



NEWS RELEASE

Employees Who Participate in Both Their 401(k) And Employee Stock Purchase Plan Tend to Save More for Retirement, According to Fidelity®

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Employees Who Participate in Both Plans Often Contribute More to Their 401(k) and are More Likely to Take Advantage of Financial Guidance

BOSTON--(BUSINESS WIRE)-- Employees who participate in both their company's Employee Stock Purchase Plan (ESPP) and their company's 401(k) tend to contribute an average of 32% more to their 401(k) than employees who only participate in the 401(k), according to recent research¹ from Fidelity Investments. In addition, nearly nine out of ten (89%) employees that participate in their company's Employee Stock Purchase Plan (ESPP) also participate in their 401(k), and employees that participate in both plans are more likely to take advantage of financial guidance made available by their employer, which can contribute to improved overall financial wellness.

Fidelity's findings are based on the analysis of 250,000 employees who have access to both a 401(k) and ESPP. The study found that employees in both plans contribute an average of 12.5% and 6.3% of their salary in their 401(k) and ESPP, respectively, while employees that only participate in their 401(k) contribute an average of 8.8% of their salary. The higher contribution rate for employees in both plans is consistent across all income levels, not just among executives and highly-paid employees – for example, employees with annual salaries between \$25k and \$50k who participate in both plans contribute an average of 8.3% and 4.7% to their 401(k) and ESPP, respectively, compared with a 7.4% contribution rate for employees that only participate in their 401(k).

“Historically, there has been concern that employees who have access to a 401(k) and an ESPP are faced with an ‘either/or’ decision; however, this analysis demonstrates that when employees have access to both plans, in an integrated environment, participation in both plans can result in better retirement savings behavior and contribute to improved financial wellness,” said Mark Haggerty, Head of Stock Plan Services, Fidelity Investments.

When participation rates for employees in both their ESPP and 401(k) were analyzed by income, the analysis shows

double-digit participation rates at every income level, with more than a third of employees at all salary levels above \$75k per year participating in both plans. The research also found that participation in both plans was consistent among male and female employees – after allowing for income disparity between men and women, the percentage of women who participate in both their ESPP and 401(k) is 36%, only one percent lower than the participation rate for men.

Opportunity to Purchase Company Stock at a Discount Can Encourage Participation in ESPPs

Fidelity's research found that plan design can have an impact on the number of employees that choose to participate in their company's ESPP. While ESPPs often offer workers the chance to purchase company stock at a discount, ranging from 5% to 15%, many ESPP plans with a 15% discount also offer a "look back" which can stretch the discount when the stock price is appreciating. A look back compares the price at the beginning of the offering period to the price at the end of the purchase period (e.g., January 1 and June 30) and applies the discount to the lower price. Fidelity's analysis found that ESPPs offering 15% discount with a look back have a participation rate of 44%, well above the participation rates for plans that offer lower discounts or no look back.

"This analysis demonstrates that while it's important for employers to consider the workplace benefits they make available to their employees, it's also important to recognize how the benefits are structured and the positive impact of offering employees multiple benefits in an integrated environment," continued Haggerty.

About Fidelity

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses we serve. With assets under administration of \$8.8 trillion, including discretionary assets of \$3.5 trillion as of September 30, 2020, we focus on meeting the unique needs of a diverse set of customers: helping more than 32 million people invest their own life savings, 22,000 businesses manage employee benefit programs, as well as providing more than 13,500 institutions with investment and technology solutions to invest their own clients' money. Privately held for more than 70 years, Fidelity employs more than 45,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit <https://www.fidelity.com/about-fidelity/our-company>.

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Fidelity Brokerage Services LLC, Member NYSE, SIPC 900 Salem Street, Smithfield, RI 02917
Fidelity Distributors Company LLC,

500 Salem Street, Smithfield, RI 02917

National Financial Services LLC, Member NYSE, SIPC, 200 Seaport Boulevard, Boston, MA 02110

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1 Analysis based on 250,000 employees at 100 Fidelity corporate clients that had access to both a 401(k) and an Employee Stock Purchase Plan as of 12/31/2019. Both male and female employees included in the analysis, and employee in the study represent a range of incomes, ages and tenures.

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Corporate Communications

(617) 563-5800

fidelitycorporateaffairs@fmr.com

Mike Shamrell

(617) 563-1996

michael.shamrell@fmr.com

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