T. Rowe Price Publishes Latest Findings On 401k Investor Behavior During Recent Economic Downturns

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Getting Smarter After Lessons Learned from the 2008 Global Financial Crisis

BALTIMORE, Sept. 15, 2020 /PRNewswire/ -- A recent study by T. Rowe Price found retirement savers who were saving at an adequate rate prior to the 2008 Global Financial Crisis (GFC), and who continued to save throughout the crisis, saw the best outcomes. The 67% of retirement savers who practiced this behavior were able to weather the volatility and stay on track with their savings. Meanwhile, 44% of individuals who lacked retirement savings prior to the GFC and increased their savings in response to it, still had to consider delaying their retirement 10 years after the downturn. Both statistics reinforce the importance of developing healthy savings behavior early because making up the lost financial ground can be difficult.

"Looking back, the data suggest that market volatility can induce decisions that are often not in retirement savers' longer term financial best interest," said Joshua Dietch, vice president of retirement thought leadership at T. Rowe Price. He said 21% of those surveyed claimed to have moved money from equity funds to safer investments in their 401(k) plans in 2008 and "interestingly, the primary differences in behavior seem to stem from the size of one's retirement balance. Those with the largest accounts were three times more likely to trade from equity funds to safer investment options (35%) than those with the smallest accounts (11%). Additionally, in 2008, nearly one in five workers (19%) recalled taking a loan or hardship withdrawal from their 401(k) plan."

Meanwhile, T. Rowe Price's 2020 401(k) recording keeping data shows that investor behavior during the current financial crisis is muted compared to the 2008 behavior featured in the survey. Less than 2% of investors who solely invest in target date funds had changed their investment allocations compared to 19% of all other investors. Further, while two-thirds of T. Rowe Price's larger clients have adopted at least one of the CARES provisions to date, only 6% of the participants used at least one of the provisions.

"Looking back, the data suggest that market volatility can induce decisions that often will not benefit retirement savers' over the long term," added Dietch. "However, today's savers have benefited from the automation of retirement savings brought on by the Pension Protection Act in ways that savers could not in 2008. If there is a silver lining to this crisis, this may be it: that automated contributions can help people save for retirement, regardless of market conditions."

ABOUT THE RESEARCH
The survey 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. The first phase of the 2019 study focused on retirement confidence and the second phase focused on retirement income. Data from prior studies is used in this report for comparison purposes.

T. Rowe Price record keeping data is based on internal plan sponsor and participant data through July 31, 2020.

ABOUT T. ROWE PRICE
Founded in 1937, T. Rowe Price (NASDAQ-GS: TROW) is an independent global asset management company with $1.34 trillion in assets under management as of August 31, 2020. The organization is focused on delivering investment excellence and retirement services for institutional and individual investors. Our strategic investing approach, driven by independent thinking and guided by rigorous research, helps clients feel confident in pursuing financial goals. **troweprice.com**, **Twitter**, **YouTube**, **LinkedIn**, **Instagram**, or **Facebook**.

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