NEWS RELEASE

Fidelity® Q3 2020 Retirement Analysis: Steady Contributions and Market Performance Lead to Increased Balances; Ongoing Financial Uncertainty Also Drove Withdrawals

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Market Swings Underscore the Need for a Retirement Plan, Especially Among Older Workers

BOSTON--(BUSINESS WIRE)-- **Fidelity Investments®**, a market-leading workplace benefits company and America's No. 1 IRA provider1, today released its quarterly analysis of retirement savings trends, including account balances, contributions and savings behaviors, across more than 30 million IRA, 401(k), and 403(b) retirement accounts.

Despite ongoing market swings and economic uncertainty, average retirement account balances increased slightly in the third quarter. And while contributions to retirement accounts remained steady overall, the financial challenges created by the global pandemic drove retirement account withdrawals under the CARES Act for those employees with an immediate financial need.

"It's encouraging to see average account balances increase slightly over the quarter and many individuals continuing to save in the face of the challenges posed by the pandemic, especially as many organizations, as well as their workers, are struggling in the current business environment," said **Kevin Barry**, president of Workplace Investing at Fidelity Investments. "While the goal for retirement is to save and invest for the long-term, unexpected events can create a need to withdraw savings to cover near-term expenses. This is one of the many reasons why we're committed to helping our clients and their employees with the resources and support they need while the country navigates this period of uncertainty."

Highlights from Fidelity's Q3 2020 analysis include:

- Retirement accounts increase slightly in Q3. The average IRA balance was $117,700, a 6% increase from last quarter and 7% higher than the average balance of $110,200 a year ago. The average 401(k) balance increased to $109,600 in Q3, a 5% increase from Q2 and up from 4% from a year ago. The average 403(b) account balance increased to $96,100, an increase of 5% from last quarter and up 9% from a year ago.

Average Retirement Account Balances

	Q3 2020	Q2 2020	Q3 2019	Q3 2010
IRA2	$117,700	$111,500	$110,200	$67,200
401(k)3	$109,600	$104,400	$105,200	$65,800
403(b)4	$96,100	$91,100	$88,000	$50,900

- Employee and employer contributions remained steady. The total savings rates for 401(k) and 403(b) accounts, which is the combined employer and employee contribution rates, remained consistent from the previous quarter. The average total savings rate for 403(b) accounts was 10.6% and the total savings rate for 401(k) accounts was 13.5%.Across Fidelity's 401(k) platform, nearly nine out of ten (89%) of individuals left their contribution rate unchanged in Q3.
- Roth IRAs continue to be a popular retirement savings account. Investors across all generations continue to leverage Roth IRAs as a retirement savings vehicle. From Q3 2019 to Q3 2020, 58% of all IRA contributions were to Roth IRA accounts, up from 54% for the same period a year ago, and overall, the number of Roth IRA accounts that received a contribution grew 35% over the past year. Total IRA contribution dollars, across all types of IRA accounts, increased 37% during the same period.
- More individuals are saving in both an IRA and a 401(k). An increasing number of individuals are saving in an IRA in addition to their workplace savings plan. More than 2 million individuals on Fidelity's platform save in both an IRA and their employer's 401(k), an increase of 12.5% over Q3 2019. Among individuals saving in both their 401(k) and an IRA, the average combined balance rose to $333,700, an increase of 6% over the average balance of $312,000 a year ago. Millennials saving in both an IRA and a 401(k) saw their average balance increase 15.8% to $82,600.
- Workers continue to leverage CARES Act to help meet financial needs. The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law in late March 2020 in response to the economic fallout from the COVID-19 pandemic. From March to the end of Q3, 1.2 million individuals had taken a CARES Act distribution from their retirement account, which represents 4.6% of eligible employees on Fidelity's workplace savings platform. In Q3, the overall average withdrawal amount was $9,000, while the median withdrawal amount was $2,400. Since many employees who needed to tap their retirement saving opted for a CARES Act withdrawal, the percentage of workers initiating a traditional 401(k) loan dropped to 1.9% in Q3, with the overall percentage of 401(k) loans outstanding dropping to 18.7%.

Market Uncertainty Highlights the Importance of Asset Allocation, Especially for Older Workers

With stock market swings5 of nearly 20% throughout the third quarter, the ongoing financial uncertainty has emphasized the importance of investors having a plan for their savings. This is especially important for Baby Boomers6 who may want to limit the impact of market volatility on their savings as the get closer to retirement. Fidelity's Q3 analysis identified several areas older workers may want to examine to ensure they are considering all the options available to manage and protect their retirement savings:

- Asset allocation. Having the proper balance of stocks, bonds and cash within your retirement savings account can play a key role in helping individuals meet their retirement savings goals. However, as of Q3, 38% of Boomers may have stock allocation higher than suggested7 in their 401(k) for their age group, with 7% of Boomers holding 100% equity in their 401(k) plans – which could expose their savings to unnecessary risk. Encouragingly, some Boomers are mixing up the amount of stocks in their portfolios with 15% making an exchange within their 401(k) over the last 12 months and almost a third of Boomers (32.4%) moving some of their savings into more conservative investments. Additionally, 70% of Boomers utilize a target date fund within their 401(k), yet only 39% of Boomers hold all of their savings in a target date fund, and therefore may not be fully benefiting from their rebalancing capabilities.
- More help for those who need it. Workplace managed accounts can help savers build a personalized plan and manage the asset allocation and overall level of risk in their retirement account through professional investment management. As of Q3, more than a third (33.7%) of 401(k) plans offer a workplace managed account option, along with 37% of 403(b) plans. However, while 50% of Boomers on Fidelity's 401(k) platform have access to a workplace managed account, only 7.8% of Boomers utilize this service.

"One of our observations over the last six months was that individuals who had a savings plan tended to stick to their plan. There will always be unexpected events that come up, but having a plan in place can often put individuals in the best position to stay on track," continued Barry.

Fidelity's **Retirement Income Services** site outlines some of the key factors to consider as individuals transition to retirement, including Social Security and health care costs. Fidelity also launched a **retirement income solution** that is designed for individuals who choose to keep their retirement savings in their previous employer's workplace retirement plan, and includes tools to help them turn their retirement savings into a reliable retirement income stream.

For more information on Fidelity's Q3 2020 analysis, click **here** to access Fidelity's "Building Financial Futures" overview, which provides additional details and insight on retirement trends and data.

About Fidelity Investments

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**.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

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.

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1 Cerulli Associates' The Cerulli Edge—Retirement Edition, Q1 2019, based on an industry survey of firms reporting total IRA assets administered for Q4 2018.
2 Fidelity IRA analysis based on 10.5 million Personal Investing IRA accounts, as of September 30, 2020 and includes all IRAs except for inherited IRAs, small business IRAs and IRAs distributed through the advisor-sold market.
3 Analysis based on 23,300 corporate defined contribution plans and 19 million participants as of September 30, 2020. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.
4 Analysis based on 10,409 defined contribution plans, including 403(b), 401(a), 401(k) and 457(b) qualified, non-qualified and TEM pooled plans, and 6.7 million participant accounts, for 5.1 million unique individuals, in the tax-exempt market, as of September 30, 2020.

5 Source: Yahoo Finance, DJIA averages between July 1, 2020 and September 30, 2020.
6 Baby Boomers, as defined by the Pew Research Center, as anyone before between 1946 – 1964. Other generational data according to Pew Research include Generation X (1965-1980) and Millennials (1981-1996).
7 For "Asset Allocation" purposes, age appropriate equity allocation is defined as the participant's current age and equity holdings in a retirement portfolio 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 19% equity holdings 10-19 years after retirement. Equities are defined as domestic equity, international equity, company stock, and the equity portion of blended investment options. The indicator for asset allocation is determined by being within 10% (+ or -) of the Fidelity Equity Glide Path. We assume self-directed account balances (if any) are allocated 75% to equities, regardless of participant age and so the Asset Allocation Indicator has limited applicability for those affected participants. For purposes of this metric, participants enrolled in a managed account or invested greater than or equal to 80% of their account balance in a single target date fund are considered to have age appropriate equity allocation. 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.

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