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Contact for Media Only:
Fidelity Media Relations
FidelityMediaRelations@fmr.com

John Garretson
john.garretson@fmr.com

INCREASING ADVISOR EXPERTISE GENERATES STRONGER RESULTS FOR PLAN SPONSORS, ACCORDING TO FIDELITY® STUDY

15th Fidelity® Plan Sponsor Attitudes Study Finds:

- *80% of Plan Sponsors are Satisfied with Plans Achieving Their Goals, an All-Time High*
- *Advisors play a crucial role in driving actionable plan design changes to enhance employees' retirement prospects: 82% of advised plans feature automatic enrollment and advised plans are more likely to increase their matching contribution*

BOSTON, August 19, 2024 -- Fidelity Investments® announced today the findings from its 15th annual Plan Sponsor Attitudes Study, highlighting how evolving advisor expertise is meeting sponsors' expanding needs and, in turn, driving positive plan results and record satisfaction amongst plan sponsors.

Fidelity's study, which surveyed over 1,100 employers offering retirement plans using a wide variety of recordkeepers, found that not only do 90% of sponsors use an advisor for plan sponsor consultation and management, but 80% are satisfied with the plan achieving its goals, up from 74% in 2023. In addition, 31% of advised plans are more often "very satisfied" with the plan achieving its goals (versus 18% of non-advised), and 78% of sponsors said their plan advisor provides good value.

Advisors are providing this value by engaging beyond the 401(k), driving top-line advisor satisfaction from plan sponsors and better positioning employees for retirement:

- 81% of sponsors are highly satisfied with their advisor, up from 63% in 2019 and 76% in 2023.
- Nearly 50% of surveyed sponsors report it being "very important" advisors provide guidance on HSAs – a 21% jump from 25% in 2023.
- 81% of plan sponsors said plan advisors should be allowed to work with employees outside their respective plan to support their broader financial planning needs.

"We're observing a clear relationship between the combined value of specialized expertise and plan satisfaction, with the catalyst being advisors evolving and engaging beyond the retirement plan," said Dalton Gustafson, head of Intermediary Investment Client Group at Fidelity Institutional. "Plan sponsors are only expecting more from their advisors, and we certainly don't see that trend slowing. In fact, our study showed that sponsors are meeting with prospective advisors to merely remain informed on other services being offered, signaling the need for advisors to not only be knowledgeable, but understand how each sponsor perceives value and taking steps to tailor their approach."

Perspective on Investment Menus

As advisors adjust to meet the evolving needs of plan sponsors, investment menus have also evolved to enhance retirement planning for employees. In the past 12 months, nine out of 10 surveyed sponsors made changes to their menus.

Advisors play an important role in the evaluation and selection process for target date funds. For fund managers overseeing these investments, fund manager access and performance are key to plan sponsors. One out of four sponsors (26%) shared that hearing directly from the target date investment manager and being able to ask them questions was an important factor in selecting a target date manager. Performance (22%) and advisor/consultant recommendation (19%) were also important. Additionally, plan sponsors value performance over cost when it comes to target date funds. Nearly 60% of sponsors indicated a preference for a target date investment option that is more expensive but has historically delivered better performance net fees, compared to 41% who prefer less expensive options with lower performance net fees.

Collective Investment Trusts (CITs) also hold significant value in investment menus. Thirty-two percent of surveyed sponsors added this investment vehicle in the past year, and 32% plan to further increase the number of CITs available on menus this year.

Employee Retirement Readiness

Eighty-two percent of plan sponsors are optimistic their retirement plan benefits best position employees to successfully save for retirement—a 10% increase from 2023. Despite the challenging and unpredictable economic environment, 78% of plan sponsors consider automatic enrollment and company matches as effective tools in long-term retirement planning.

However, despite the plan sponsor's optimistic view, the survey revealed only 50% of employees are retiring on schedule (defined as age 67), indicating significant challenges in terms of retirement readiness. Twenty-three percent of employees retire later than expected.

According to over 70% of plan sponsors surveyed, these delays are primarily due to insufficient retirement savings.

"There appears to be a disconnect between the perception and reality of employee retirement readiness among plan sponsors," Gustafson said. "However, advisors can serve as a bridge to address this gap, helping plan sponsors—and in turn, employees— be better prepared for life in retirement."

The survey findings indicate advised plans are more likely to establish a defined retirement income replacement goal (82% compared to 66% for non-advised plans). Additionally, 83% of sponsors express satisfaction with advisors who actively promote retirement plans to employees.

Plan Design Insights

Plan sponsors continue to evolve their plans alongside their advisors and/or consultants to ensure they're setting employees on a positive path to retirement savings. When asked about plan design changes made in the past 12 months, sponsors reported increasing the matching contribution (37%) as the top change.

Even more so, plan sponsors are taking additional steps to enhance retirement savings. The most notable change was implementing automatic increases to deferral rates (28%), which saw a significant increase compared to last year (up 7% from 2023). In 2024, 32% of plan sponsors are planning to adopt automatic deferral rate increases, representing a 10% jump from the previous year. Additionally, one out of four sponsors (26%) plans to introduce emergency savings accounts this year.

Advisors can play a crucial role in driving these actionable plan design changes to enhance employees' retirement prospects. Specifically:

- 82% of advised plans feature automatic enrollment, compared to 68% of non-advised plans.
- 31% of advised plans intend to increase their matching contribution, while only 25% of non-advised plans plan to do so.
- 28% of advised plans will introduce automatic enrollment vs. 21% among non-advised plans.

Fidelity's Plan Sponsor Attitudes study is an example of how Fidelity's interconnected, yet diverse business model gives the company unique insights into the industry. Additional information on the survey, as well as resources and tools—including fund analytics and details on investment options—can be found at go.fidelity.com/attitudes.

Plan Sponsor Attitudes Study: Methodology

The 2024 Plan Sponsor Attitudes Study was an online survey of 1,174 plan sponsors on behalf of Fidelity. Fidelity Investments was not identified as the survey sponsor. The survey was conducted during the month of January 2024. Respondents were identified as the primary person responsible for managing their organization's 401(k) plan. All plan sponsors confirmed their plans had at least 25 participants and at least $3 million in plan assets. Though the survey is broad in scope the experience of the plan sponsors participating in the survey may not be representative of all plan sponsors. Previous Fidelity surveys were conducted in 2008, 2010, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023.

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