

# The State of Savings

April 2020



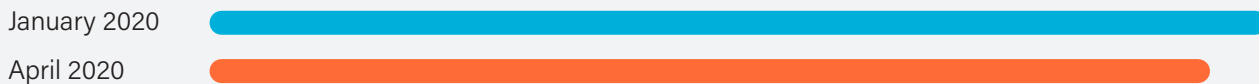
Proprietary data from Ascensus reveals how U.S. employees continued to shift savings behaviors in April 2020, as many states remained under business and travel restrictions in response to the COVID-19 outbreak.

These insights serve as an early baseline of how savings plan contribution and withdrawal behaviors have evolved in response to the pandemic. And, we expect to see new trends emerge as the full impact of the CARES Act begins to flow through our savings plans and as states across the nation reopen their economies.

## Retirement<sup>1</sup>

### The Employer Perspective

**5.4 percentage point decrease** in the number of retirement plans with contribution activity<sup>2</sup>



Industries with the most notable contribution activity decrease:



**7 times**

the decrease in contribution activity by smaller businesses with 25 employees or less compared to larger plans (75 or more employees) since January 2020.

**↓ 21.5%**

decrease in the total amount contributed to retirement plans during March & April 2020 based on projections<sup>3</sup>

**↓ 24%**

decrease average employer contribution per contributing employee in April versus January<sup>4</sup>

## The Employee Perspective<sup>4</sup>

In April versus January 2020:



### 8.6 percentage point decrease

in percent of contributing employees per employees with a balance

**23.4% decrease** in the average amount contributed by contributing employees

Minimal **.1% decrease** in average savings rate for those still contributing, while X% of employees stop contributing altogether (0% savings rate)

Standard employee distribution and loan activity remained lower than in 2019:



**12.5%**

decrease in the number of standard hardship distributions taken during March and April 2020 with a similar average amount per distribution



**66%**

substantial decrease in the number of loans taken during March and April 2020

## CARES Act Adoption

A growing percentage of employers are adopting one or both of the coronavirus-related distribution and loan options now offered with the passage of the CARES Act. The daily growth in adoption peaked near the end of April, and early indicators suggest that we'll see an even more notable increase in adoption through May as we continue to consult with employers on how these options can be implemented.

**2.5 times**

the normal level of hardship distribution activity since March 27, as employees began taking CRDs. However, the overall number of employees taking the CRDs remains fairly small at **20 in every 10,000**.



**8.7%** of employers have adopted the coronavirus-related distribution (CRD) option



**25.5%** of employers that adopted CRDs have had at least one CRD taken



**4.7%** have adopted the expanded loan option





**2%** of plans that adopted expanded loans have had loan activity


# Education Savings<sup>6</sup>


## Title Here for Consistency

In mid-March through April 2020 versus the same period in 2019:

 **11.9%**  
decrease in number of  
contributions to 529 accounts

 **20.8%**  
lower average one-time  
contribution amount to  
529 accounts

 **35%**  
decrease in number of  
qualified 529 withdrawals


 **27.5%**  
lower average qualified  
529 withdrawal amount


**No significant change**  
in nonqualified withdrawal activity

In total, 529 college savings plans administered by Ascensus were **net flow positive** throughout 2020 as reduced contributions were offset by an even greater reduction in withdrawals.

529 account investment exchanges peaked during the month of March at a weekly average of **2 times more** than 2019, returning in April to levels similar to 2019.

529 account investment exchanges peaked during March at a weekly average of 2 times more than 2019

 Investment exchanges for age-based portfolios returned to levels similar to 2019 in April 2020

 Investment exchanges for individually selected funds saw a much smaller 25% increase over 2019 levels in April 2020

<sup>1</sup>Retirement contribution analysis is based on plan data history from the Ascensus platform from January 1, 2019, through April 30, 2020. To ensure consistency in projections, the plan population included those plans that were active as of the start of each month during the period January 1, 2019 to April 30, 2020. For all Retirement and CARES data, Individual(k) and balance forward retirement plans and SEP/SIMPLE IRAs were excluded.

<sup>2</sup>Contribution activity is defined as employee deferrals to the plan, rollover deposits, and/or employer contributions.

<sup>3</sup>April 2020 projections are forecasted from a computed index using activity from 2019 through March 2020. Projections are based on the assumption that year-over-year contribution dollars per plan would follow similar patterns in January, February, March and April 2020 compared to the same months in 2019.

<sup>4</sup>Contributing employees are defined as plan participants with a contribution in the month reported.

<sup>5</sup>March and April activity is compared to 2018, 2019 and January and February 2020 and measured as a percent of participants with balances.

<sup>6</sup>Education savings analysis is based on activity from all funded 529 accounts on the Ascensus platform. Per-account averages were used to include activity from 529 accounts converted to the Ascensus platform after the start of 2019. Changes in saver behavior are determined by comparison to the same time period in 2019.