Building Financial Futures

Trends and insights of those saving for retirement across America.

Fidelity INVESTMENTS®

Executive Notes

While the majority of people are juggling multiple financial priorities, Fidelity analysis shows that more and more have prioritized saving for retirement. From increased participation in Defined Contribution (DC) plans to double digit growth in the percent contributing to an Individual Retirement Account (IRA), it’s clear more people than ever are focused on creating a secure financial future.

Defined Contribution plan trends

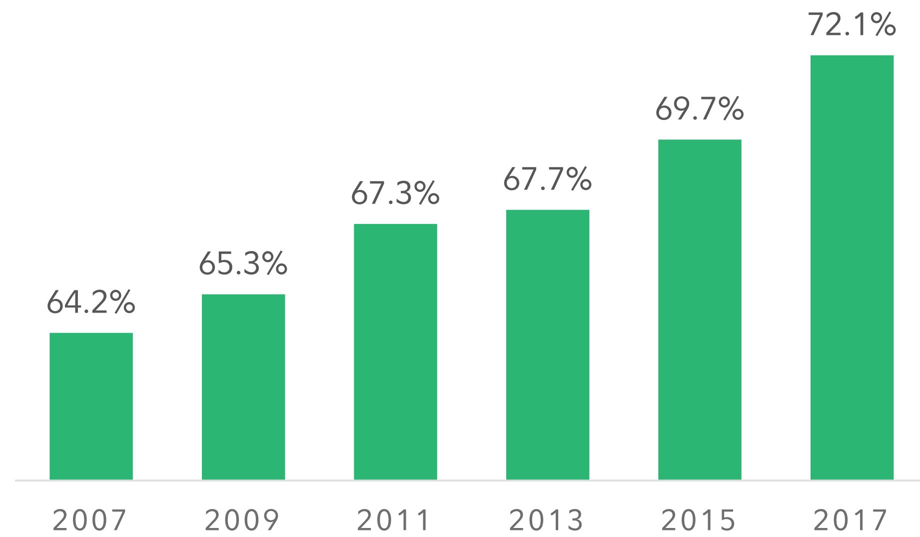
DC plan participation continues to climb

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

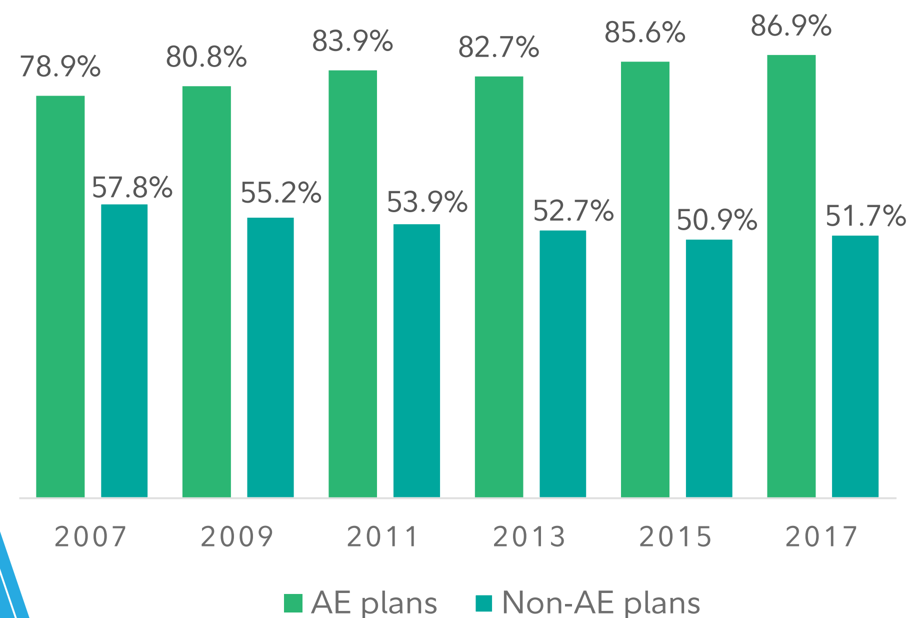
ADDITIONAL INSIGHTS [1]:

- 91% of participants who are auto enrolled don't opt out.
- Participation among millennials has increased by 83% over the last 10 years in part due to employers adopting auto-enrollment.

Average participation rates in DC plans[1]



Average participation rates AE plans v. non-AE plans[1]



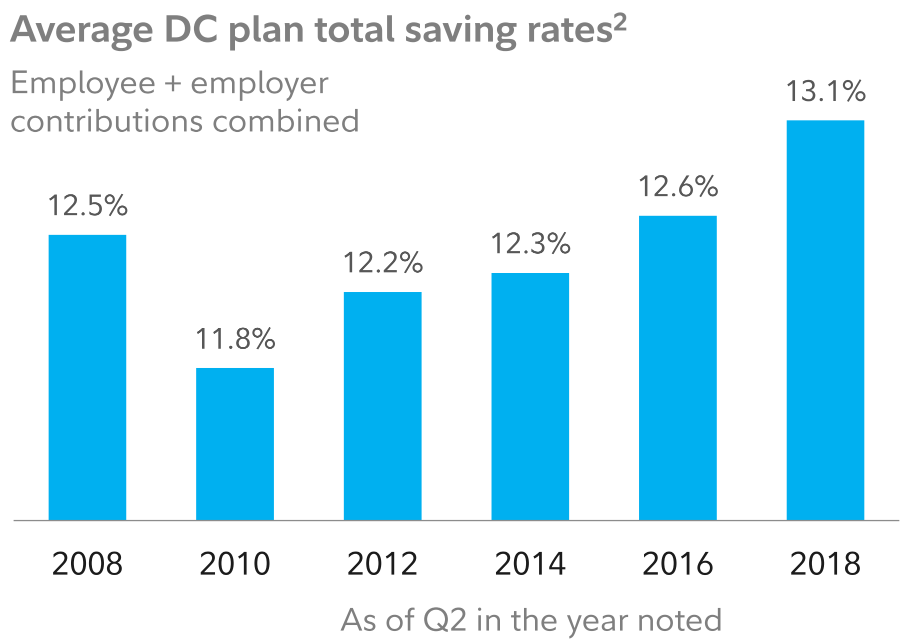
Participation data as of end of Q4 in all years. Updated annually.

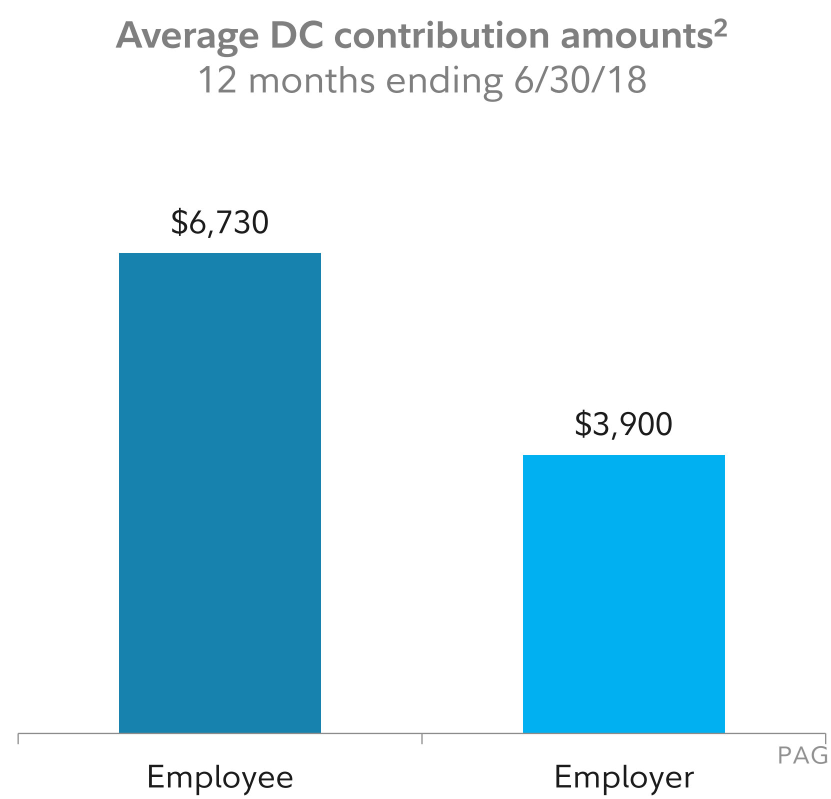
Contributions on the rise

Employees and employers are both contributing more to help increase retirement readiness.

ADDITIONAL INSIGHTS[2]:

- Of those employers offering auto-enrollment, a record 44% are now auto enrolling at 4% or higher, up from 25% five years earlier.
- Average employee contributions have increased $770 in the last five years, while average employer contributions have increased $500.





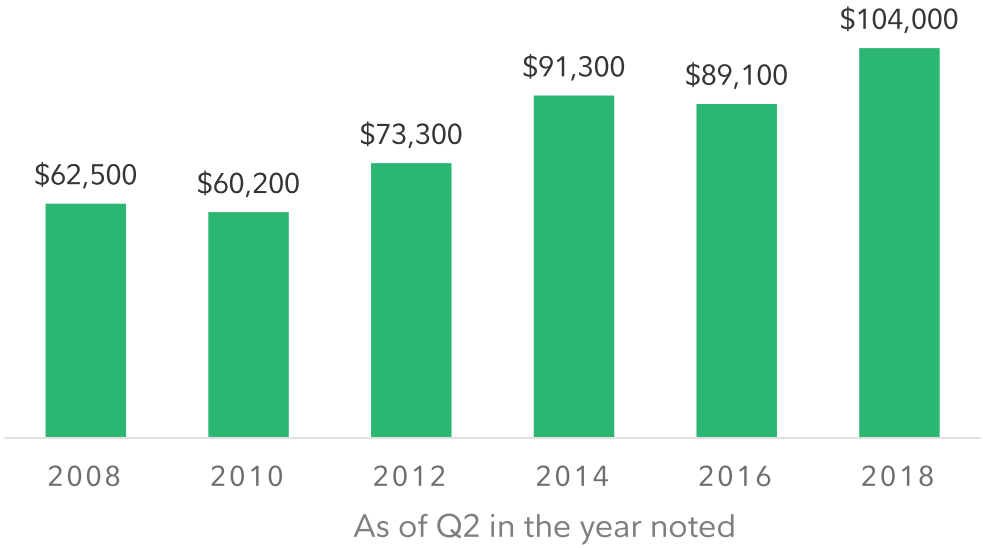
DC plan balances

Balances continue to increase! Nearly 66% of the increase in the past year is due to the market while 34% is attributed to employee and employer contributions[2].

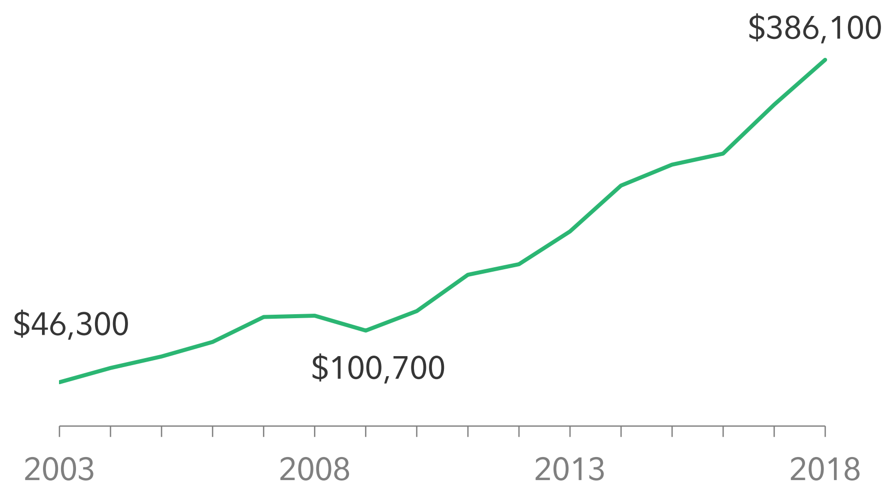
ADDITIONAL INSIGHTS[2]:

- Auto-enrolled employees who have been invested in their DC plan for 10 years, now have an average balance of $107,800.
- Average balances for female participants have increased by 58% in the last 10 years, reaching $81,300 in Q2 2018.

DC Average Balance[2]



Average balance for employees continuously invested in a DC plan for 15 years[2]

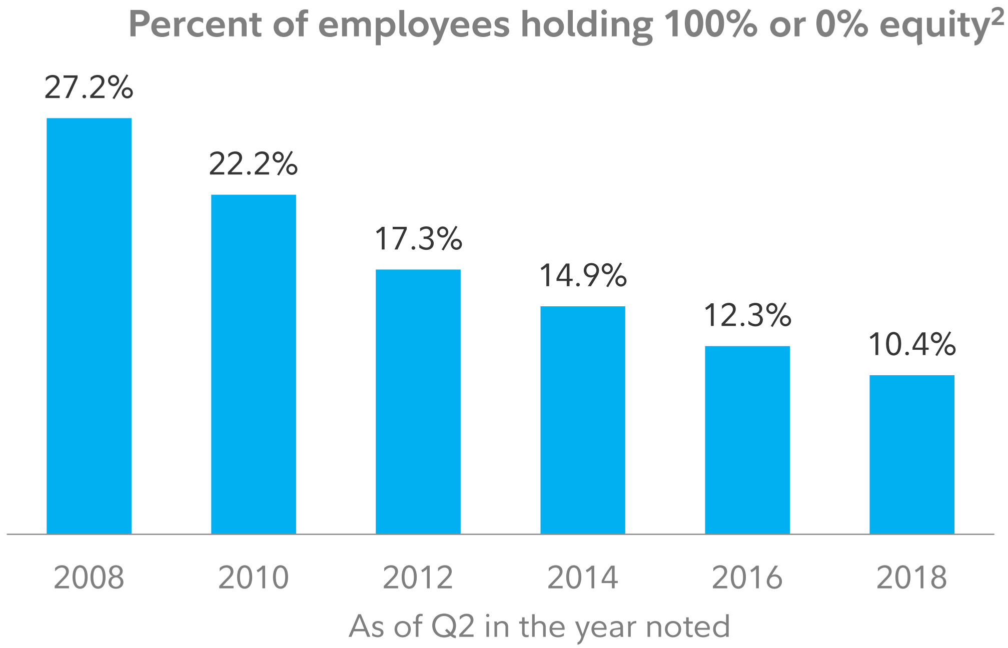


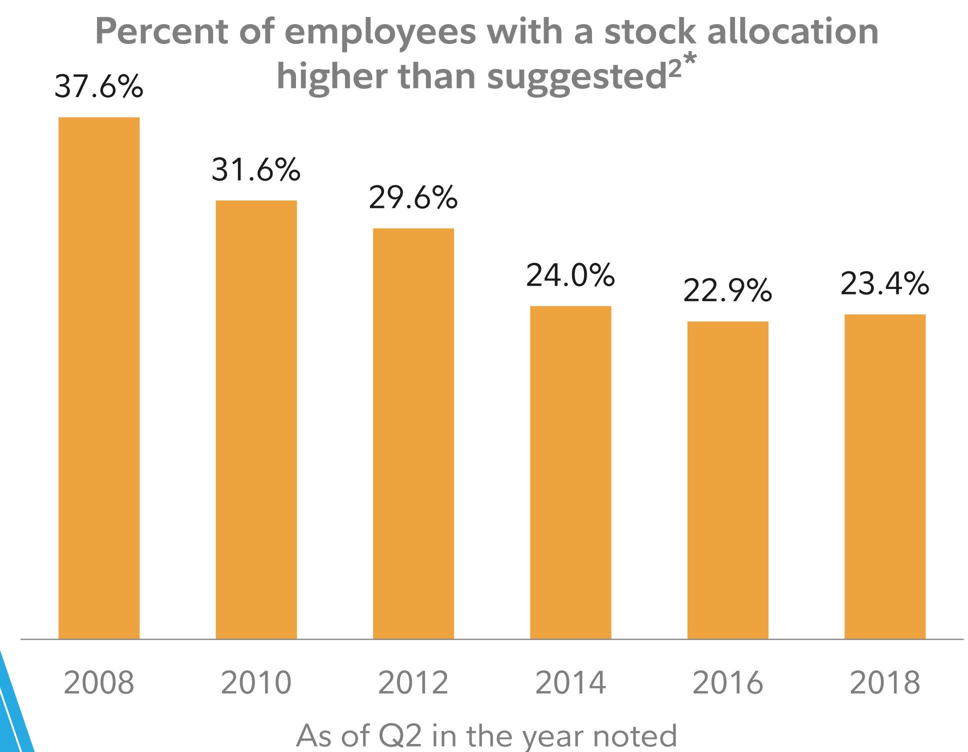
DC plan asset allocation improves over time

With 98% of employers offering target date funds and 89% using them as the default investment option[2], employee asset allocation has improved greatly over the last 10 years.

ADDITIONAL INSIGHTS [2]:

- Baby Boomers are the most likely generation to be too aggressively invested – potentially putting them at risk so close to retirement.
- 68% 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.





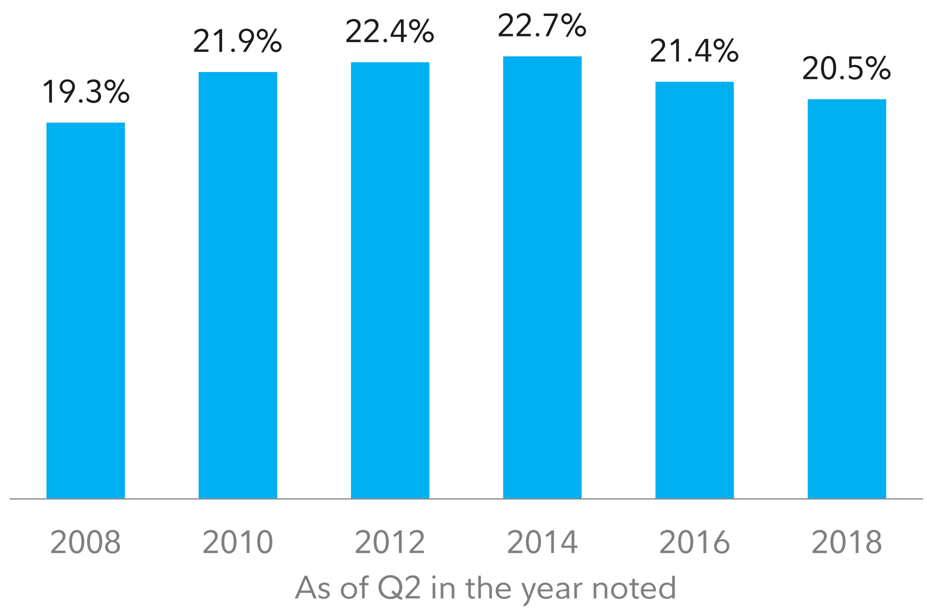
DC loans trending down

Employers continue to focus on decreasing leakage from retirement plans. While loan usage is trending down, many have turned to financial wellness programs as a way to improve employee financial behaviors.

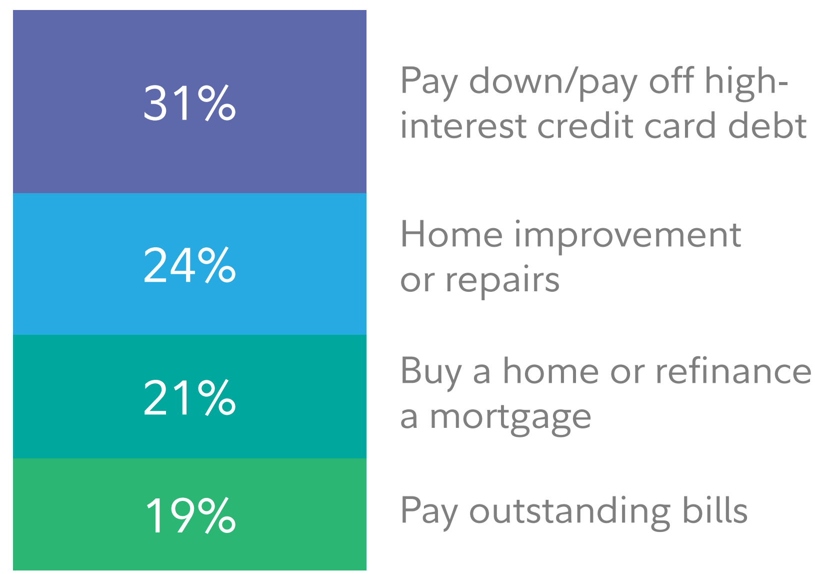
ADDITIONAL INSIGHTS:

- Given multiple financial priorities, Gen-Xers are the most likely generation to take a loan from their DC plan with 26% having a loan outstanding[2].
- 24% of participants who take a loan lower their deferral or stop saving altogether in effort to offset the loan repayment[4].
- Nearly 10% of the population initiated a new loan in the last 12 months[2].

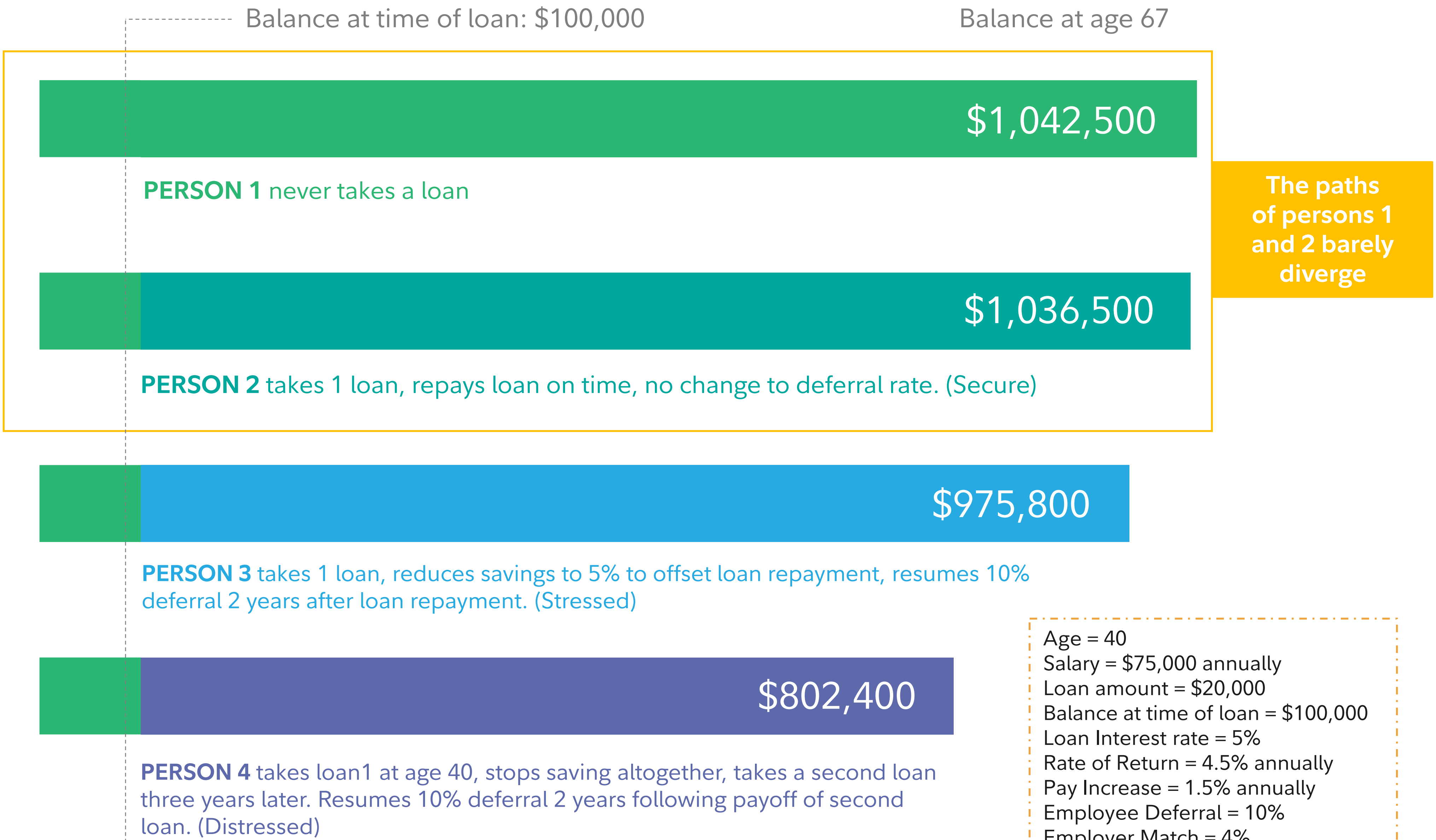
Percent of participants with loans outstanding[2]



Most common reasons for taking a loan[3]



The underlying financial unwellness of loan takers holds them back from their retirement goals



This is a hypothetical example[5]

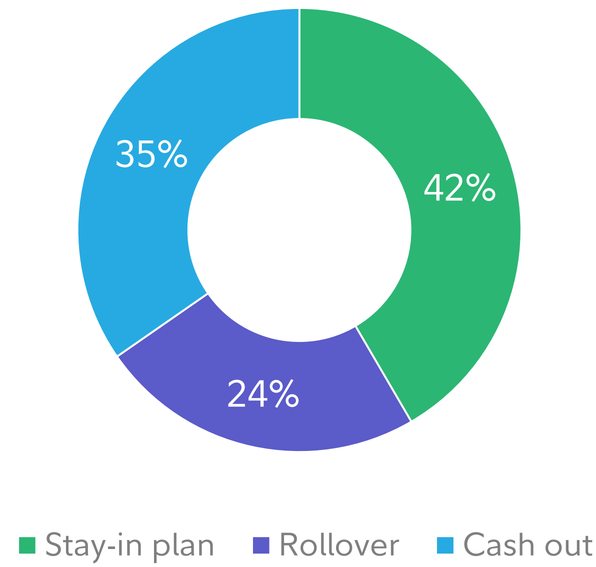
Withdrawals

While the goal is to save and invest for the long-term, things like credit card debt, student loans and the cost of housing can make it tempting to withdraw savings, diminishing the power of compound interest over time.

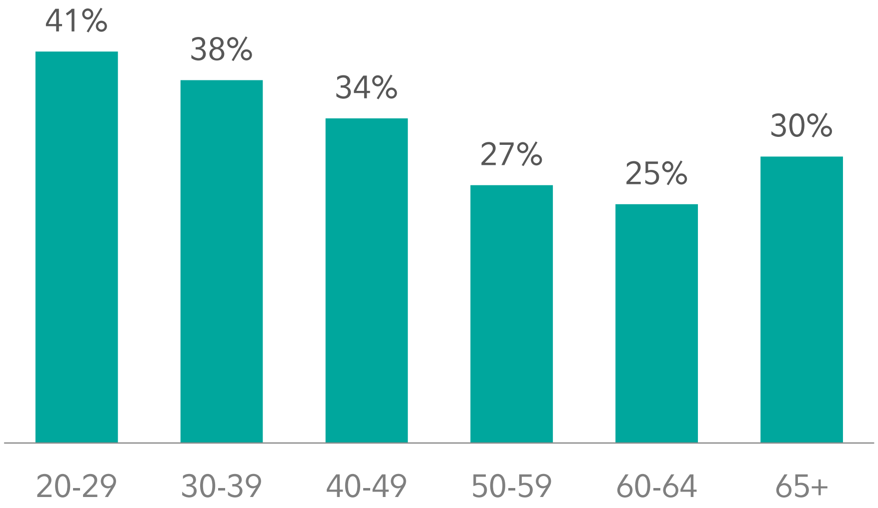
ADDITIONAL INSIGHTS:

- Cash out rates among younger employees remain high, with 41% under age 30 taking a full distribution when changing jobs[1].
- The most common reason for taking a hardship withdrawal is to prevent eviction/foreclosure. Only 2% of savers take a hardship annually[2].

Employee behaviors following termination[1]
Jan. – Dec. 2017



Average percent of workers cashing out – by age[1]
Jan. – Dec. 2017

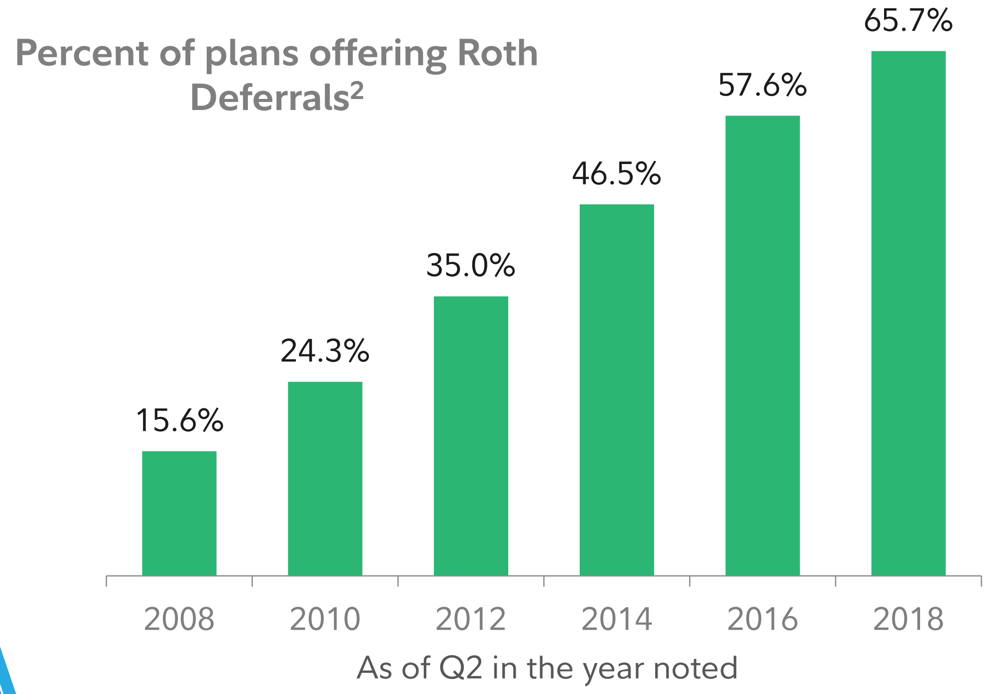


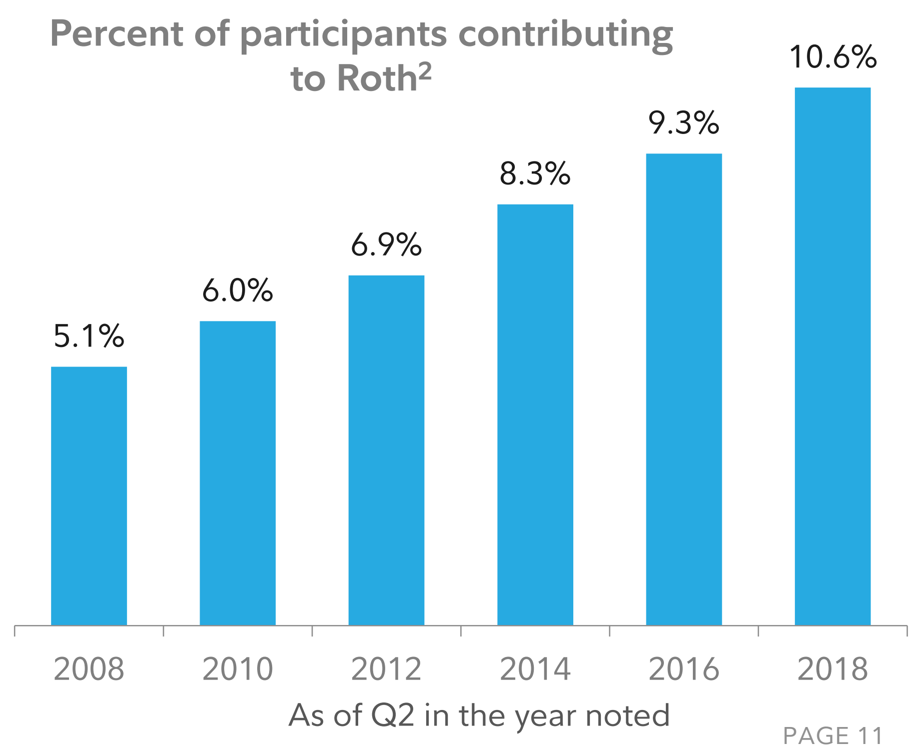
Roth 401(k)

In just the last five years, the percent of plans offering Roth in 401(k)'s has increased by 61%, and with this option being increasingly popular with younger participants, contributions are also on the rise[2].

ADDITIONAL INSIGHTS[2]:

- Millennials are the most likely generation to be contributing to Roth, increasing 20% in the last five years, reaching 14% in Q2 2018.
- More than half (57%) of 401(k) savers contributing to Roth are also contributing pre-tax money to ensure tax diversification.



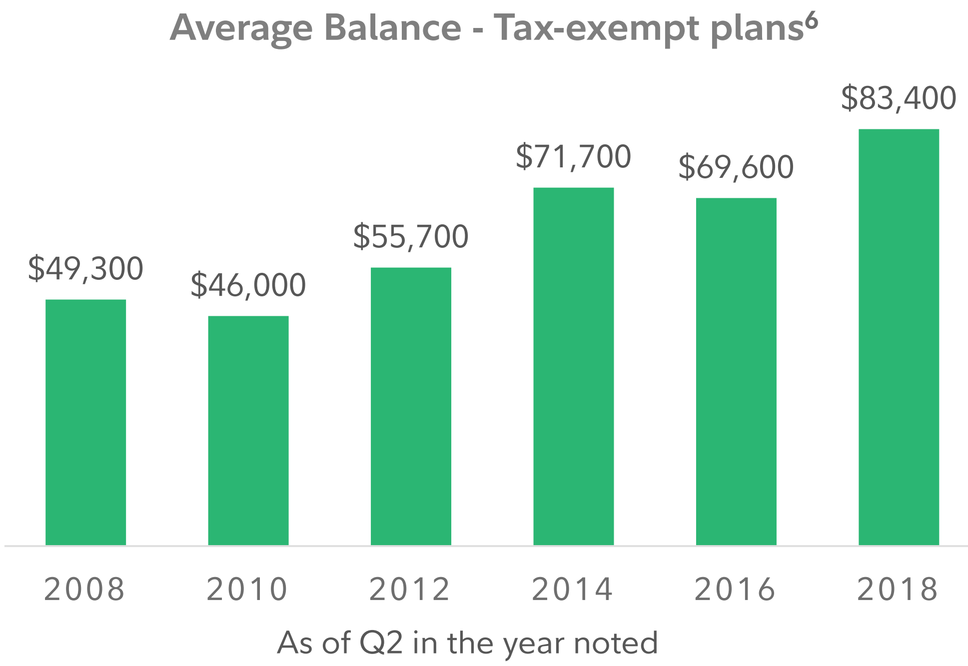


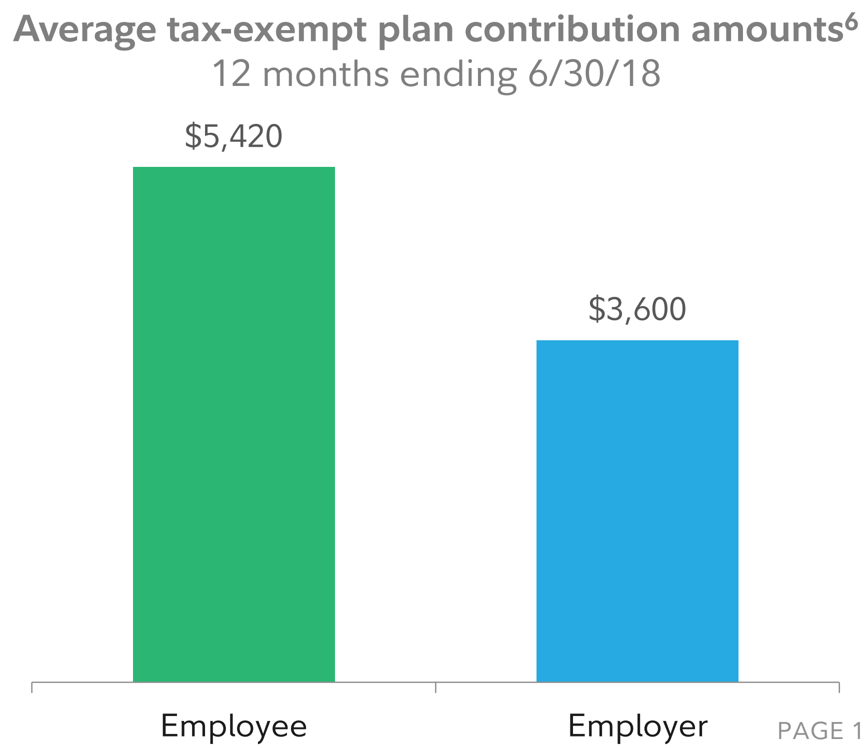
Tax-exempt workers making strides

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

ADDITIONAL INSIGHTS[6]:

- 42% of all assets in tax-exempt plans are invested in target date funds.





IRA trends

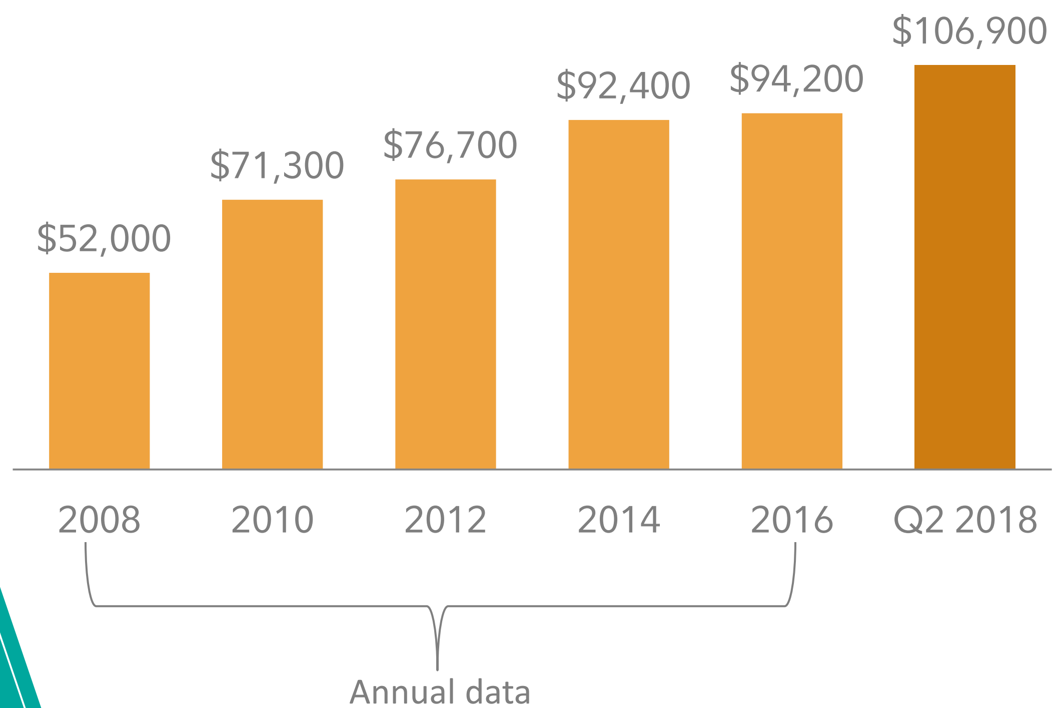
IRA balances

10.1 million people are saving and investing for retirement through an IRA where the number of accounts has grown by 6% and average balances have increased 7% in the last year. [7]

ADDITIONAL INSIGHTS[7]:

- Female millennials contributing to an IRA increased by 17% in the past year.

IRA balances continue steady climb[7]



IRA contributions

While not all account holders contribute to their IRA on an annual basis, the number who do has increased by 7% from the previous year[7].

ADDITIONAL INSIGHTS[7]:

- Across the generations, Roth IRAs are the savings vehicle of choice with more than half of all IRA contributions going to Roth.
- The percentage of millennials contributing to an IRA increased 19% over a year ago.

Average IRA contribution amount historical[7]

401(k)-IRA trends

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

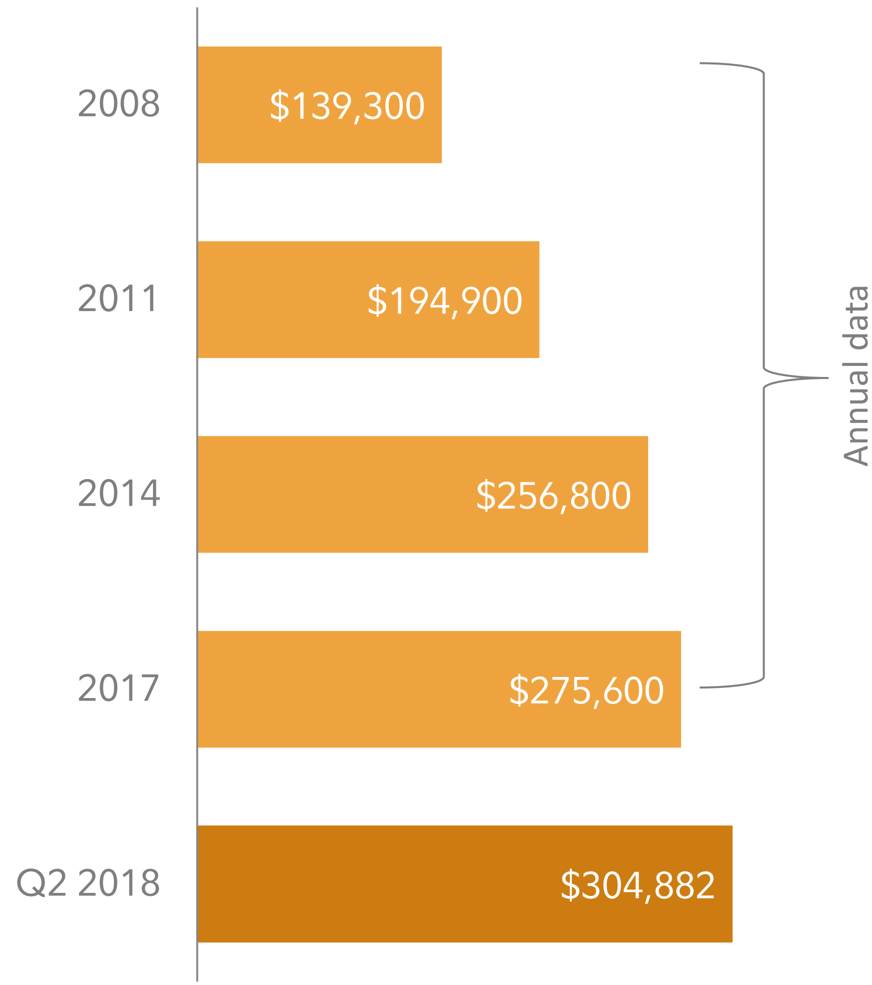
Combined balances

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

ADDITIONAL INSIGHTS[8]:

- Balances for those saving in both a 401(k) and an IRA are 3X higher (on average) than workers saving in just a single vehicle.

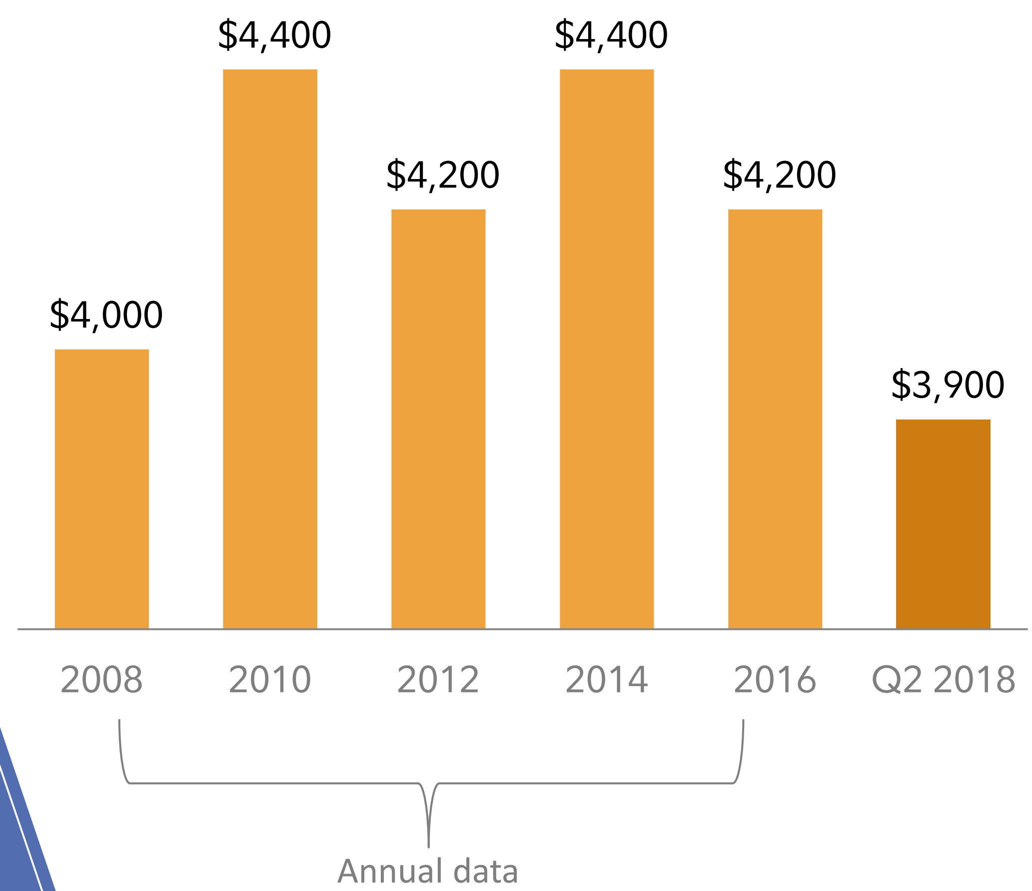
Combined average balances for savers with both a workplace retirement plan and an IRA[8]



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[8].

Average IRA contributions amounts for "DC/IRA" savers[8]



5 tips to improve retirement readiness

1. **Start Early**: Save and invest as much as possible as early as possible. Compounding interest can be a powerful tool in the pursuit of retirement readiness.

2. **Get the match**: In workplace plans, start by saving enough to take full advantage of any employer matching contribution and increase contributions by 1% annually.

3. **Create an investment strategy**: Determine if you can take charge of investing your savings on your own. If you can't or prefer not to, leverage a Target Date Fund or Managed Account.

4. **Don't cash out**: When changing jobs, resist any urge to cash-out or take distributions as they diminish the power of long-term saving.

5. **Think about Health Care**: If available, consider enrolling in a Health Savings Account, which can help you save for current and future medical expenses.

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

[1] Based on Fidelity analysis of 22,400 corporate DC plans (including advisor-sold DC) and 15.3 million participants as of 12/31/2017.

[2] Based on Fidelity analysis of 22,600 corporate DC plans (including advisor-sold DC) and 16.1 million participants as of 06/30/2018.

[3] Fidelity participant panel survey conducted May 18–June 1, 2016, with 743 respondents.

[4] Based on analysis of participants who initiated a loan in 1st quarter 2009 – 4th quarter 2017.

[5] Hypothetical examples assume that the individual saves according to the described scenarios until retirement age 67, and receives a 1.5% real increase in wages per year. Rate of return is 4.5% in real terms or real dollars. The maximum annual qualified 401(k) retirement plan employee contribution limit in 2018 is $18,500 (or $24,500 if age is 50 or older). All dollars shown are pretax dollars. All scenarios assume 40 years of age, balance of $100,000 at time of the loan, loan interest rate of 5%, and annual salary of $75,000.

[6] Based on Fidelity analysis of 10,600 Tax-exempt plans and 5.7 million participants as of 06/30/2018.

[7] Fidelity business analysis of 10.1 million IRA accounts as of June 30, 2018.

[8] Fidelity business analysis of people saving in both a DC retirement plan and an IRA as of June 30, 2018.

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