

T. Rowe Price

T. Rowe Price: Auto-solutions Continued to Positively Influence 401(K) Savings Behavior in 2022, Even Amid Market Uncertainties

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2022 report featuring latest trends in 401(k) plan design and participant behavior

BALTIMORE, April 24, 2023 /PRNewswire/ -- T. Rowe Price, a global investment management firm and a leader in retirement, today released [Reference Point](#), its annual benchmarking report featuring data and analysis related to 401(k) plan design and participant behavior. The new report is based on the firm's full-service recordkeeping client data for 2022.

Auto-solutions, including auto-enrollment and auto-increase, continue to encourage participation and savings rates and drive better outcomes for savers. The report found that plan adoption of **auto-enrollment** rose in 2022 to 85%, continuing an eight-year trend. Overall participant-weighted participation rates fell from 68% in 2021 to 66% in 2022. Despite this decline, auto-enrollment continued to yield far higher participation rates: 86% in 2022, compared with just 37% for plans without auto-enrollment. Adoption of the auto-increase solution also increased in 2022 to 49%, up slightly from 48% in 2021. Additionally, since 2017, when the 6% default rate outpaced the 3% standard, more plans have continued the trend to introduce higher default rates, driving higher contribution rates.

Additional key findings include:

- Average **account balances** did not escape the market volatility in 2022. The average dropped from \$124K in 2021 to \$101K in 2022—a decrease of 18%, compared with the 20% drop experienced by the S&P 500 Index. This was the second largest decline in the past 15 years, with the first being the 27% drop from 2007 to 2008 during the Great Financial Crisis. Account balances for participants age 70+ decreased by an average 8%, most likely because these participants allocate more to money market/stable value and less in stocks, which suffered the greatest losses in 2022.
- After climbing steadily since 2015, the average combined **employee deferral rate** remained relatively flat in 2022, down just slightly from 8.5% in 2021 to 8.4% in 2022.
- Allocations to **target date investments** experienced modest gains for the third year in a row. The vast majority of retirement plans (97%) now offer target date investments, and 44% of overall assets are invested in a target date investment.
- Plan adoption of **Roth contributions** increased from 83% in 2021 to 87% in 2022. As of the end of 2022, 13.2% of participants were making Roth deferrals, up from 4.7% a decade prior, pointing to the increasing popularity of this option.
- Despite the effect of market volatility on account balances and rising inflation, participants are resisting the temptation to tap into their retirement savings for pressing financial needs: **loan usage** remained below the pre-pandemic average: 18.3% of participants had a loan in 2022, compared with 18.5% in 2021 and 22.1% in 2019. In general, loan usage has been declining for the past 10 years.
- While **hardship withdrawal** usage returned to pre-pandemic levels in 2022: 1.3% compared with 0.8% in 2020 and 0.9% in 2021, the average amount decreased from the 10-year high in 2021, dropping from \$10,554 to \$9,006.

"With market volatility caused by war, significant inflation, and fears of a recession, the challenges in 2022 were enough to unsettle even the most prepared retirement savers," said Kevin Collins, head of Retirement Plan Services at T. Rowe Price. "But through it all, it was encouraging to see that participants largely stayed the course and that plan auto-solutions continued to be an effective strategy in keeping participants enrolled and investing toward their retirement."

ABOUT T. ROWE PRICE

Founded in 1937, T. Rowe Price (NASDAQ: TROW) helps people around the world achieve their long-term investment goals. As a large global asset management company known for investment excellence, retirement leadership, and independent proprietary research, the firm is built on a culture of integrity that puts client interests first. Investors rely on the award-winning firm for its retirement expertise and active management approach of equity, fixed income, alternatives, and multi-asset investment capabilities. T. Rowe Price manages USD\$1.34 trillion in assets under management as of March 31, 2023, and serves millions of clients globally. News and other updates can be found on [Facebook](#), [Instagram](#), [LinkedIn](#), [Twitter](#), [YouTube](#), and [troweprice.com/newsroom](https://www.troweprice.com/newsroom).

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