

Building Financial Futures

Trends and insights
of those saving
for retirement
across America.



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

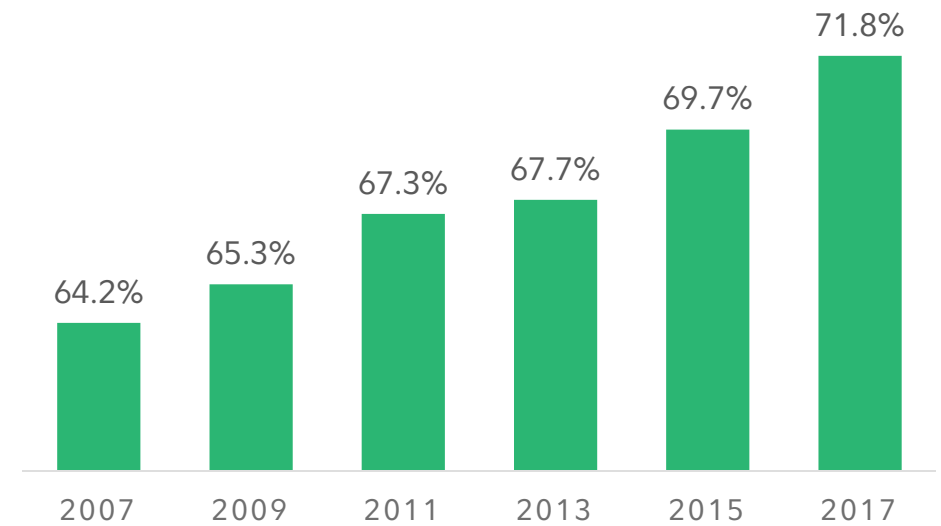
DC plan participation continues to climb

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

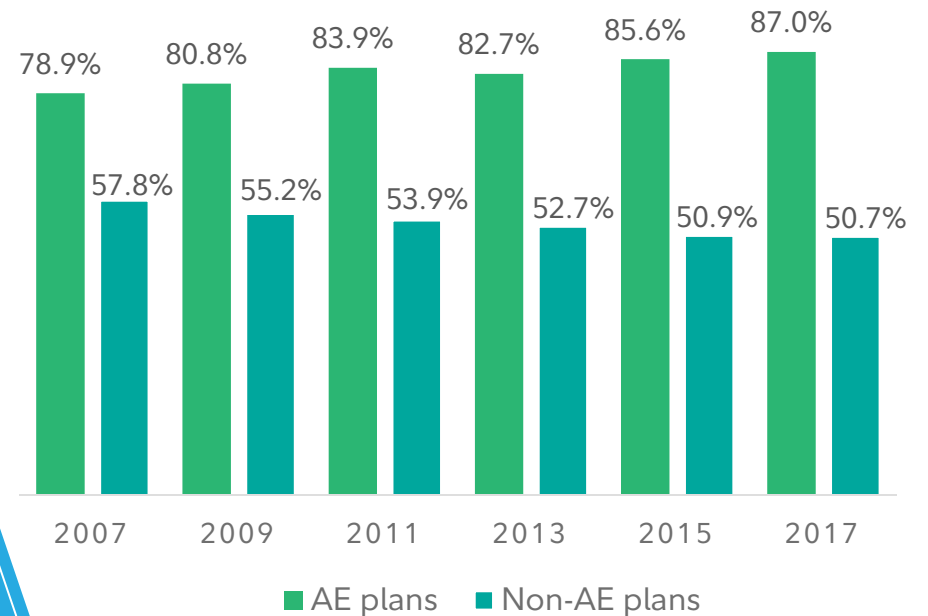
ADDITIONAL INSIGHTS ¹:

- 91% of employees who are auto enrolled don't opt out.
- Participation among millennials has increased by 82% over the last 10 years in part due to employers adopting auto-enrollment.

Average participation rates in DC plans¹



Average participation rates AE plans v. non-AE plans¹



Contributions on the rise

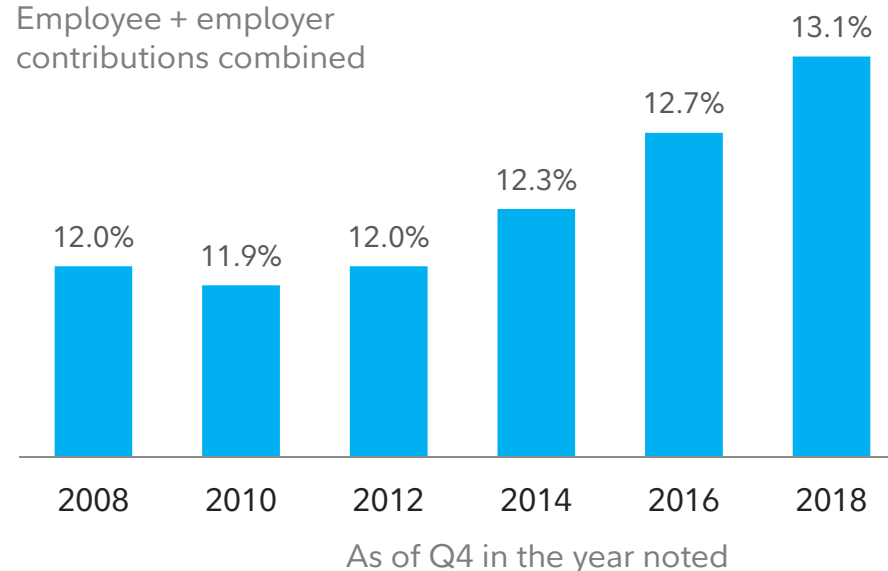
Employees and employers are both contributing more to help increase retirement readiness.

ADDITIONAL INSIGHTS²:

- Of those employers offering auto-enrollment, a record 45% are now auto enrolling at 4% or higher, up from 26% five years earlier.
- Average employee contributions have increased \$820 in the last five years, while average employer contributions have increased \$440.

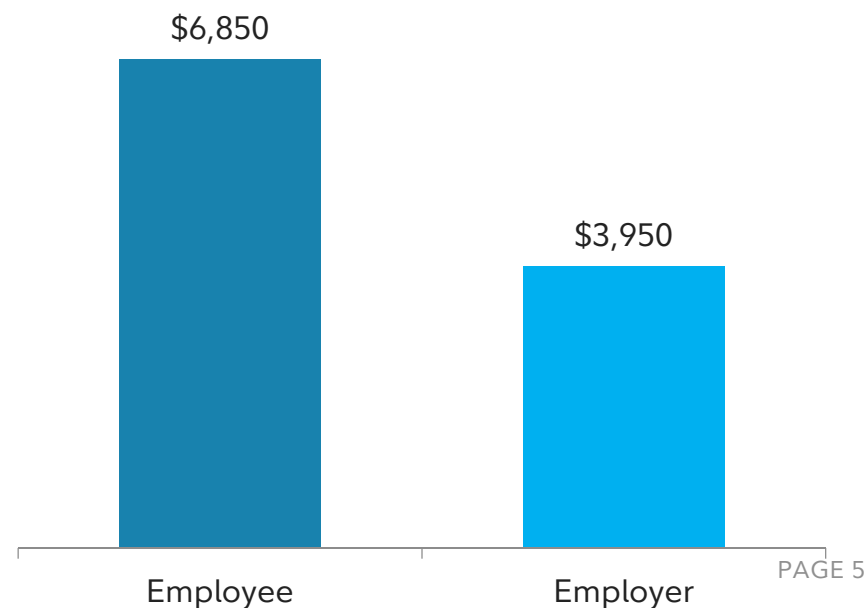
Average DC plan total saving rates²

Employee + employer contributions combined



Average DC contribution amounts²

12 months ending 12/31/18



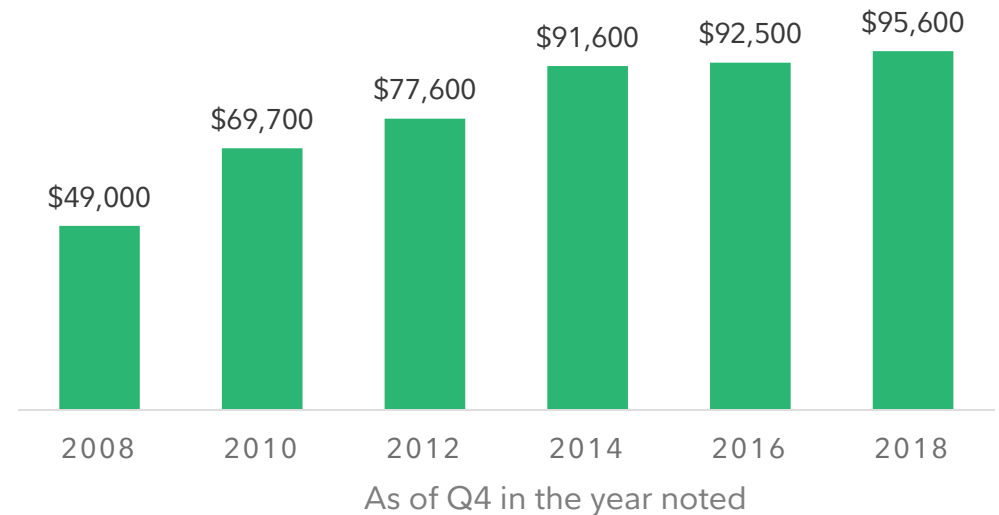
DC plan balances

With the recent market activity in Q4 2018, balances have decreased -8.4% in the last 12 months. However, the overall trend remains positive while the majority of employees continued to contribute to their plan.

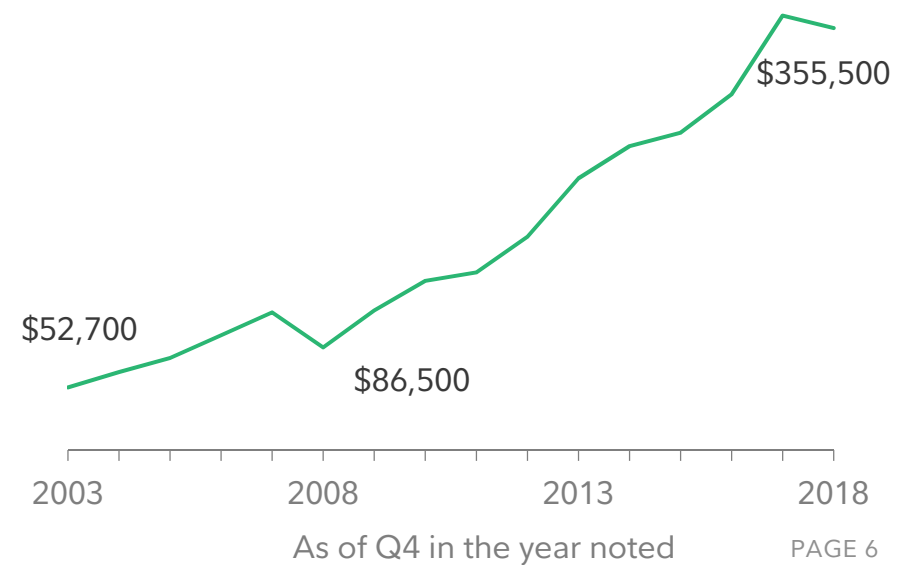
ADDITIONAL INSIGHTS²:

- Auto-enrolled employees who have been invested in their DC plan for 10 years, now have an average balance of \$100,600.
- Average balances for female participants have doubled in the last 10 years, reaching \$75,000 in Q4 2018.

DC Average Balance²



Average balance for employees continuously invested in a DC plan for 15 years²



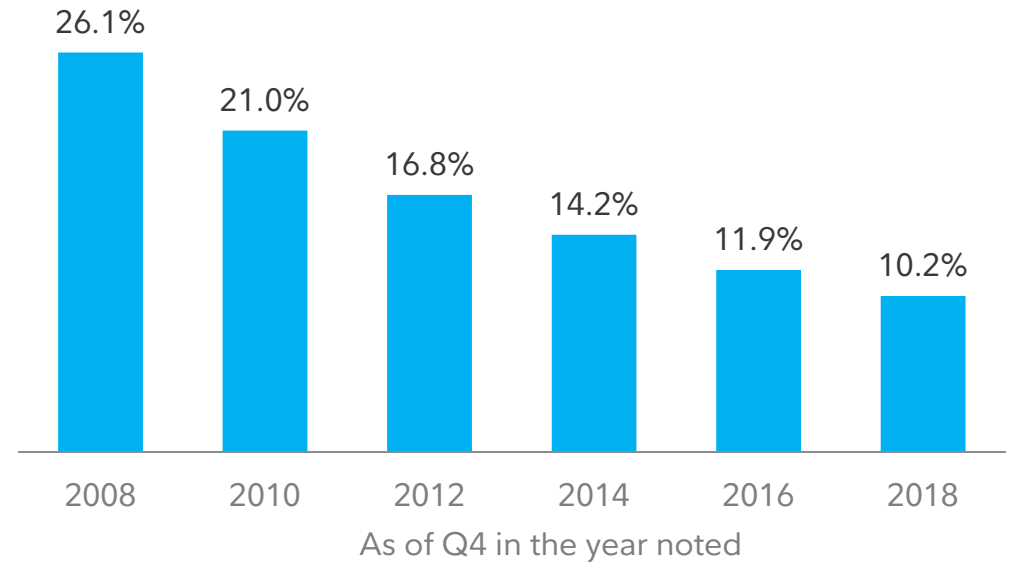
DC plan asset allocation improves over time

With 98% of employers offering target date funds and 90% using them as the default investment option², employee asset allocation has improved greatly over the last 10 years.

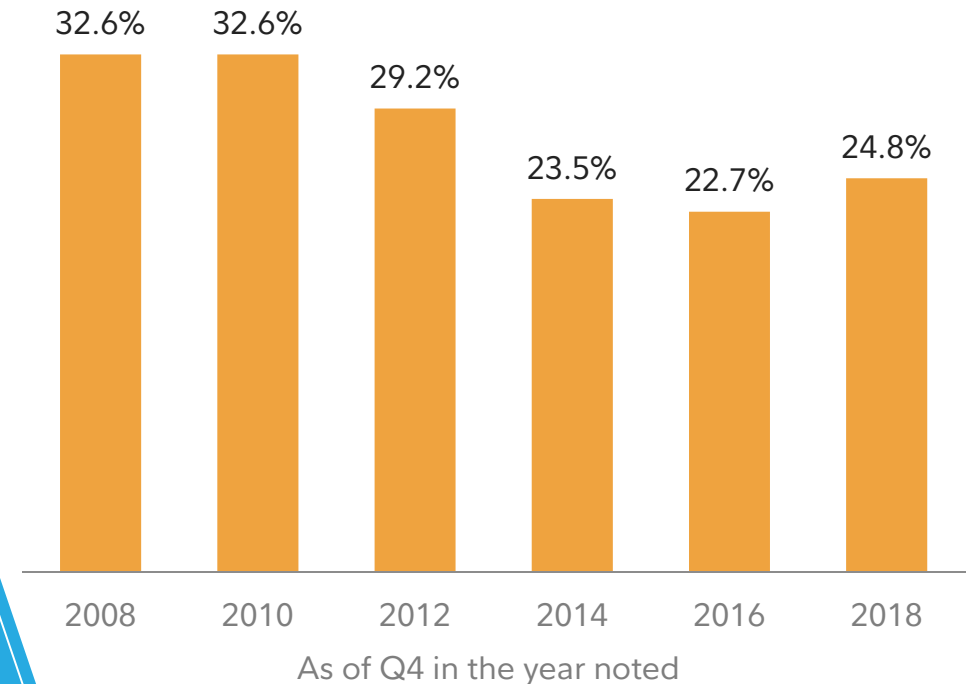
ADDITIONAL INSIGHTS²:

- 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.

Percent of employees holding 100% or 0% equity²



Percent of employees with a stock allocation higher than suggested^{2*}



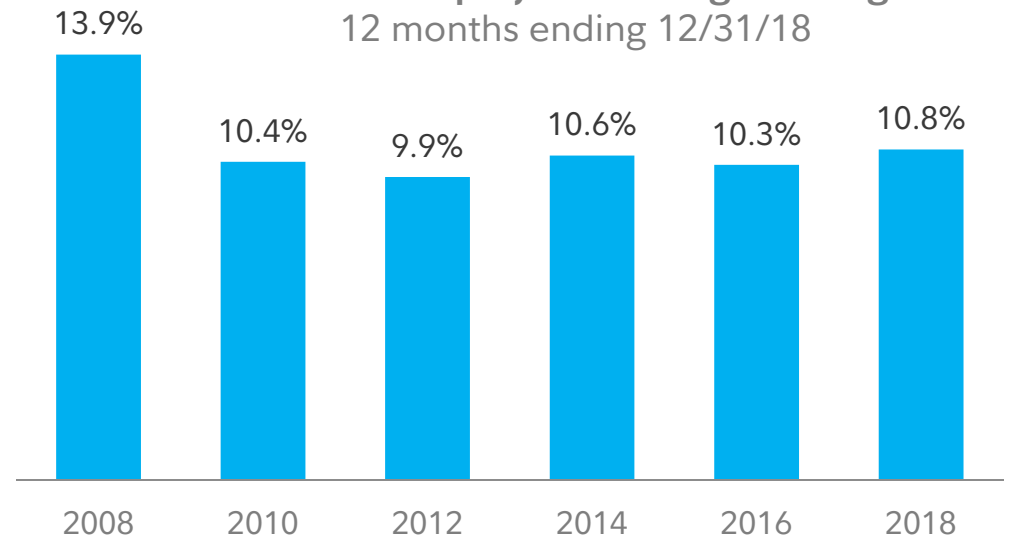
401(k) investors weathered Q4 volatility

After several years of relative calm, financial markets saw a lot of volatility during Q4. Most 401(k) investors did not react – in fact only 5.6% made exchanges, and instead stayed the course.

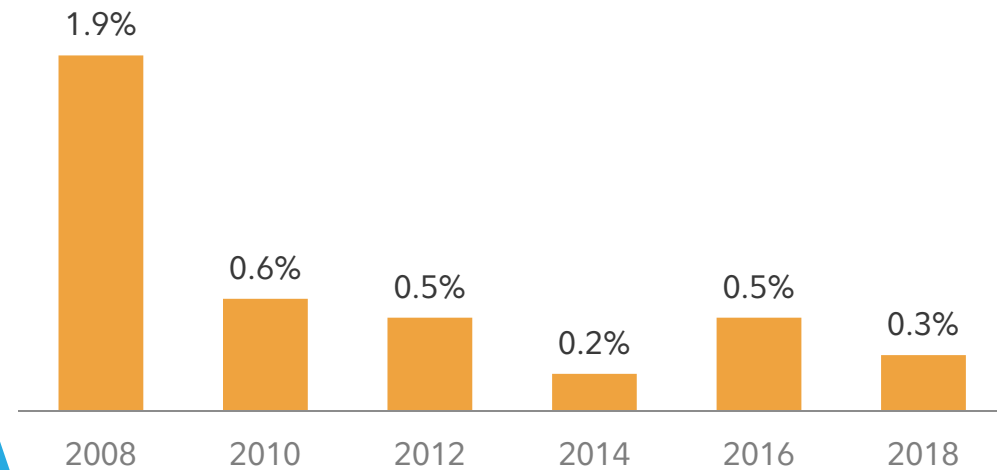
ADDITIONAL INSIGHTS:

- In 2008/09 on average 1.5% of investors pulled out of equities all together compared to the 0.3% in 2018. Those who did may have missed the market recovery².
- The overwhelming majority of employees continued contributing to their plan, with only 3.4% decreasing and 0.9% stopping contributions all together in Q4².

Percent of employees making exchanges²
12 months ending 12/31/18



Percent of employees who went to 0% stock²
12 months ending 12/31/18



Coping with market turbulence

Sticking with a long-term plan can help avoid making potentially costly moves out of panic.

AVERAGE BALANCE: Investors who stayed invested in stock³



AVERAGE BALANCE: Investors who got out of stock³



Participants who maintain appropriate asset allocation for their age and risk tolerance should feel comfortable riding out a choppy market

Analysis of 401(k) investors who moved completely out of stocks during the financial crisis of 2008–2009. Both populations continued to contribute, but those who stayed invested saw additional growth from market gains.

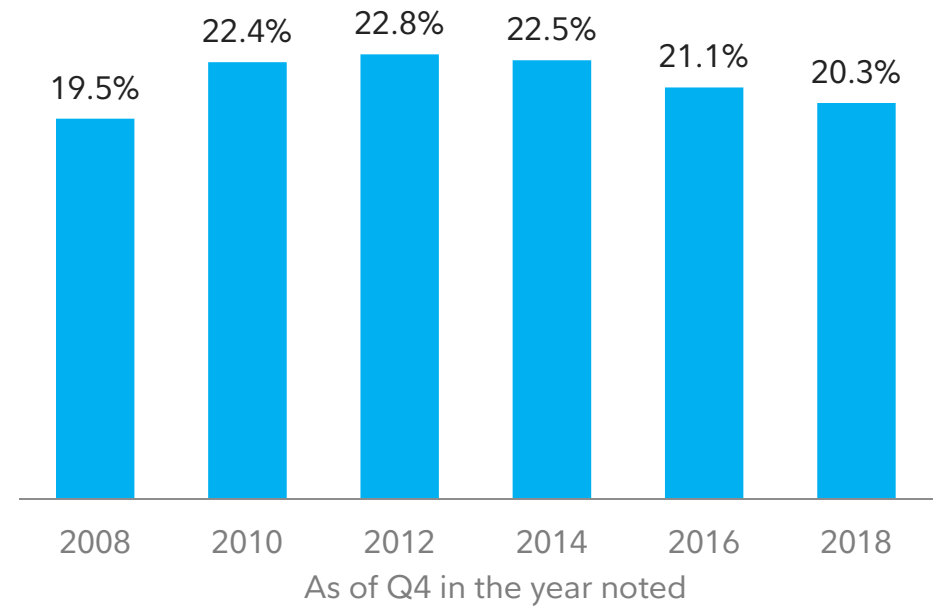
DC loans trending down

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.

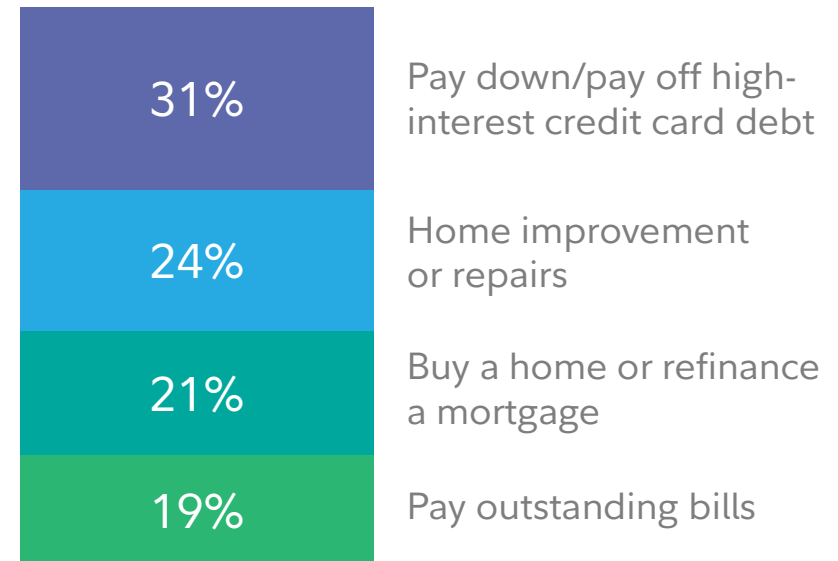
ADDITIONAL INSIGHTS:

- Women investors continue to keep new loans initiated low at 9.5%, down 20% in the last five years.
- 24% of participants who take a loan lower their deferral or stop saving altogether in effort to offset the loan repayment⁵.
- Only 9% of the population initiated a new loan in the last 12 months².

Percent of participants with loans outstanding²



Most common reasons for taking a loan⁴



Withdrawals

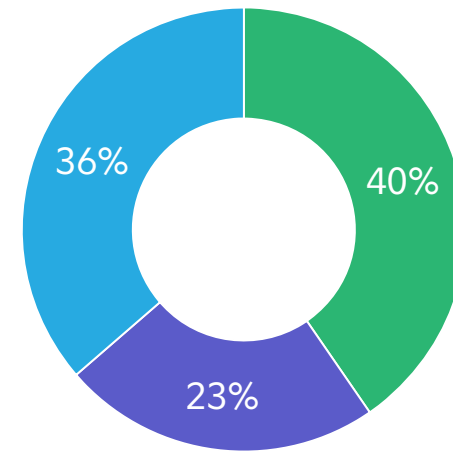
While the goal is to save and invest for the long-term, things like credit card debt, student loans and the cost of housing can make it tempting to withdraw savings, diminishing the power of compound interest over time.

ADDITIONAL INSIGHTS:

- Cash out rates among younger employees remain high, with 43% under age 30 taking a full distribution when changing jobs¹.
- The most common reason for taking a hardship withdrawal is to prevent eviction/foreclosure. Only 2% of savers take a hardship annually².

Employee behaviors following termination¹

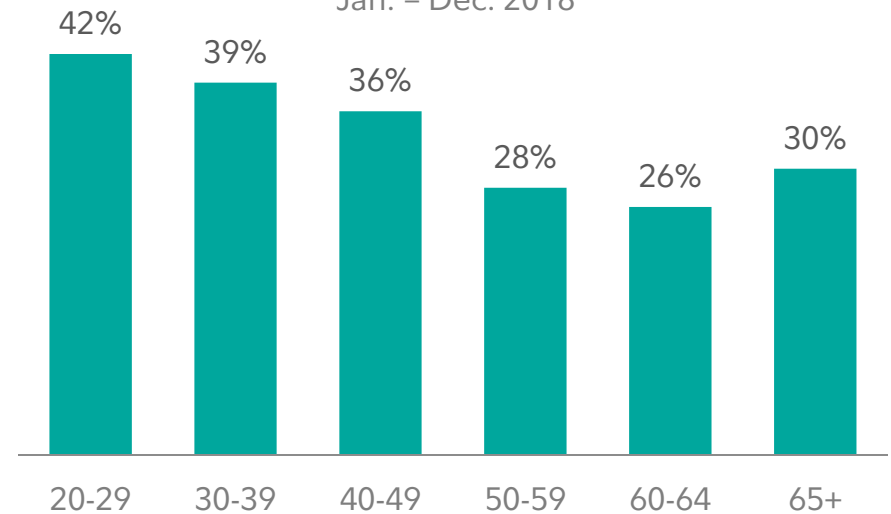
Jan. – Dec. 2018



■ Stay-in plan ■ Rollover ■ Cash out

Average percent of workers cashing out – by age¹

Jan. – Dec. 2018



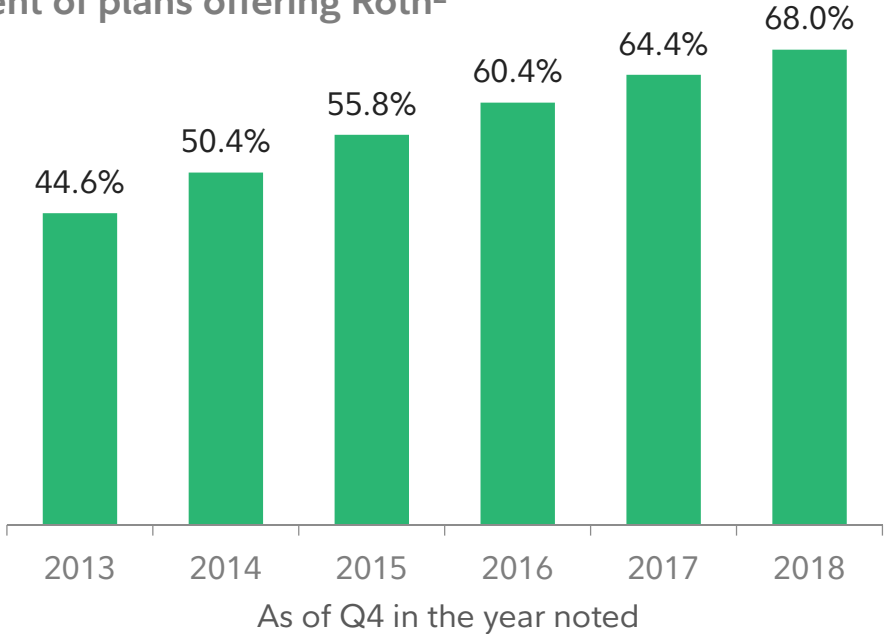
Roth 401(k)

In just the last five years, the percent of plans offering Roth in 401(k)'s has increased by 52%, and with this option being increasingly popular with younger participants, contributions are also on the rise².

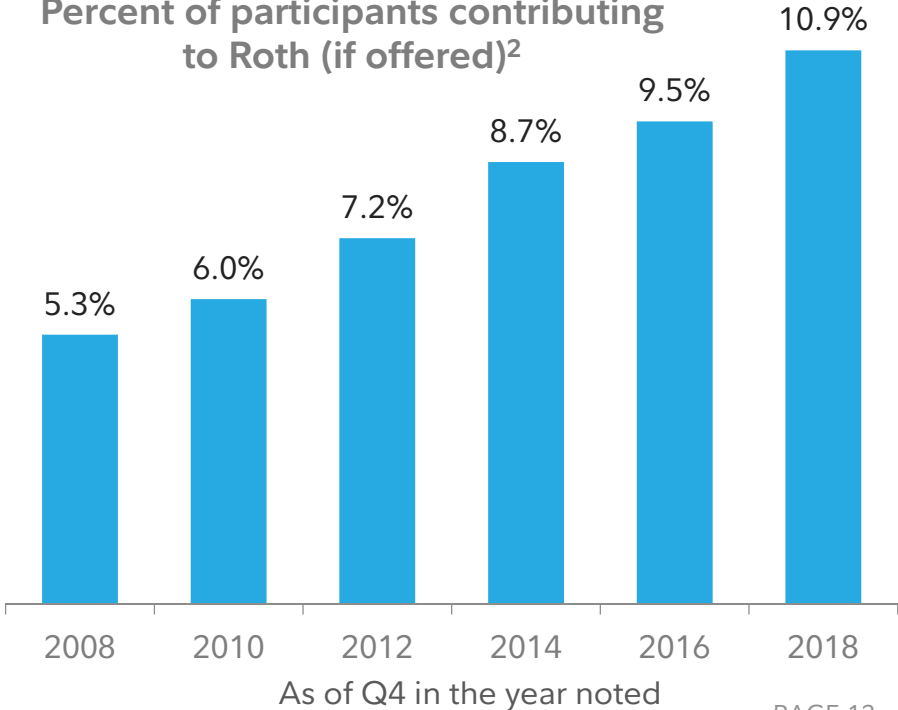
ADDITIONAL INSIGHTS²:

- Millennials are the most likely generation to be contributing to Roth, increasing from 9% to 13% in the last 10 years.
- More than half (57%) of 401(k) savers contributing to Roth are also contributing pre-tax money to ensure tax diversification.

Percent of plans offering Roth²



Percent of participants contributing to Roth (if offered)²



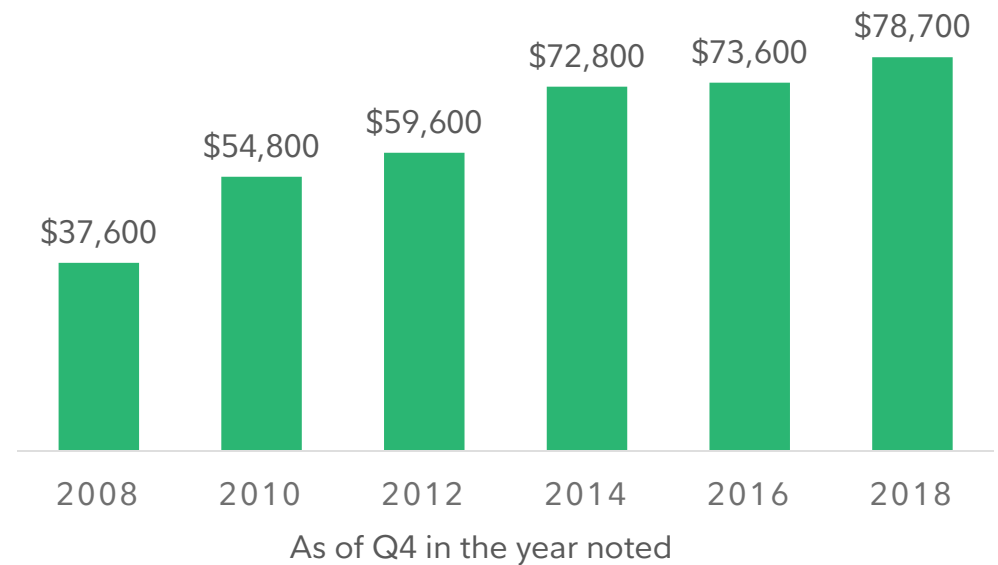
Tax-exempt workers making strides

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

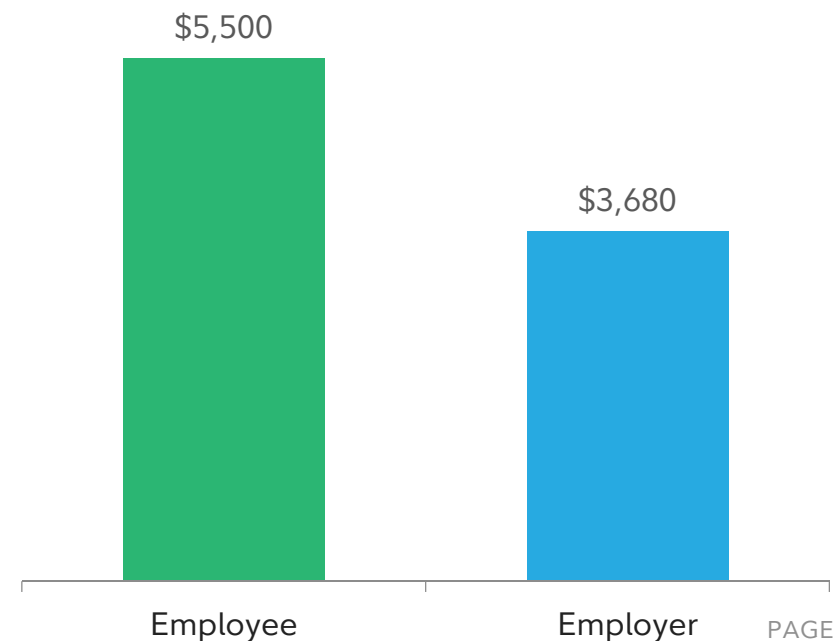
ADDITIONAL INSIGHTS⁷:

- 44% of all assets in tax-exempt plans are invested in target date funds.

Average Balance - Tax-exempt plans⁶



Average tax-exempt plan contribution amounts⁶ 12 months ending 12/31/18





IRA trends

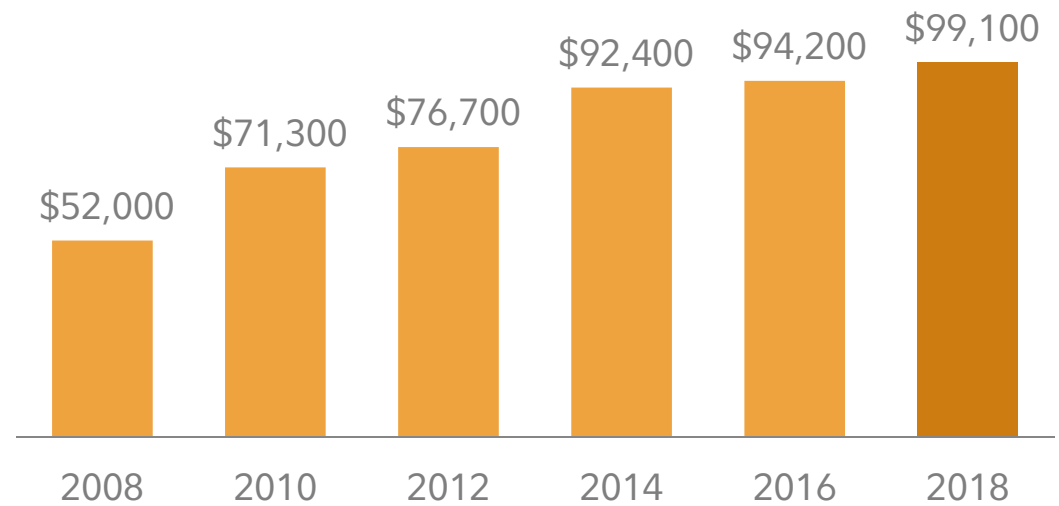
IRA balances

7.3 million people are saving and investing for retirement through an IRA where the number of accounts has grown by 6% and average balances have decreased -7.4% between Q4 2018 and Q4 2017⁷.

ADDITIONAL INSIGHTS⁷:

- Female millennials owned IRA accounts increased by 19.5% in 2018 over 2017.

Historical IRA balances⁷



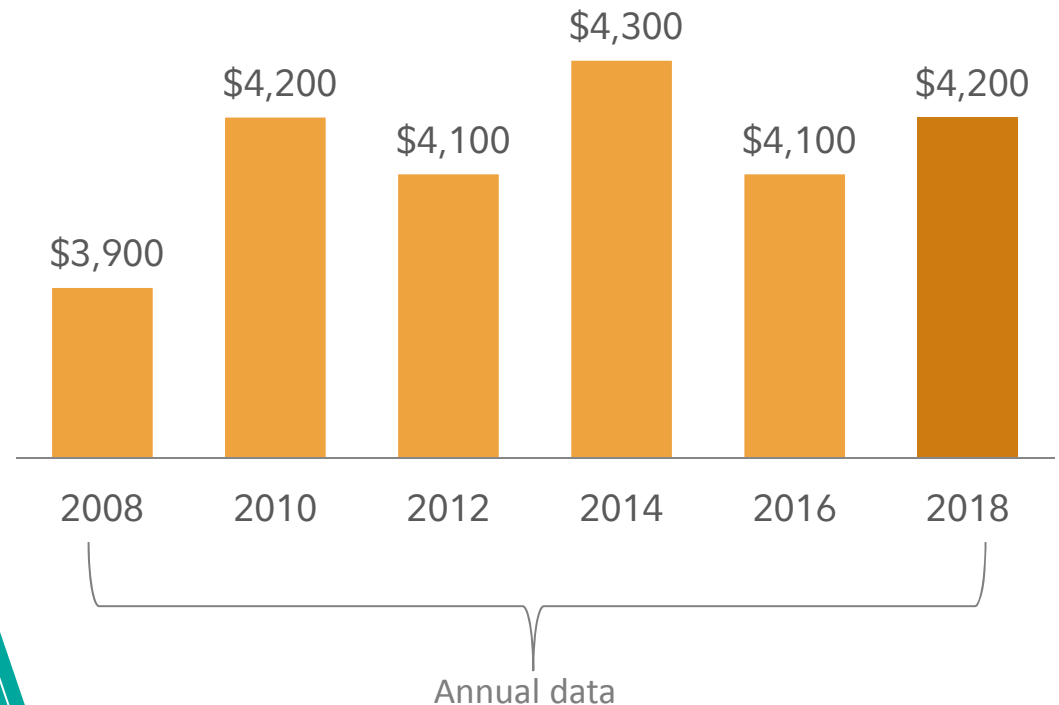
IRA contributions

While not all account holders contribute to their IRA on an annual basis, the number who do has increased by 10.4% from the previous year⁷.

ADDITIONAL INSIGHTS⁷:

- Across the generations, Roth IRAs are the savings vehicle of choice with 55% of all IRA contributions going to Roth.
- Contributing millennial Roth IRA accounts increased 20% in 2018 over 2017.

Average IRA contribution amount historical⁷





401(k)-IRA trends

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

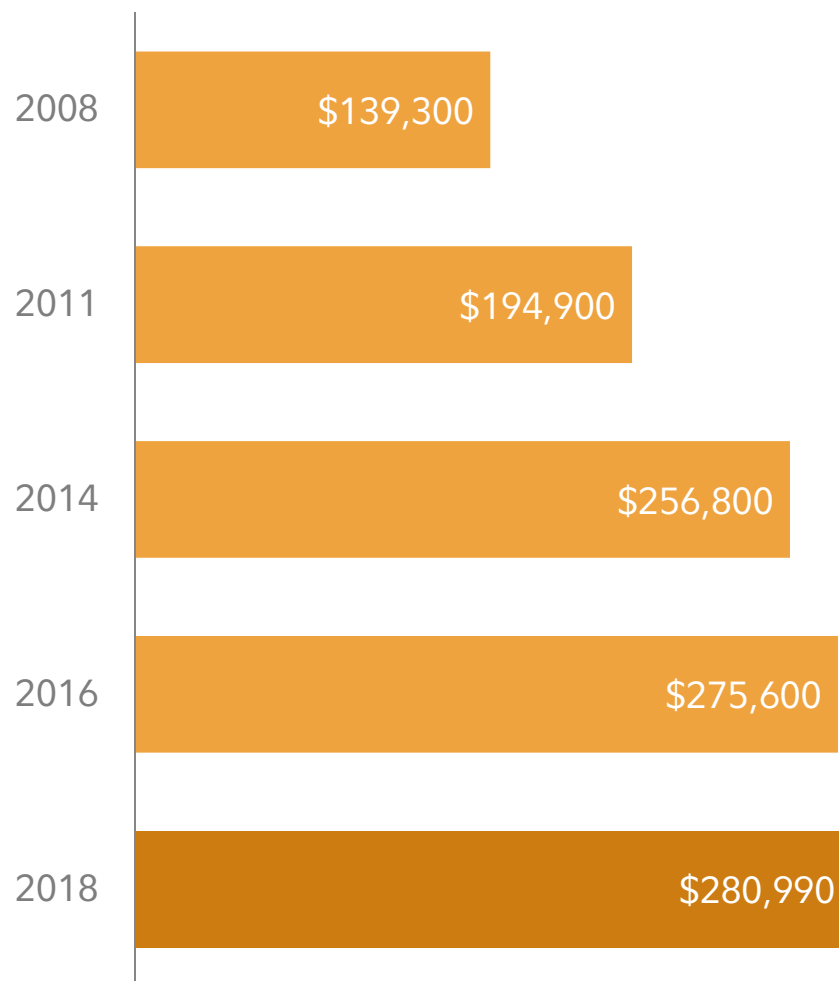
Combined balances

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

ADDITIONAL INSIGHTS⁸:

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

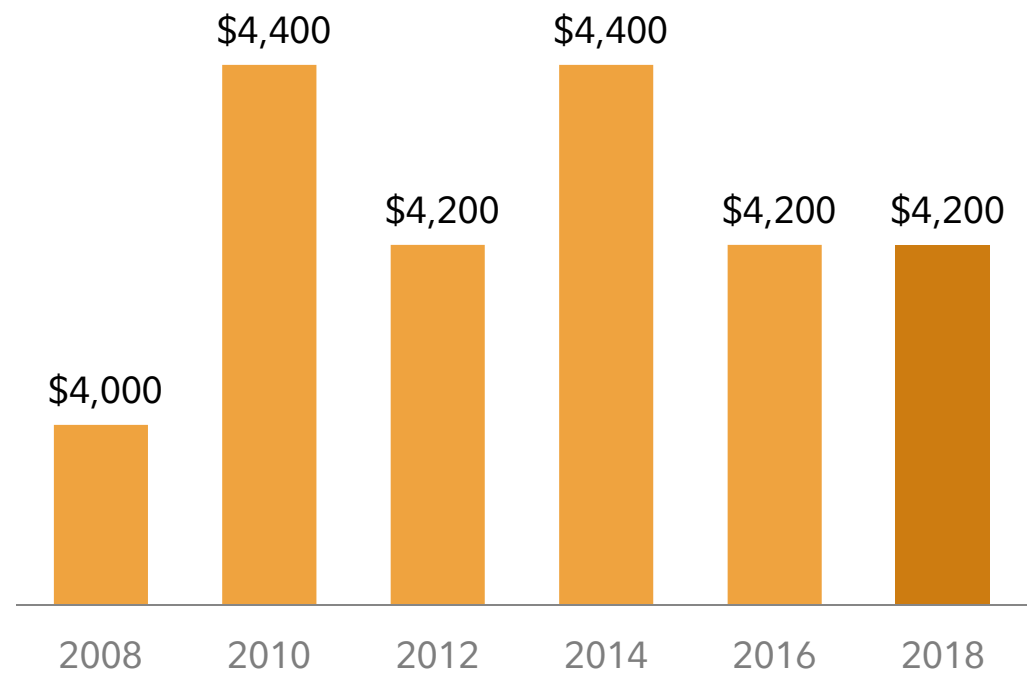
Combined average balances for savers with both a workplace retirement plan and an IRA⁸



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 years⁸.

Average IRA contributions amounts for "DC/IRA" savers⁸





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 16.2 million participants as of 12/31/2018.

³ Based on Fidelity analysis of 22,200 corporate DC plans (including advisor-sold DC) and 15.0 million participants as of 06/30/2017. Investors who got out of stocks refers to 401(k) participants who went to a 0% equity allocation between Q1'08–Q1'09; those who stayed invested refers to 401(k) participants who maintained some equity exposure between Q1'08–Q1'09. In both populations, the majority continued to make new contributions.

⁴ Fidelity participant panel survey conducted May 18–June 1, 2016, with 743 respondents.

⁵ Based on analysis of participants who initiated a loan in 1st quarter 2009 – 4th quarter 2017.

⁶ Based on Fidelity analysis of 10,600 Tax-exempt plans and 5.9 million participants as of 12/31/2018.

⁷ Fidelity business analysis of 9.2 million IRA accounts as of 12/31/2018.

⁸ Fidelity business analysis of people saving in both a DC retirement plan and an IRA as of 12/31/2018.

Approved for use in Advisor and 401(k) markets. Firm review may apply.

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