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T. Rowe Price Releases Annual Study On 401(k) Participant Activity And Plan Design

June 2, 2021

Reference Point research shows that 401(k) participants saved more and account balances grew in 2020 amid pandemic

BALTIMORE, June 2, 2021 /PRNewswire/ -- T. Rowe Price, a global investment management firm and a leader in retirement services for investors and plan sponsors, released today [Reference Point](#), its annual 401(k) benchmarking report featuring year-over-year data and analysis on participant behavior and plan design. The report is based on the firm's full-service recordkeeping client data and this year, it features findings derived through the lens of the global pandemic.

"While the financial, physical, and emotional strains caused by the pandemic had, and will continue to have, repercussions on plan design and retirement savings outcomes, it was encouraging to see that through it all, plan sponsors and participants remained committed to retirement savings," said Kevin Collins, head of Retirement Plan Services at T. Rowe Price.

Key findings include:

- The overall **average pretax deferral rate** for participants increased from 7.6% in 2019 to 7.8% in 2020—the largest annual increase since 2016.
- The deferral rate increase, combined with the fact that the majority of participants did not react to the market volatility by making withdrawals from their accounts, contributed to the **average account balance** increasing by 13% over 2019 when the market rebounded before the end of the year.
- **Roth 401(k)s** continue to gain traction in the marketplace. Since 2016, plans offering Roth contribution options have increased from 60% to 80% in 2020. Nearly 10% of eligible participants took advantage of this benefit in 2020, up from 8.5% the previous year.
- During the peak of the market volatility in 2020, 10% of plans made changes to their **plan design**. For example, from 2019 to 2020, the percentage of **plans offering a match** declined, from 82% to 77%, as some plans suspended their company matching contributions in 2020. However, of the plans that made changes, almost half of these plans reinstated part or all of their original plan design, including matches, within the first month of the new year (46% in January 2021).
- While the vast majority of participants did not leverage any of the **CARES Act provisions** (more than 90%), those who did chose to access funds in the form of Coronavirus Related Distributions (CRDs), hardships, or loans. Due to the availability of CARES Act provisions, the number of 401(k) hardship withdrawals and loans taken declined in 2020, as participants took CRDs instead. CRDs accounted for 68% of loans and distributions, however only approximately 8% of participants took at least one CRD in 2020.

Collins added, "Despite the challenging year, we continued to see growth—participants are saving more, account balances are continuing to grow, and plan sponsors are remaining steadfast in helping employees save for retirement."

ABOUT REFERENCE POINT

Reference Point is an annual client data benchmarking report so plan sponsors can review trends and benchmark their progress and participant behavior across the firm's client base. Data are based on the large-market, full-service universe of T. Rowe Price Retirement Plan Services, Inc. retirement plans (401(k) and 457 plans), consisting of 674 plans and over 2.0 million participants, from January 1, 2020 through December 31, 2020. T. Rowe Price Plan Services, Inc. has been a retirement solutions provider for more than 30 years.

ABOUT T. ROWE PRICE

Founded in 1937, T. Rowe Price (NASDAQ-GS: TROW) is an independent global asset management company with \$1.59 trillion in assets under management as of April 30, 2021. The firm is focused on delivering investment excellence and retirement services for institutional, intermediary, and individual investors. Our strategic investing approach, driven by independent thinking and guided by rigorous research, helps clients feel confident in pursuing financial goals. For more information, visit troweprice.com, [Twitter](#), [YouTube](#), [LinkedIn](#), [Instagram](#), or [Facebook](#).

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