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 Q4 2020 data remained relatively steady, our commitment to tracking these trends and sharing insights will be our top priority in the coming quarters.
A pulse on participants and workers

Among participants, overall money out transaction activity was **12%** higher in 2020 compared to 2019*1.

The CARES Act provided some relief: of the **22%** of participants who took money from their plans, nearly 1 in 4 utilized the CARES Act (reflecting 6.3% of eligible participants overall) 1.

During the past year, **40%** of participants within 10 years of retirement have changed their timeline and are either delaying (18%) or accelerating (22%) their plans to retire2.

**Workers are feeling stressed.** When asked in September 2020 how stressed they were about their financial situation compared to six months earlier, **43%** of workers overall indicated they felt an increase in stress level, with **48%** of Latino(a) workers indicated an increase in stress level3.

Despite the stress workers are feeling, when asked about the future, **60%** expected their financial situation to be better over the next 10 years. This feeling of optimism was highest among Black workers, with 7 in 10 feeling optimistic about their financial future3.
A snapshot of women’s retirement savings efforts

Women investors, which represent roughly 40% of Fidelity’s 401(k) platform and 70% of Fidelity’s 403(b) platform, saw solid gains in 2020 despite some unique challenges that resulted from the impact of the global pandemic. Recent Fidelity research found that nearly 4-in-10 working women (39%) are actively considering leaving the workforce or reducing their hours due to increased caregiving responsibilities⁴ – however, Fidelity’s Q4 analysis identified several positive aspects of women’s retirement savings efforts⁵:

The average 401(k) balance for long-term female savers exceeded a quarter of a million dollars.

The average 401(k) account balance for women who have been in their plan for 10 years straight increased to $297,900, up from $249,200 a year ago.

Women are saving more than ever before.

Women are increasing their savings rates and saving more for retirement than ever before, with the average 401(k) savings rate for women climbing to a record 9%, up from 8.7% a year ago.

Women are increasing their use of do-it-for-me retirement offerings.

More than half (59.8%) of women on Fidelity’s 401(k) platform have all of their savings in a target date fund. Female participants are increasing their use of Fidelity's personalized managed account offering, with 6.3% of eligible participants using the offering in 2020, up from 6.2% in 2019 and 1.7% in 2010.
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 INSIGHTS:\n• 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.
Contributions hold steady

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

ADDITIONAL INSIGHTS:\(^5\):

- 9.1% of participants contributing to their 401(k) plan decreased their deferrals during Q4 2020, up from 8% the year before.
- 64% of deferral increases were due to Auto Increase Programs in Q4 2020.
With the recent market activity, balances have increased by 11% from the previous quarter.

**ADDITIONAL INSIGHTS**: 
- With average balances increasing this quarter, those who have been saving over the long-term (15 years) have saved an average of $479,100.
- Millennials* who have continuously invested in their DC plan for 15 years have an average balance of $251,100 in Q4 2020.

### Average balance for employees continuously invested in a DC plan for 15 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Balance</th>
</tr>
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<tbody>
<tr>
<td>2005</td>
<td>$96,800</td>
</tr>
<tr>
<td>2010</td>
<td>$233,000</td>
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<tr>
<td>2020</td>
<td>$479,100</td>
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### DC Average Balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Balance</th>
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<tbody>
<tr>
<td>2010</td>
<td>$69,700</td>
</tr>
<tr>
<td>2012</td>
<td>$77,600</td>
</tr>
<tr>
<td>2014</td>
<td>$91,600</td>
</tr>
<tr>
<td>2016</td>
<td>$92,500</td>
</tr>
<tr>
<td>2018</td>
<td>$95,600</td>
</tr>
<tr>
<td>2020</td>
<td>$121,500</td>
</tr>
</tbody>
</table>
Investment diversification improves over time

With 98% of employers offering target date funds and 92% 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\(^5\):

- 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 16 investment options in their lineup\(^5\)

Large Employer - average number of investment options offered\(^5\)

As of Q4 in the year noted

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

While decreasing leakage from retirement plans is important, the immediate needs of employees are top of mind for employers. With most employers choosing to adopt the CARES Act distribution provisions in 2020, many participants opted for this instead of a traditional loan, resulting in loan usage trending down during Q4. We will closely monitor money out trends in 2021, given the CARES Act expired in December 2020.

ADDITIONAL INSIGHTS:

- 1.6% of the population initiated a new loan in Q4 2020.
- The average amount for loans initiated in Q4 2020 was $11,200.
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 INSIGHTS¹:

- Overall money out transaction activity was 15% higher in Q4 2020 compared to Q4 2019 after adjusting for participant growth.
- In Q4 2020 9% of participants took money from their plan, with the Cares Act distribution option representing 33% of that employee behavior.
- The average Cares Act distribution amount in Q4 was $7,600 and the median amount was $1,600.
Roth 401(k)

In just the last five years, the percent of plans offering Roth in 401(k)'s has increased by 33%, 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.
- 25% of plans offer employees the ability to convert pre-tax assets to Roth, twice the number who offered this option in 2015.

![Graph showing the percent of plans offering Roth and the percent of participants contributing to Roth over time.]

Percent of plans offering Roth

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>55.8</td>
<td>60.4</td>
<td>64.4</td>
<td>68.0</td>
<td>71.7</td>
<td>74.4</td>
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</tbody>
</table>

Percent of participants contributing to Roth (if offered)

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<tbody>
<tr>
<td>%</td>
<td>6.0</td>
<td>7.2</td>
<td>8.7</td>
<td>9.5</td>
<td>10.9</td>
<td>12.7</td>
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</table>
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**:

- With recent market activity, balances have increased 35% from two years ago; increased 10% from Q3.
- 47% of all assets in tax-exempt plans are invested in target date funds.
IRA Trends
IRA balances

8.6 million people are saving and investing for retirement through 10.9 million IRA accounts where the number of accounts has grown by 10.5% and average balances have increased 11.1% between Q4 2019 and Q4 2020.7

**ADDITIONAL INSIGHTS**6:
- Female Millennials* owned IRA accounts increased by 25.9% between Q4 2019 and Q4 2020.

![Historical IRA average balances chart](chart.png)
IRA contributions

While not all account holders contribute to their IRA on an annual basis, the number who do has increased by 34.6% between 2019 and 2020.

ADDITIONAL INSIGHTS:

• Across the generations, Roth IRAs are the savings vehicle of choice with 58.7% of all IRA contributions going to Roth in 2020.

• Contributing millennial* Roth IRA accounts increased 50% in 2020 compared with 2019, with their overall dollar contributions increasing 66%.
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 21.9% from 2019 to 2020.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Balance</th>
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</thead>
<tbody>
<tr>
<td>2008</td>
<td>$139,300</td>
</tr>
<tr>
<td>2011</td>
<td>$194,900</td>
</tr>
<tr>
<td>2014</td>
<td>$256,800</td>
</tr>
<tr>
<td>2016</td>
<td>$275,600</td>
</tr>
<tr>
<td>2018</td>
<td>$281,000</td>
</tr>
<tr>
<td>2020</td>
<td>$369,000</td>
</tr>
</tbody>
</table>
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 a high of $4,700 in 2020.\(^8\)

Average IRA contributions amounts for “DC/IRA” savers\(^8\)
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 25.8 million total DC/TEM participants as of 12/31/2020.
2. Based on a quantitative online survey among 810 Fidelity plan participants. This survey was conducted by Ipsos, an independent third-party research firm, on behalf of Fidelity in October 2020.
3. Based on Fidelity Investments Inclusive Needs & Engagement online surveys among 3,596 participants who participate in either a 401(k) or 403(b) plan with their current employer. The survey was conducted by CMI Research, an independent third-party research firm, on behalf of Fidelity in September 2020.
4. This study presents findings from a nationwide survey of 1,902 U.S. adults ages 18+ who identify as a caregiver and were employed as of January 1, 2020. This survey was fielded August 25 – September 4, 2020 by Engine Insights, an independent research firm not affiliated with Fidelity Investments. The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study.
5. Based on Fidelity analysis of 23,300 corporate DC plans (including advisor-sold DC) and 19.0 million participants as of 12/31/2020.
6. Based on Fidelity analysis of 10,400 Tax-exempt plans and 6.8 million participants as of 12/31/2020. Considers average balance across all active plans for 5.1M unique individuals employed in tax-exempt market.
8. Fidelity business analysis of people saving in both a DC retirement plan and an IRA as of December 31, 2020.

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