



T. Rowe Price: 401(k) Plan Participants Report More Retirement Confidence

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NEWS

Individuals who participate in 401(k) plans are more confident about their retirement than those who do not participate, according to a recent study focused on financial attitudes and behaviors conducted by T. Rowe Price. The 5th annual [study](#), "Retirement Savings and Spending," found that regardless of income and assets, preretirees aged 50 and older who participate in a 401(k) plan are 16% more likely to be confident about their retirement than those who do not participate.

"Our findings support that a 401(k) plan is a game-changer in terms of shaping healthy financial behaviors as well as ultimately resulting in more financially confident individuals," said Sudipto Banerjee, vice president of retirement thought leadership at T. Rowe Price. "These plans provide a structure that encourages saving by allowing people to pay themselves first. We believe that 401(k)s are an important, foundational first step toward a successful retirement."

KEY FINDINGS

- **Regardless of household income, individuals with access to 401(k) plans save significantly more.** Among low income households making \$25,000 or less, 401(k) participants saved 10 times more on average than their peers without access to a plan and 20 times more than those who have access but choose not to participate.
- **Eligible nonparticipants are worse off than people without access to a 401(k) plan.** Plan participants have a median household asset balance of \$172,000 compared to the median of \$7,000 for workers without plan access. Eligible nonparticipants have a median asset balance of \$2,000.
- **401(k) plan participants report higher progress toward major financial objectives.** Plan participants are more likely than eligible participants to report higher progress toward a variety of financial objectives such as reducing student loans (72% and 38%, respectively) and saving for emergencies (73% and 41%, respectively). Additionally, plan participants are twice as likely to save for retirement via traditional IRAs or other accounts.

"We believe that employer savings plans like 401(k)s can help provide a foundation for long-term savings for people who wouldn't normally do so on their own. Those who don't have access bear more responsibility to seek other ways to save for retirement. We were pleased to see policymakers pass the SECURE Act because it will make the 401(k) a more widely available option for employers. We believe all workers should feel confident and look forward to their retirement," said Kevin Collins, head of Retirement Plan Services at T. Rowe Price.

Retirement Plan Sponsors, consultants, advisors and service providers can align plan designs with employee behavior to maximize budgets and outcomes. They can add auto-increase defaults and provide tools to track progress for current participants and provide access to debt management tools to eligible nonparticipants. Plan sponsors should also consider the integration of financial wellness programs which provide tools and resources that can educate and empower individuals to take small but purposeful steps toward long-term financial success.

Plan participants should try and save at least 15% of their income and take advantage of employer matching contributions. Eligible nonparticipants should prioritize paying off high-interest debt, establish emergency savings and participate in a 401(k) savings plan.

ABOUT THE STUDY

The findings are based on a national study of 3,016 retirement plan participants, 250 eligible non-plan participants, and 603 individuals without access to workplace savings plans. T. Rowe Price worked with NMG Consulting to conduct the survey online from June 13, 2019 to June 25, 2019. This is the fifth edition of the study, following the [2014](#), [2015](#), [2017](#), and 2018 installments. The first phase of the 2018 study focused on [financial advice](#), the second phase focused on [retirees](#), and the third phase focused on [gender](#). Data from prior studies is used in this report for comparison purposes.

For more information about the study please contact Sudipto Banerjee at Sudipto.Banerjee@troweprice.com or 410-577-5758 or 443- 204-0662 (c).

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