 57% of all IRA contributions going to Roth in YTD Q2 2019.
- Contributing millennial Roth IRA accounts increased 41% between YTD Q1 2019 and YTD Q1 2020.

Average IRA contribution amount historical

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution Amount</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
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</tr>
<tr>
<td>2010</td>
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<tr>
<td>2012</td>
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<td>2019</td>
<td>$4,200</td>
</tr>
<tr>
<td>2020</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 INSIGHTS⁶:

• Average combined assets for Millennials decreased 5% from Q1 2019 to Q1 2020.
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.

![Average IRA contributions amounts for “DC/IRA” savers](chart)

- 2008: $4,000
- 2010: $4,400
- 2012: $4,200
- 2014: $4,400
- 2016: $4,200
- 2018: $4,200
- 2019: $4,300
- 2020: $3,400
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.
   - 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 23,000 corporate DC plans (including advisor-sold DC) and 17.1 million participants as of 12/31/2019.
2 Based on Fidelity analysis of 23,100 corporate DC plans (including advisor-sold DC) and 18.1 million participants as of 3/31/2020.
4 Based on Fidelity analysis of 10,500 Tax-exempt plans and 6.6 million participants as of 3/31/2020.
5 Fidelity business analysis of 10.0 million IRA accounts as of 3/31/2020.
6 Fidelity business analysis of people saving in both a DC retirement plan and an IRA as of 3/31/2020.

For plan sponsor use.
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