NADA Retirement
from
EMPOWER RETIREMENT

# Empowering America's Financial Journey™

*How people save, invest and get advice*

**The first annual study in participant behaviors from Empower Retirement**

# Table of contents



Top menu navigation is linked to the first page in each respective section.

The *next page* text located at the bottom right of each page is linked to each next page in the sequence.

In various spots throughout this document, you will see this star. Roll over  the star for additional insight into specific statistics.

# About the study

Empower Retirement's sole focus is on helping Americans achieve the future they imagine. With this commitment in mind, Empower is proud to release its inaugural study — Empowering America's Financial Journey (EAFJ) — about how Americans are preparing for retirement. As one of America's leading retirement providers serving more than 12 million defined contribution participants, Empower is in an unparalleled position to assess Americans' retirement readiness.

The study provides a comprehensive and representative view of workers' savings behavior and retirement preparations. In the study, EAFJ carefully analyzes the behavior of approximately 4 million active (primarily corporate) defined contribution participants to better understand their savings habits and levels of involvement with retirement planning and where they are turning to for help. With access to millions of annual participant transactions and retirement plan interactions, Empower is able to provide a unique window into the state of Americans' retirement finances.

The study extends beyond just a quantitative look at Americans' savings situation (the what and how), but also evaluates Americans' attitudes, confidence and sentiments related to retirement planning (the why). EAFJ accomplishes this through a separate representative survey of more than 2,500 Americans that builds on what we know from our platform data.

At Empower, we are steadfast in striving to meet the unique needs of everyone we serve and embrace the opportunity to inspire them along their journey. The release of the inaugural EAFJ and subsequent releases and insights are part of our commitment to live up to our mission and help millions of Americans get closer to achieving their financial and retirement goals.

Next page

# Executive summary

## Empowering America's Financial Journey

With Americans having gone through so many hardships over the past two years, it's important to pause and examine how all of this has affected their financial well-being and future. Have Americans stopped saving for retirement? Are they involved with their financial and retirement planning, or are they taking a hands-off approach? To whom or where are they turning for financial help?

We sought to gain insights and answers to these and many other questions by studying millions of participants in plans with Empower as the recordkeeper. We were pleasantly surprised to find that Americans are resilient, and key savings and planning metrics are trending in the right direction. We also uncovered gaps and opportunities that may help improve Americans' financial and retirement well-being. Below are some notable findings as they relate to Americans' retirement savings, engagement, and advice and guidance.

### Savings

On average, participants are saving at recommended income levels of 10% to 15% (including employer and employee contributions). They are saving 8.2% of their salary (excluding the employer match) in workplace retirement plans, and that rate has been trending upward over the past two years. We're also seeing 85% of eligible participants contributing to their plans, a

Next page

# Executive summary

strong recovery from pandemic lows.

Other significant findings include:

- **The majority of working Americans are optimistic about their savings.** More than half of workers surveyed (3 in 5) believe they are saving enough in their 401(k) plans.
- **Gen Zers are on the right savings track.** Gen Zers have the highest percentage of participants contributing to their 401(k) plans, not Gen Xers or baby boomers, who are closer to retirement.
- **Millennials are leading the way in Roth adoption.** One in five participants are contributing to a Roth 401(k) when offered, and millennials have the highest penetration rate (24%) across generations. Roth savers are also engaging at higher rates and saving at notably higher rates than those not contributing to a Roth (10.2% vs. 7.9%).

Although participants on average are on the right retirement savings track, there are still opportunities to help those who may be falling short. This is evident given that 69% of workers in nearly all generations wished they had started saving earlier. Some areas for improvement are highlighted below.

- **There is an income savings divide.** A lack of discretionary income is likely hindering many Americans' savings ability. Participants with incomes greater than $120,000 are saving 57% more than participants with incomes less than $60,000.
- **Gender savings gap still exists:** Compared to men, women are saving less (7.9% vs. 8.5%), and they feel less confident they are saving enough in their 401(k) accounts (49% vs. 64%). On a positive note, women with incomes greater than $60,000 are saving at slightly higher rates than men.
- **Budgeting and debt challenges are impacting savings rates:** Of the 36% of Americans who feel they are not contributing enough to their 401(k) plans, 53% say they need to make ends meet, followed by 42% who say that paying off debt is holding them back.

**3 in 5**

More than half of workers surveyed believe they are saving enough in their 401(k) plans

Next page

# Executive summary

## Engagement

Retirement and financial planning engagement can lead to many positive outcomes. Over the past 12 months, two-thirds of participants (67%) engaged with their retirement accounts and finances.

Our research found that engaged participants, when compared to unengaged participants:

- Save around 61% more (9.2% vs. 5.7%).
- Are more confident about saving enough in their 401(k) plans (63% vs. 28%).
- Rate themselves higher when it comes to financial knowledge (44% vs. 15%).

Participants with more frequent web interactions also have higher savings rates. Savings rates for participants with six to 10 web interactions are more than 50% greater than those with no web interactions (9.7% vs. 6.0%).

## Automatic features

Engagement and savings rates vary depending on how participants enroll in a plan. Participants in plans without auto-enrollment have higher engagement and savings rates than those in plans with automatic features. Despite participants who are in plans without auto-enrollment having higher engagement and savings rates, more participants in plans with auto-enrollment tend to think they are saving enough than those without auto-enrollment (71% vs 58%).

Automatic enrollment and escalation are foundational plan design features needed to help expand plan participation and overcome enrollment inertia. But because automatic features aren't designed to drive active participant engagement, they should also be offered with personalized and relevant communications and campaigns focused on boosting participant plan involvement. Part of the problem could be that participants may view saving at

Next page

# Executive summary

a default savings rate or meeting the employer match as an indication they are doing enough. In fact, more than six in 10 workers say their savings rate is either based on the employer match or automatically set by the plan.

### Advice and guidance

Americans' financial journeys are unique in nature and come with diverse challenges. With less than half of Americans (48%) feeling comfortable making investment decisions, personalized guidance and advice can help them along the way.

Americans are more comfortable making an investment decision when they:

- Work with an advisor (61% vs. 39%).
- Use online advice (62% vs. 39%).
- Receive advice over the phone (69% vs. 40%).

### Seeking advice

Americans seek professional advice for different reasons. Seeking advice initially is less event driven than savings driven. An increase in income or savings (39%) and accumulating a certain amount of savings (38%) are the most common reasons for individuals to first seek professional advice. That compares to a major life milestone (26%), such as purchasing a home or having a child.

As participants get older, participant usage of target date funds declines as do-it-yourself approaches increase. The proportion of participants using target date funds flattens out around age 54, when a do-it-yourself (DIY) approach surpasses target date fund usage slightly. Coinciding with this shift, advice usage increases and is likely tied to participants being closer to retirement and focusing on the challenges associated with retirement. Working with advisors and the increased use of guidance tools are important factors driving rising DIY approaches.

**61%**

of Americans are more comfortable making an investment decision when working with an advisor vs. 39%

Next page

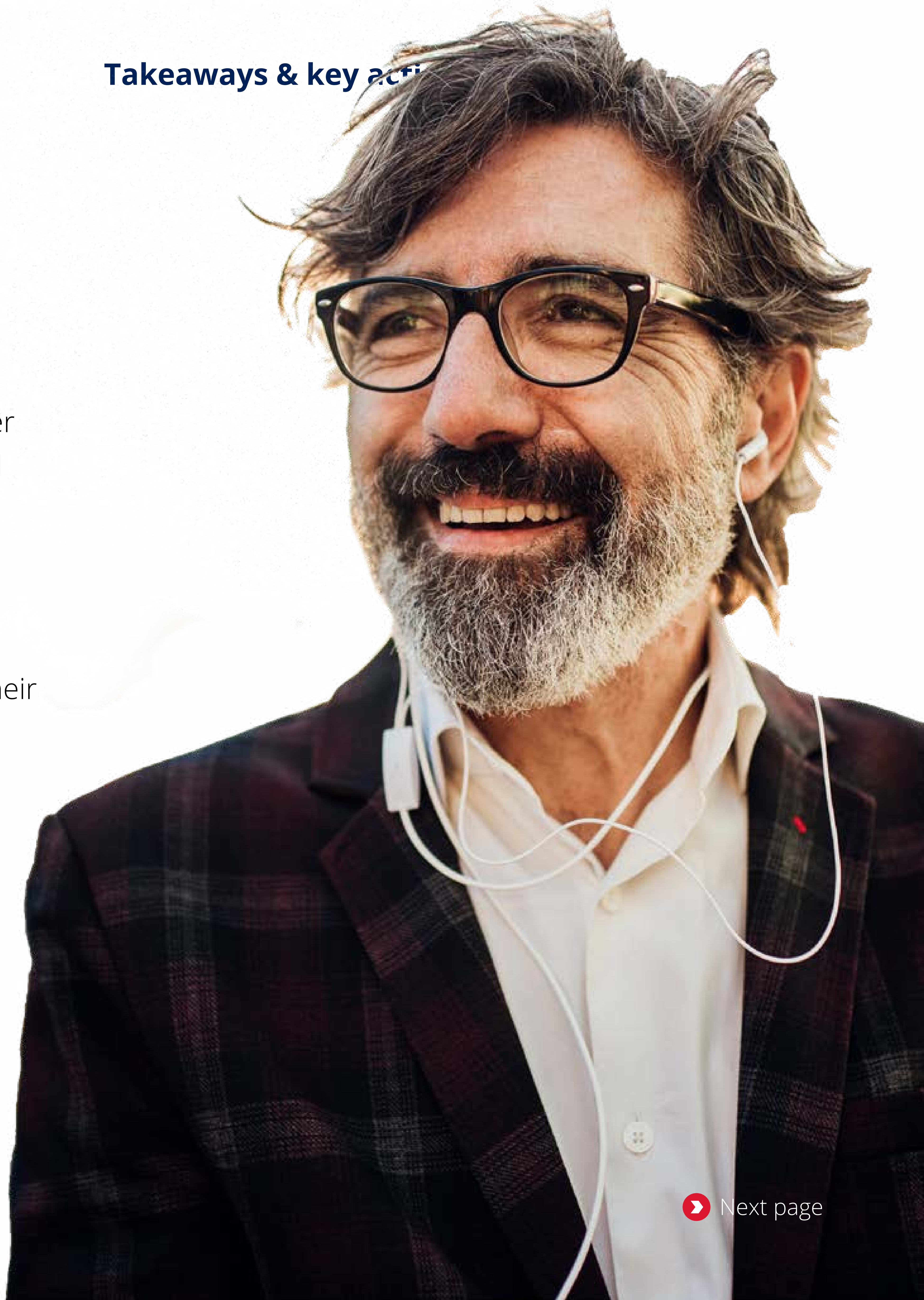
# Executive summary

Participants who are engaged, leverage educational content and/or seek out advice or guidance have higher savings rates than unengaged participants. Each of these interactions and services builds on the other, and participants taking advantage of a combination of these resources have incrementally higher savings rates.

## Helping Americans move forward along their financial journey

These and other findings provide a window into Americans' financial and retirement savings habits and readiness. Informed by these insights, these five tips can help put Americans in a better position to meet their financial and retirement goals.

1. Stay focused and get engaged; achieving financial health is a journey.
2. Retirement plan enrollment is a starting point; build upon it.
3. Build financial confidence by creating a plan and being in the know.
4. Financial and retirement help comes in different shapes and forms; find what works for you.
5. Professional advice is a foundational pillar to help improve financial well-being; don't be afraid to seek it.



Next page

# Savings overview

It's been an uncertain two years for employers and workers alike, with the pandemic impacting all aspects of American life. Yet, in the face of mental, physical and financial stress, workers have proven resilient and steadfast when it comes to their 401(k) savings and financial journeys.

Three in five workers believe they are saving enough in their 401(k) plans. A look at the numbers indicates that average worker savings rates are higher now (8.2%) compared to pre-pandemic levels in the fourth quarter of 2019 (7.8%). The percentage of eligible participants contributing to their 401(k) plans has also risen from 82% to 85%. Better yet, these positive saving behaviors aren't tied to just one group; workers across generations and income levels are saving at healthy rates.

### Challenges

Although there is cause for optimism, Americans continue to face many financial challenges. 36% of workers say they aren't saving enough. Making ends meet and paying back debt are two of the main reasons cited. Managing their finances is especially challenging for Americans making less than $60,000. In fact, less than half in that group (45%) feel they are contributing enough to their 401(k) plans. And half of millennials say debt is holding back their savings. With hindsight being 20/20, most workers (69%) wish they had started saving earlier.

**3 in 5** workers believe they are saving enough in their 401(k) plans

Next page

# Savings overview

## Trending

### GEN Z

As they enter the workforce, Gen Zers are is already displaying financial savvy beyond their years. With the oldest members still only 24 years old, Gen Z accounts for the highest proportion of contributing participants in their defined contribution plans — even higher than working baby boomers who are fast-approaching retirement. Most also said they've already started planning for retirement (beyond just contributing to a retirement plan).

### GENDER GAP

Women feel less confident than men that they are saving enough in their 401(k) accounts (49% vs. 64%). They are also saving slightly less on average than men (7.9% vs. 8.5%). However, there appears to be positive movement in closing the gap, with women saving at higher average rates than men at income levels above $60,000.

### ROTH

When available, almost one in five 401(k) participants are diversifying the way they save for retirement by making Roth contributions. It's also important to note that people making Roth contributions are also saving at a substantially higher rate than people who aren't (10.2% vs. 7.9%).

**24%** Millennials have the highest Roth usage across generations

Next page

# Savings

## People are saving more

Americans have remained determined to continue saving for their future despite the pandemic and uncertain economic conditions.

Americans are saving an average of 8.2% of their salary in their workplace retirement plans. That's up from 7.8% at the outset of the pandemic.

With the average employer match at Empower between 3% and 4%, participants are well within the recommended total savings rate of 10% to 15% (including employer and employee contributions). Even more encouraging, the percentage of eligible participants contributing has also returned to the pre-pandemic high of 85%.

A majority of Americans feel good about how much they are saving.

- Three in five survey respondents said they are contributing enough to their 401(k) plans.

Of those respondents who feel they are not contributing enough to their 401(k) plans:

- 53% said they need to make ends meet.
- 42% said paying off debt is holding them back.
- 14% said contributing to their 401(k) plan isn't a priority right now.
- Four in five said they'd wished they'd started saving earlier.

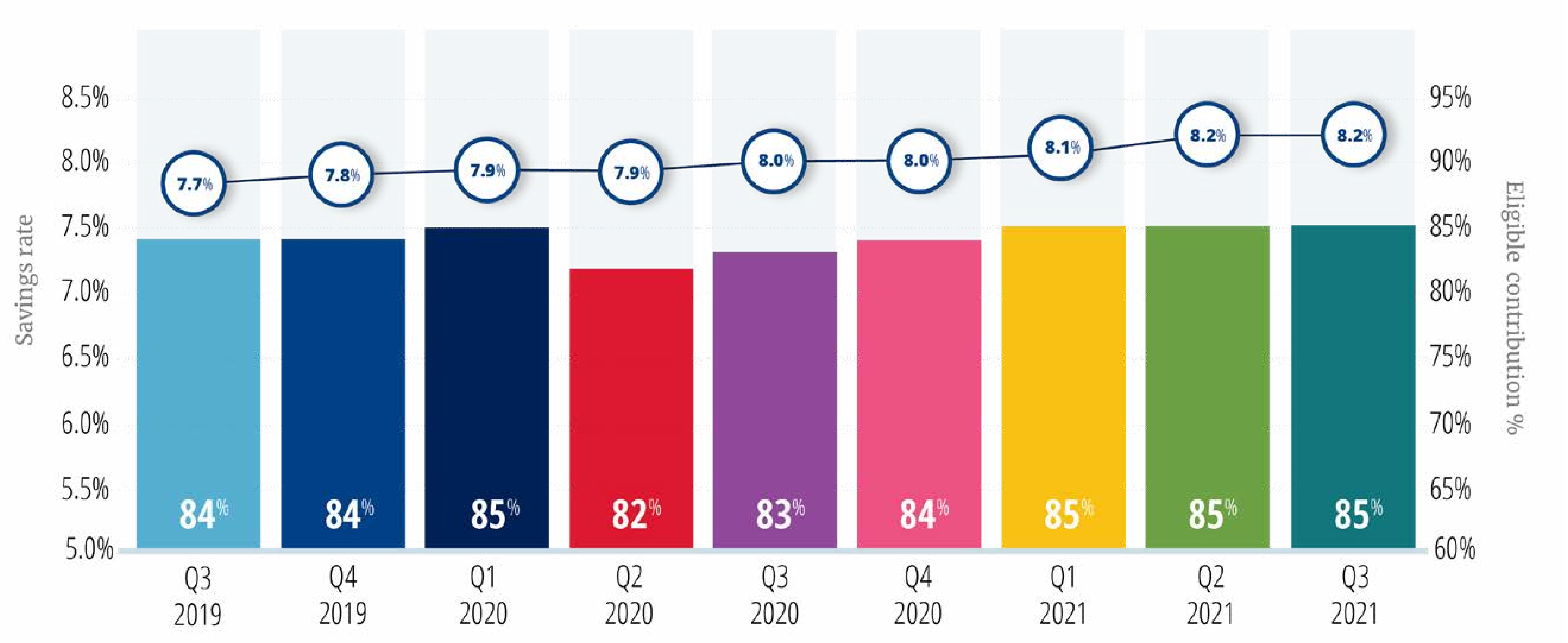
Of those respondents who feel they are not contributing enough to their 401(k) plans, **4 in 5** said they wished they had started saving earlier

Next page

# Savings

**Americans have remained determined to continue saving for their future despite the pandemic and uncertain economic conditions**

Average quarterly savings rates by percentage of eligible contributing participants

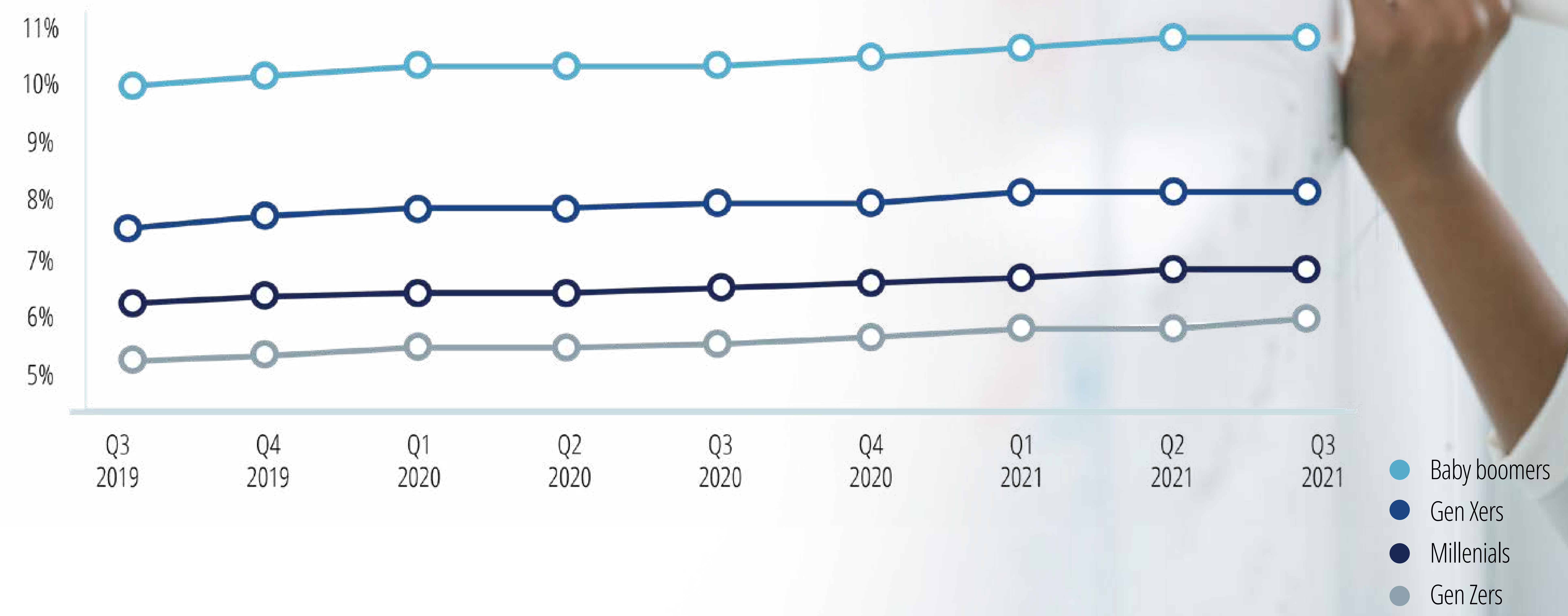



Next page

# Savings

**Savings rates have steadily increased across generations over the past two years**

Participant savings rates by generation




Next page

# Savings

### Participants are on the right path

Savings rates have steadily increased across generations over the past two years.

We also see savings rates increasing with age. Baby boomers lead the way with a 10.7% savings rate while Gen Z has the lowest rate at 6.0%.

- Millennials have a 15% greater savings rate than Gen Zers.
- Gen Xers save 22% more than millennials.
- Baby boomers save 27% more than Gen Xers.

Savings obstacles for Gen Z:

- 49% said they are not saving enough due to having to make ends meet.
- 27% said it just isn't a priority right now.

Savings obstacles for millennials:

- 50% said paying off debt is a big factor holding them back.

**49%**

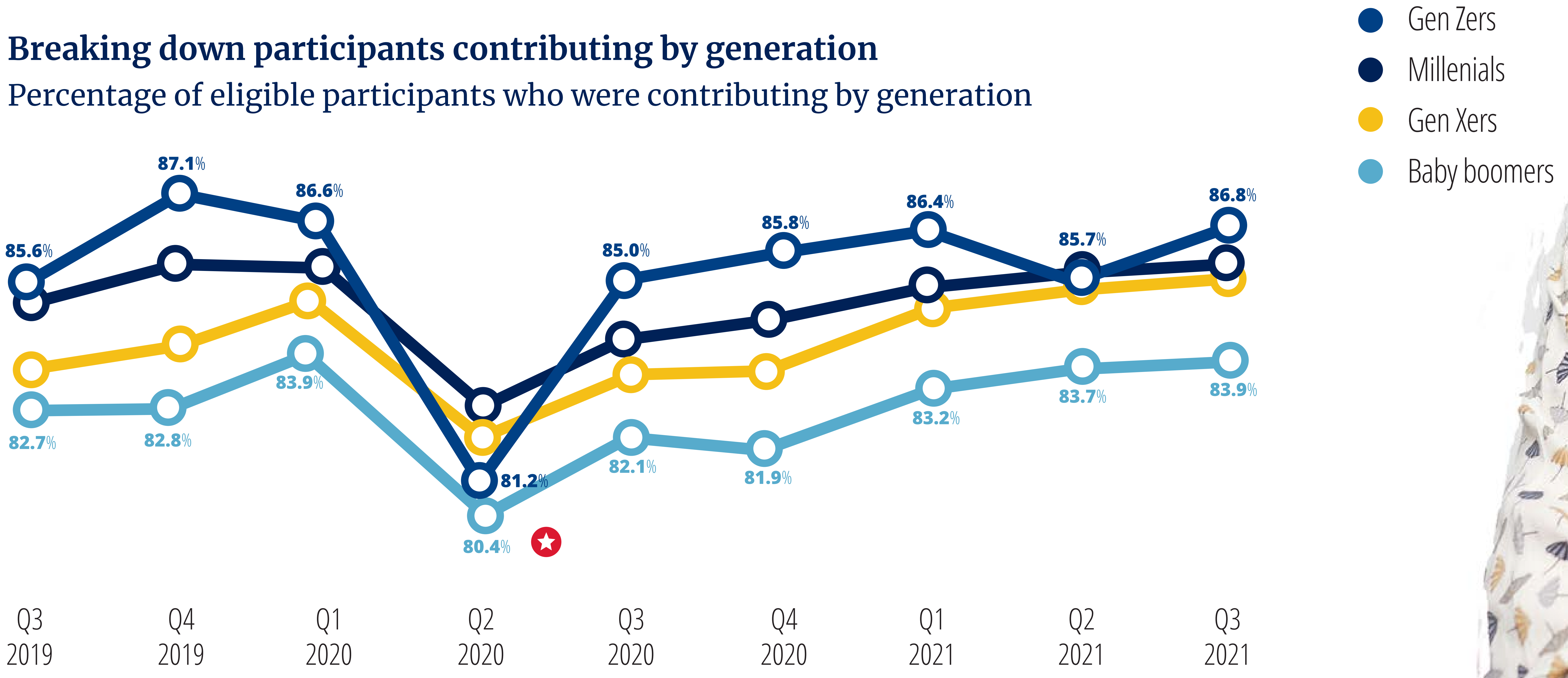
Almost half (49%) of Gen Z survey respondents say they are not saving enough because they have to make ends meet

Next page

# Savings

## Breaking down participants contributing by generation

Percentage of eligible participants who were contributing by generation




Next page

# Savings

## Gen Z has the highest percent of participants contributing to their retirement savings plans.

The uncertainty brought on by the pandemic had a significant short-term impact on the percentage of participants contributing across generations. After bottoming out in the second quarter of 2020, the percentage of participants contributing bounced back quickly and has steadily increased throughout 2021.

- After a slight dip in Q2-2021, the percentage of contributing Gen Z participants (86.8%) surpassed all other generations.
- Somewhat surprisingly, the baby boom generation has the lowest percentage of contributing participants (83.9%).

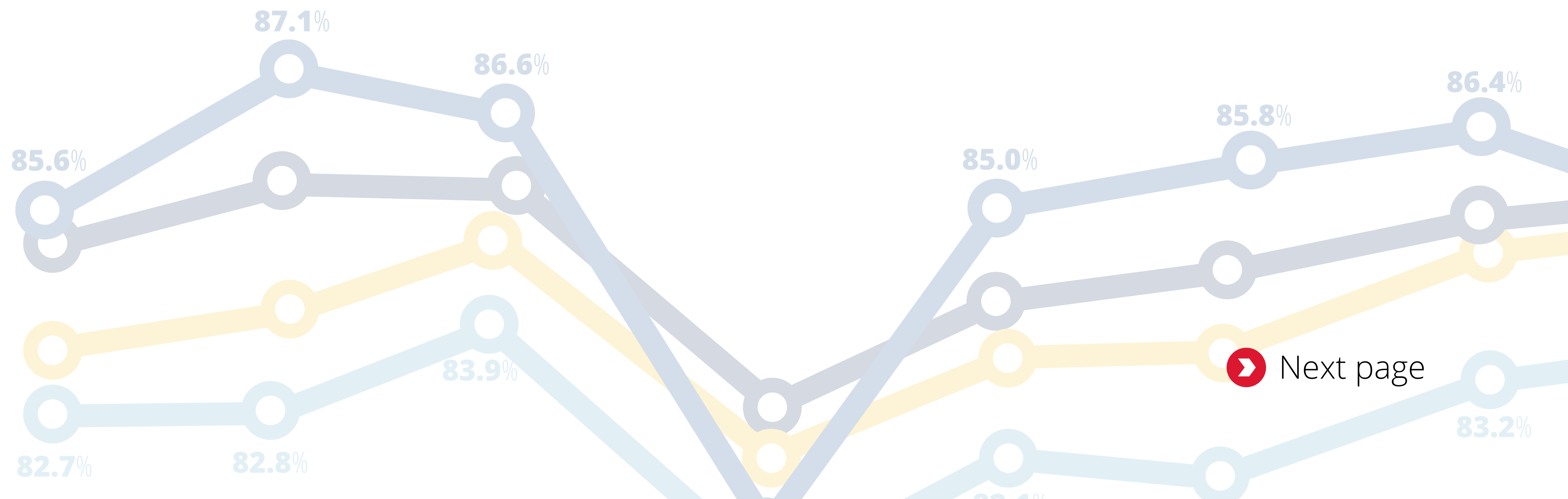
## The confidence gap between men and women

Regardless of age, women feel less confident than men that they are saving enough in their 401(k) accounts (49% vs. 64%).

- The confidence gap is widest among millennials at 32%.
- 46% of baby boomer women feel they are saving enough.
- 54% of Gen Z women feel they are saving enough.

Gen Z now surpasses all generations in terms of the percentage of contributing participants

**86.8%**

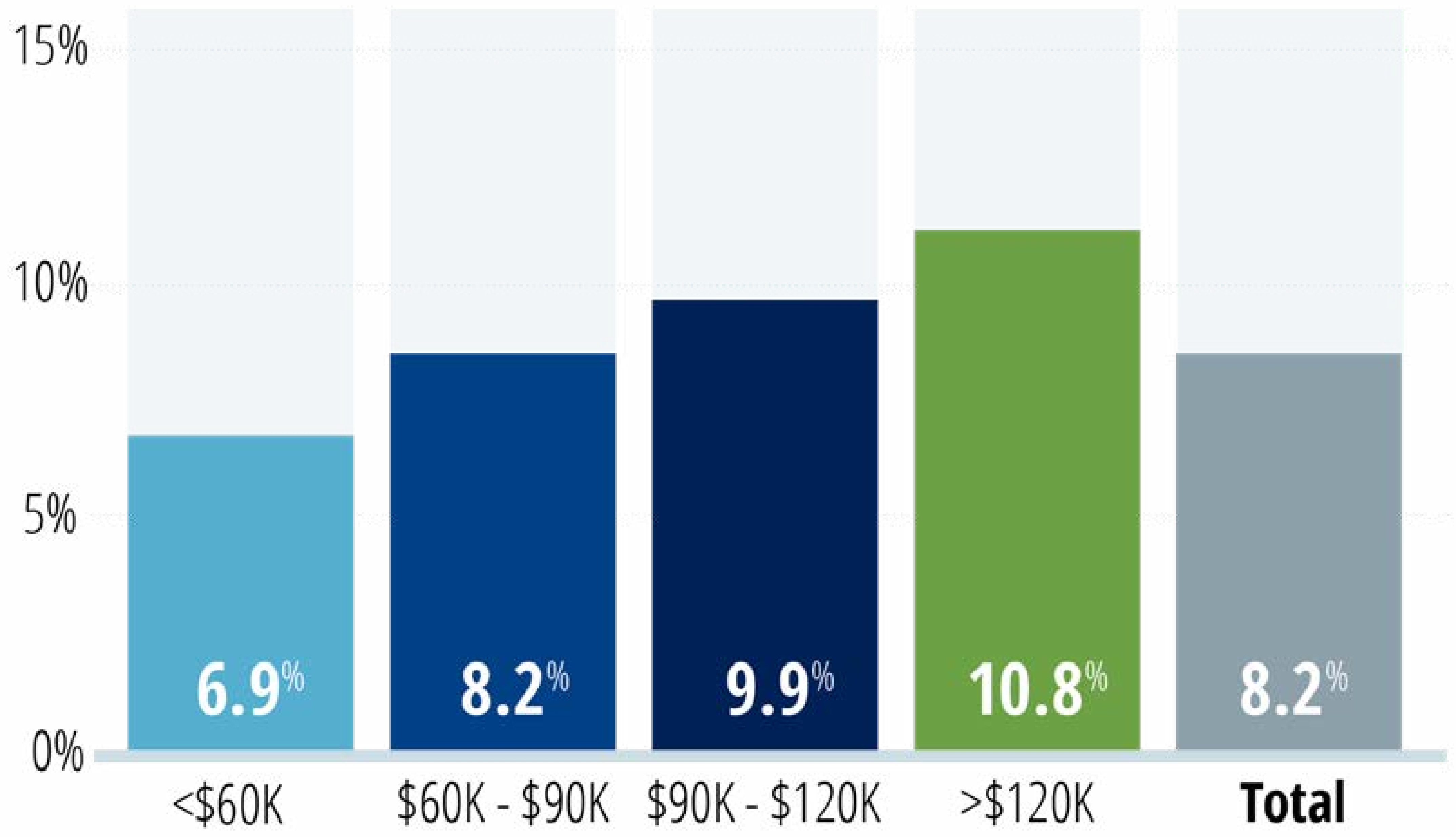



Next page

# Savings

## Savings rates increase with income

Savings rates by income for eligible participants with account balances greater than zero




On average, women's savings rates trail men's (7.9% vs 8.5%); however, women with income levels above $60,000 are saving more than men

# Savings

Just as people save more as they get older, the more money people make, the more they save.

People making more than $120,000 a year save 57% more than people who make less than $60,000. That's a significant gap.

## Breaking down the numbers further

- On average, women's savings rates trail men's by less than one percent (7.9% to 8.5%). However, women at income levels above $60,000 out-save their male counterparts.
- At income levels below $60,000, women save at a lower rate. Because there are significantly more women than men (59% vs. 45%) in this income segment, this brings women's overall savings rate below the men's savings rate.
- Dual-income households and non-dual-income households save at similar savings rates and feel a similar level of confidence about saving enough (61% vs. 58%).
- 77% of those making more than $120,000 feel they are saving enough in their 401(k) plans.
- 45% of those making less than $60,000 feel they are saving enough in their 401(k) plans. 61% in this group say that making ends meet is limiting their ability to save.

Participants with incomes greater than $120K have savings rates that are **57%** more than participants with incomes of less than $60,000

Next page

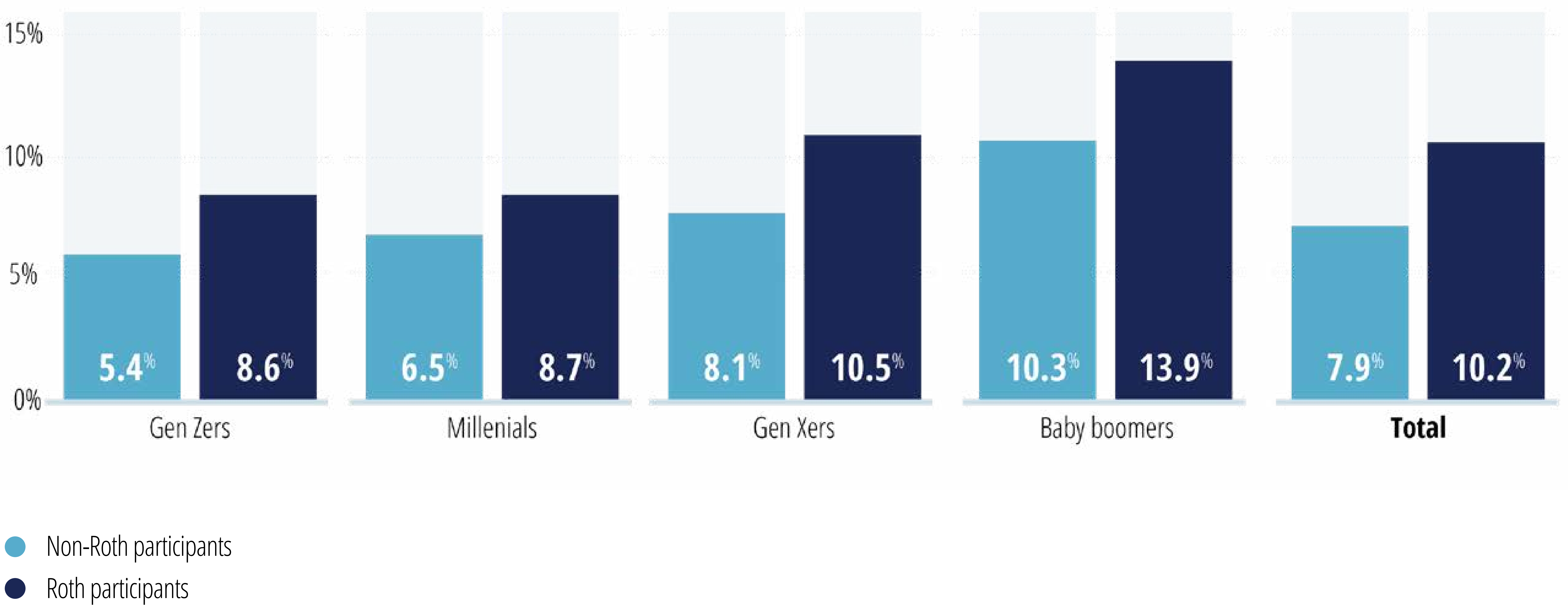
# Savings

Plans that offer Roth 401(k)s allow employees to save for retirement on an after-tax basis. That means the money saved in a Roth account grows and can be withdrawn tax-free after retirement.

- When offered, one in five savers contribute to their Roth accounts, with millenials representing the largest proportion of participants contributing.
- People making Roth contributions save at higher levels (including traditional and Roth contributions) than people who only make traditional pretax contributions (10.2% vs. 7.9%).
- Savings and engagement rates are higher than overall 401(k) rates for those contributing and not contributing to a Roth across every generation.

## Roth contributors have higher savings rates

Savings rates for Roth and non-Roth contributing participants when Roth option is offered




Next page

# Savings

Tying a savings rate to a retirement goal that might be decades in the future can be challenging and overwhelming. Americans are turning to a variety of professional and trusted sources to navigate this challenge.

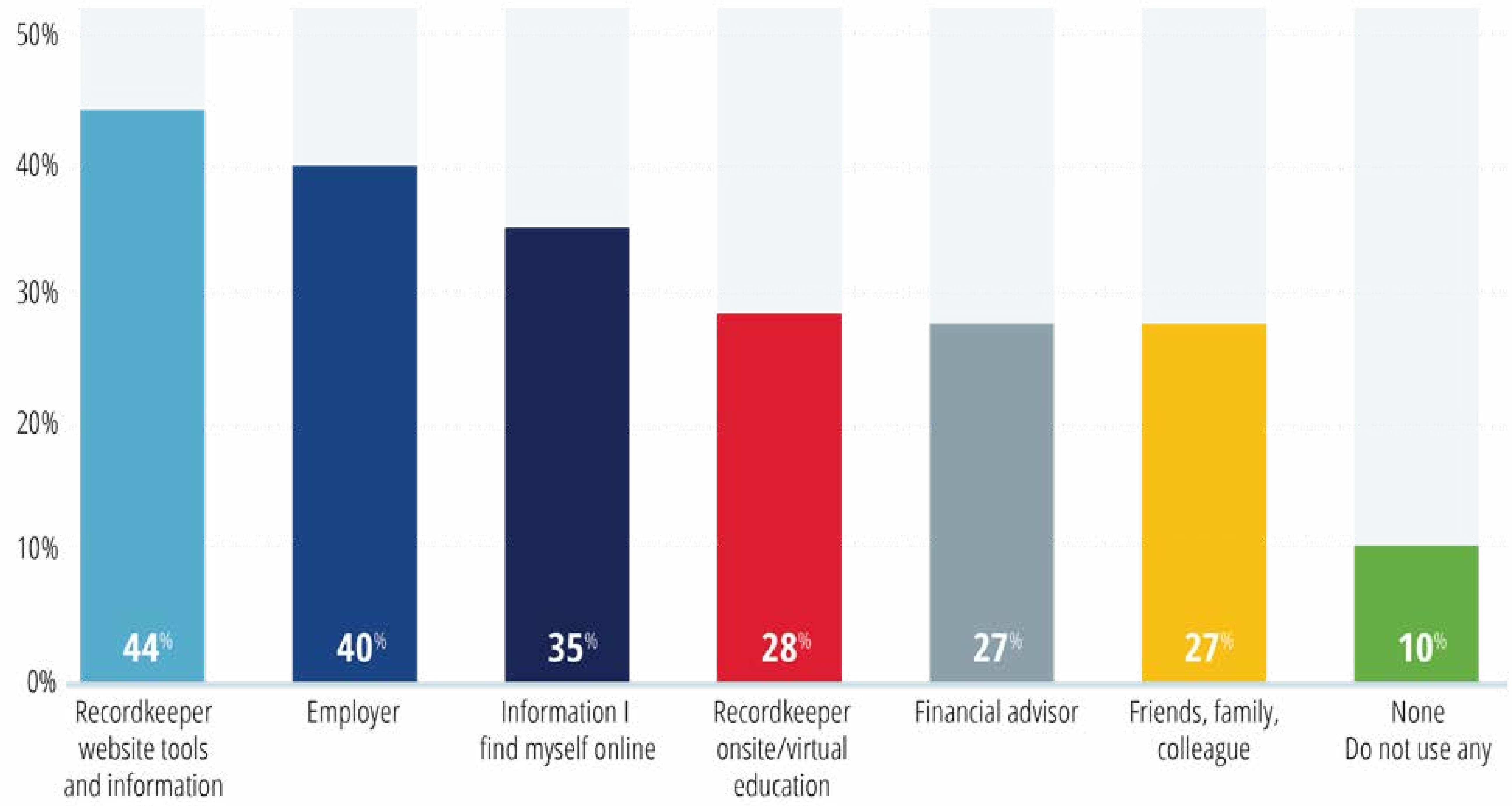
When deciding how much to save, survey respondents named their recordkeeper's website as the most common source followed by their employer.

- Gen Zers are more likely than those in other generations to get help from friends, family and colleagues.
- Millennials are more likely to use financial advisors to help decide their savings rates.

> Workers point to a recordkeeper's website and their employer as the most commonly used sources to decide how much to save

## People use multiple resources to determine how much to save

Sources of information used to decide how much to save in a 401(k) plan




Next page

# Engagement overview

There are many stops between today and the retirement people imagine themselves living. And whether they're managing day-to-day finances, buying a home, paying student loans back, saving for a child's education, building an emergency fund or taking care of family members, Americans face many competing financial priorities. Two-thirds of American workers (67%) are actively engaged with their retirement and financial planning.

We define engagement as any interaction with our website, app or Customer Care Center or with an Empower advisor over the last 12 months.

## Why engagement matters

Beyond taking a more active role in their financial and retirement planning, engaged workers share many positive attributes. Engaged participants:

- Say they use tools and information from their 401(k) provider's website to make financial and retirement decisions.
- Feel more confident about saving enough in their 401(k) plans (63% vs. 28%).
- Rate themselves higher when it comes to financial knowledge (44% vs. 15%).

Engaged participants save substantially more than those who aren't engaged (9.2% vs. 5.7%)

Next page

# Engagement overview

## Auto-enrollment is foundational, but greater engagement is also needed

Automatic enrollment features have helped increase overall participation rates. In fact, among eligible employees in plans that offer auto-enrollment, the participation rate is almost two times that of plans that don't offer this feature, however, auto-enrollment is limited in addressing engagement as a standalone solution. While auto-escalation helps improve engagement, more involvement and interaction would bolster success.

Overall, plans without auto-enrollment have higher engagement rates than plans with auto-enrollment. However, it's important to note that plans without auto-enrollment also have significantly lower participation rates.

The addition of auto-escalation features helps increase both engagement and savings rates. Setting the starting auto-enrollment savings rate high enough to put employees in a position to save enough for retirement can be challenging. The auto-saving rate and employer match may make employees feel like they are saving enough. In fact, more than in six in 10 employees say their savings rate is based on either the employer match or automatically set by the plan.

**2X** participation rate for eligible employees when plans offer auto-enrollment but lower engagement and savings rates compared to plans without auto-enroll

Next page

# Engagement

Getting people engaged and actively involved in their retirement planning is a key component of driving better outcomes.

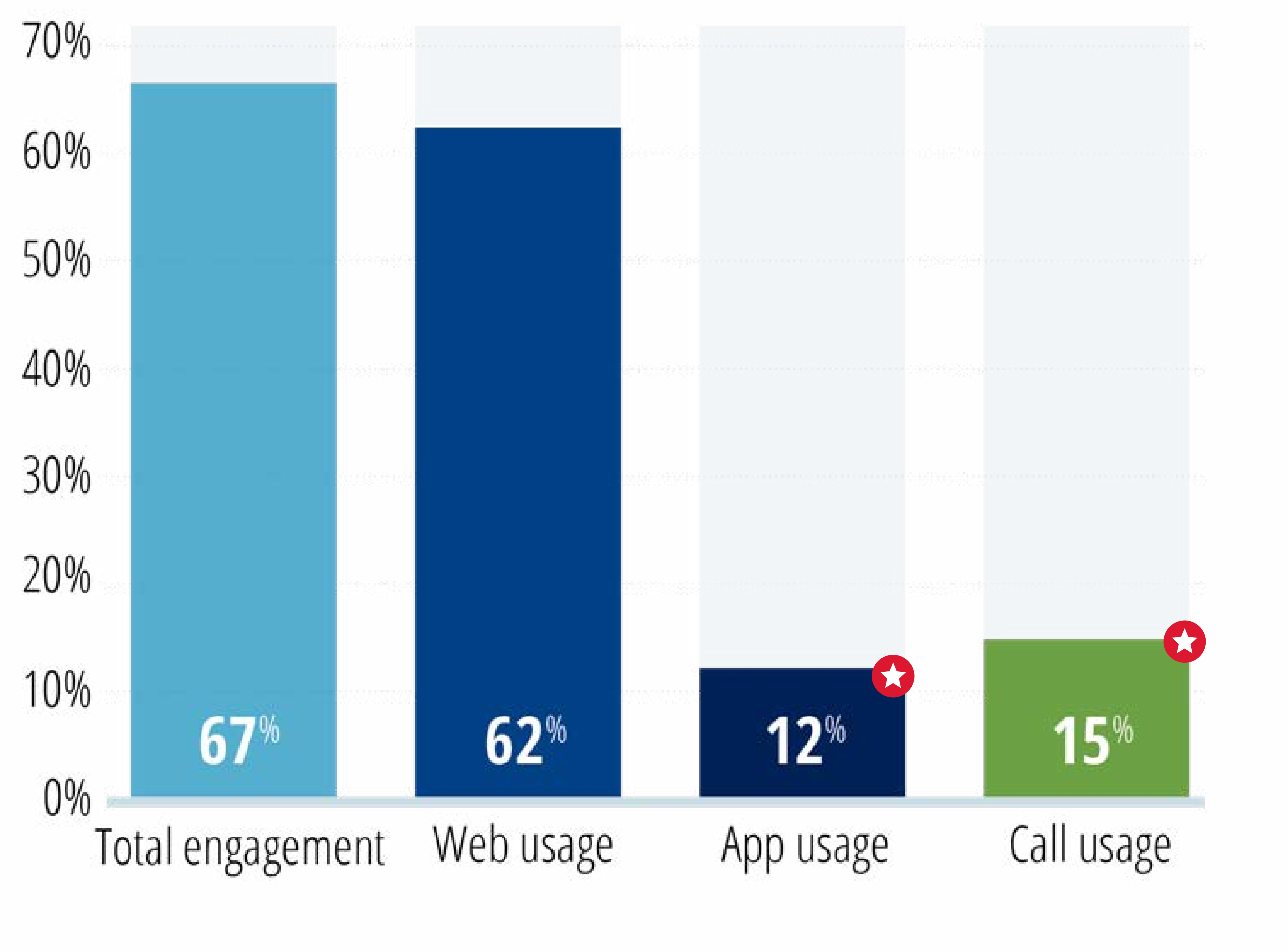
- The total engagement rate is up 2% (from 65% to 67%) over the past year.
- Engagement levels are similar across gender and generations, except for Gen Z participants, who are less engaged (51%).
- People with higher balances have higher engagement rates. Only 52% of people with account balances less than $20,000 are engaged.

Apart from checking their balance (52%) and looking at performance (41%), participants also visit the website due to increases in income (16%) and market volatility (11%).

> Two-thirds (67%) of active participants are engaged, up 2% from the prior year

**More than two-thirds of participants are engaged with their retirement planning**

Participant engagement by channel




Next page

# Engagement

Although many factors can impact savings rates, engagement appears to play a role.

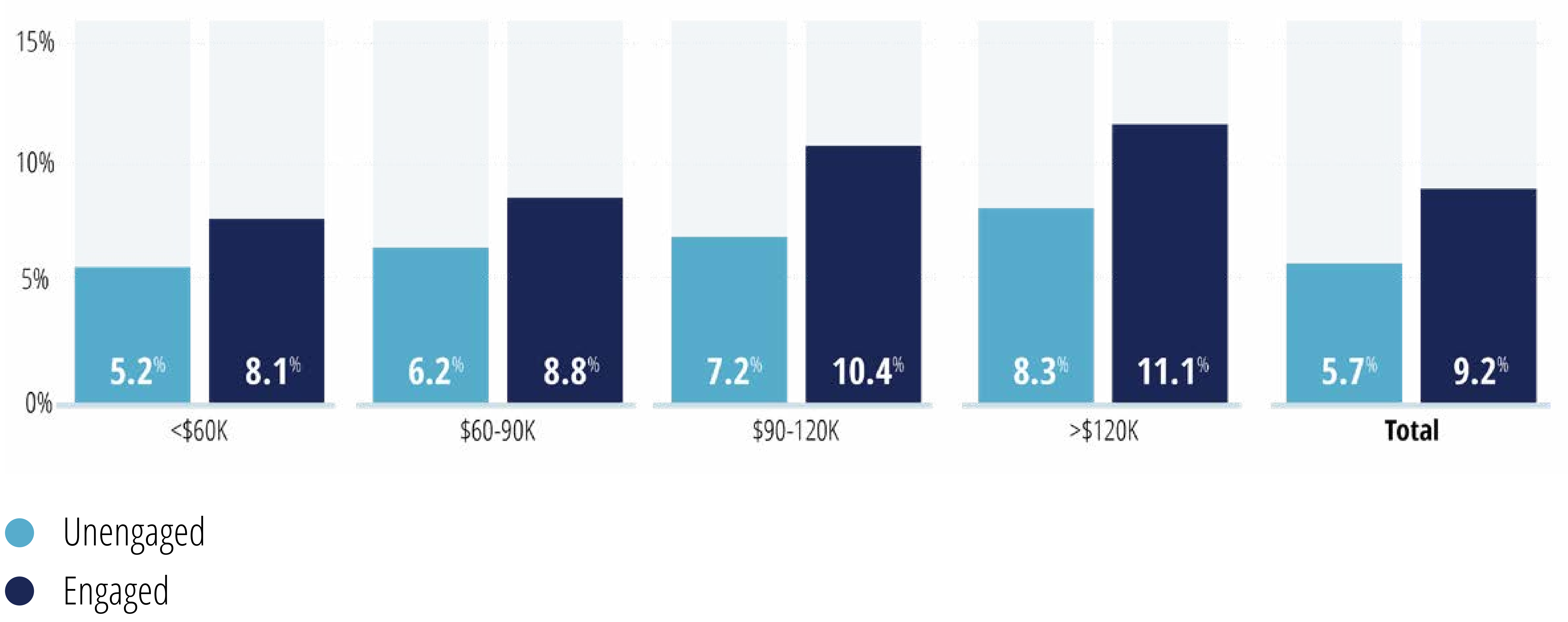
People engaged in their retirement planning save around 61% more than those who aren't engaged (9.2% vs. 5.7%). The differences are significant across all income segments but especially significant for those making less than $60,000 a year.

Engagement impacts a number of positive attributes that are important drivers to financial health. Compared to unengaged employees, engaged employees:

- Feel more confident they are saving enough in their 401(k) plans (63% vs. 28%).
- Rate themselves higher when it comes to financial knowledge (44% vs. 15%).
- Feel more comfortable in making investment decisions (54% vs. 20%).

**Engaged participants have dramatically higher savings rates**

Savings rates for engaged and unengaged active participants by income




Next page

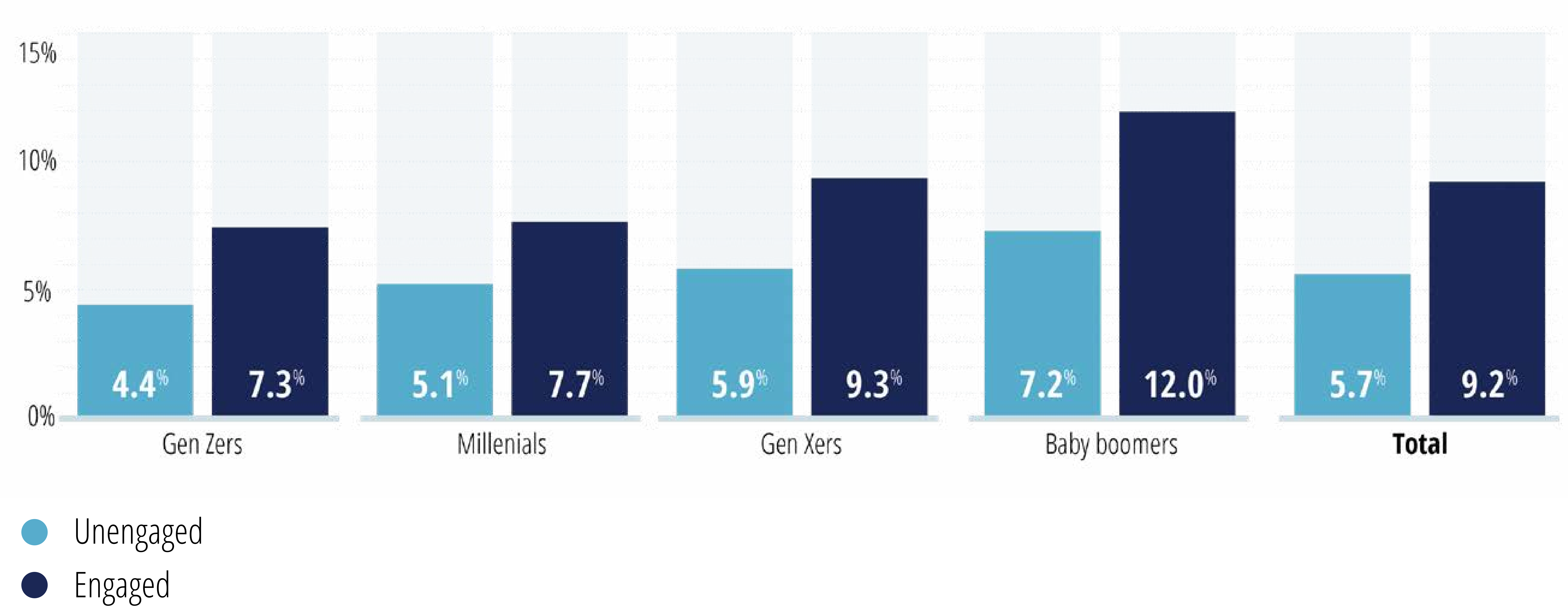
# Engagement

The engaged save more than the unengaged across every generation segment. Whether participants are engaged or unengaged, the savings rate increases from generation to generation, with engaged baby boomers saving an impressive 12%.

People invested in target date funds (TDFs) have lower engagement levels than the overall population. Auto-enrollment is likely a key contributor to this passive behavior considering a large portion of TDF users are auto-enrolled.

**Engaged participants are saving at substantially higher rates than the unengaged**

Savings rates for engaged and unengaged participants by generation




Next page

# Engagement

People often visit their provider's website to check account balances or make transactions. But it can also be used as an important resource. More than half (52%) of those surveyed said they used tools and information from their 401(k) provider's website to make financial and retirement decisions.

As web interactions rise, so do savings rates. There is a dramatic difference between people with no interactions compared to people with more than 20 interactions. With a 12% savings rate, participants with more than 20 interactions a year save twice as much as participants with no interactions in a 12-month period.

Compared to participants with no interactions:

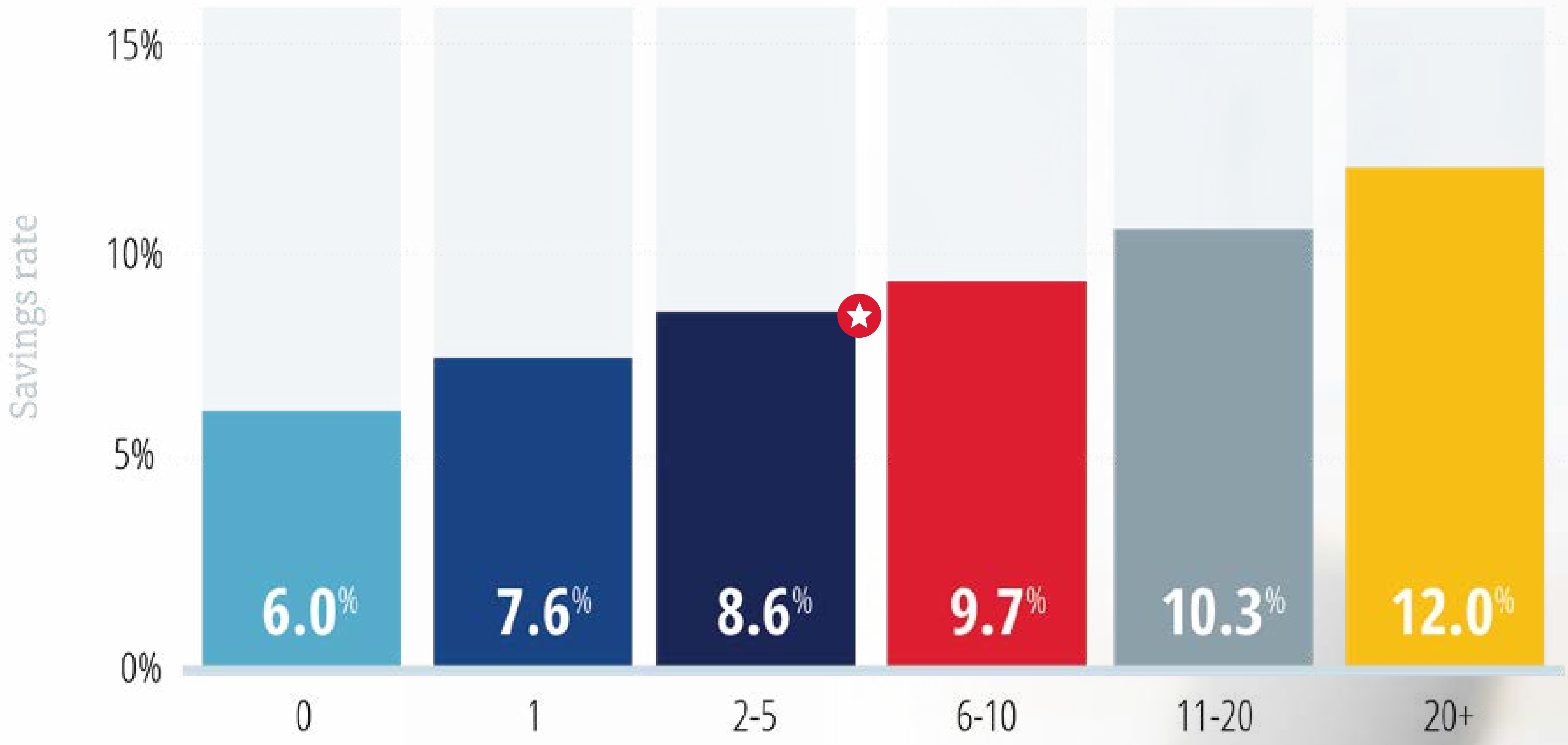
- Those with just one interaction save 21% more.
- Those with two to five interactions save 43% more.
- Those with six to 10 interactions save 62% more.

Next page

# Engagement

**Frequent web users have significantly higher savings rates**

Savings rates by frequency of web interactions over a 12-month period




Next page

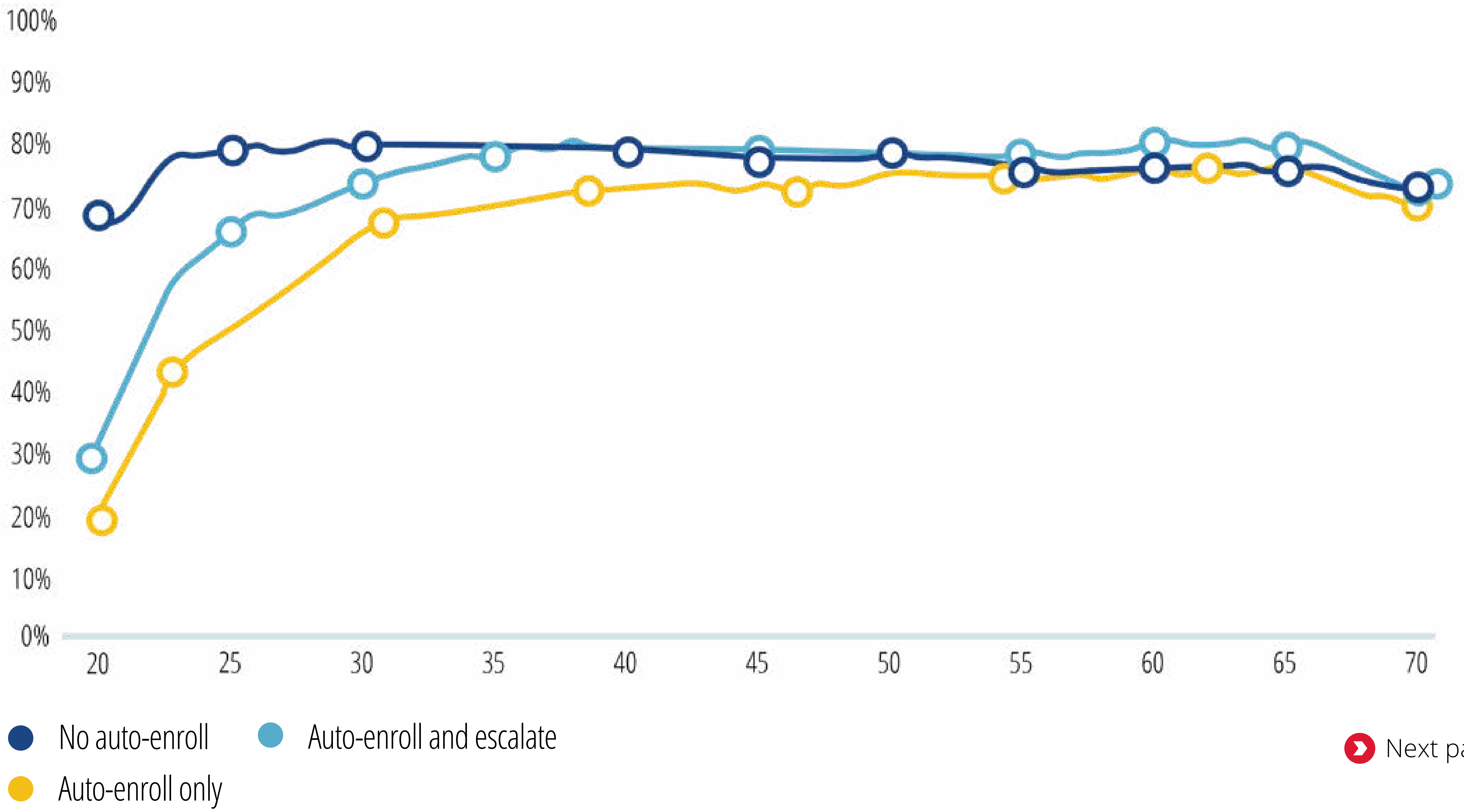
# Engagement

Engagement tends to be at its lowest with younger, recently enrolled participants, then rises and flattens out for the older segments depending on how participants enrolled in their plans.

- Auto-enrollment is a foundational plan design feature. Participants in plans without auto-enrollment have the highest engagement rates. This is likely driven by the fact that enrollment requires engagement. However, these plans also have a smaller proportion of contributing participants. In fact, among eligible employees in plans that offer auto-enrollment, the participation rate is almost two times that of plans that don't offer auto-enrollment.
- Participants automatically enrolled into a plan that also offers auto-escalation features have the second-highest engagement rates.
- Participants automatically enrolled into plans without auto-escalation features have the lowest engagement rates, likely due to continued participant inertia.

## Auto features are foundational, but engagement rates are higher without them

Engagement status for eligible and contributing participants by age




Next page

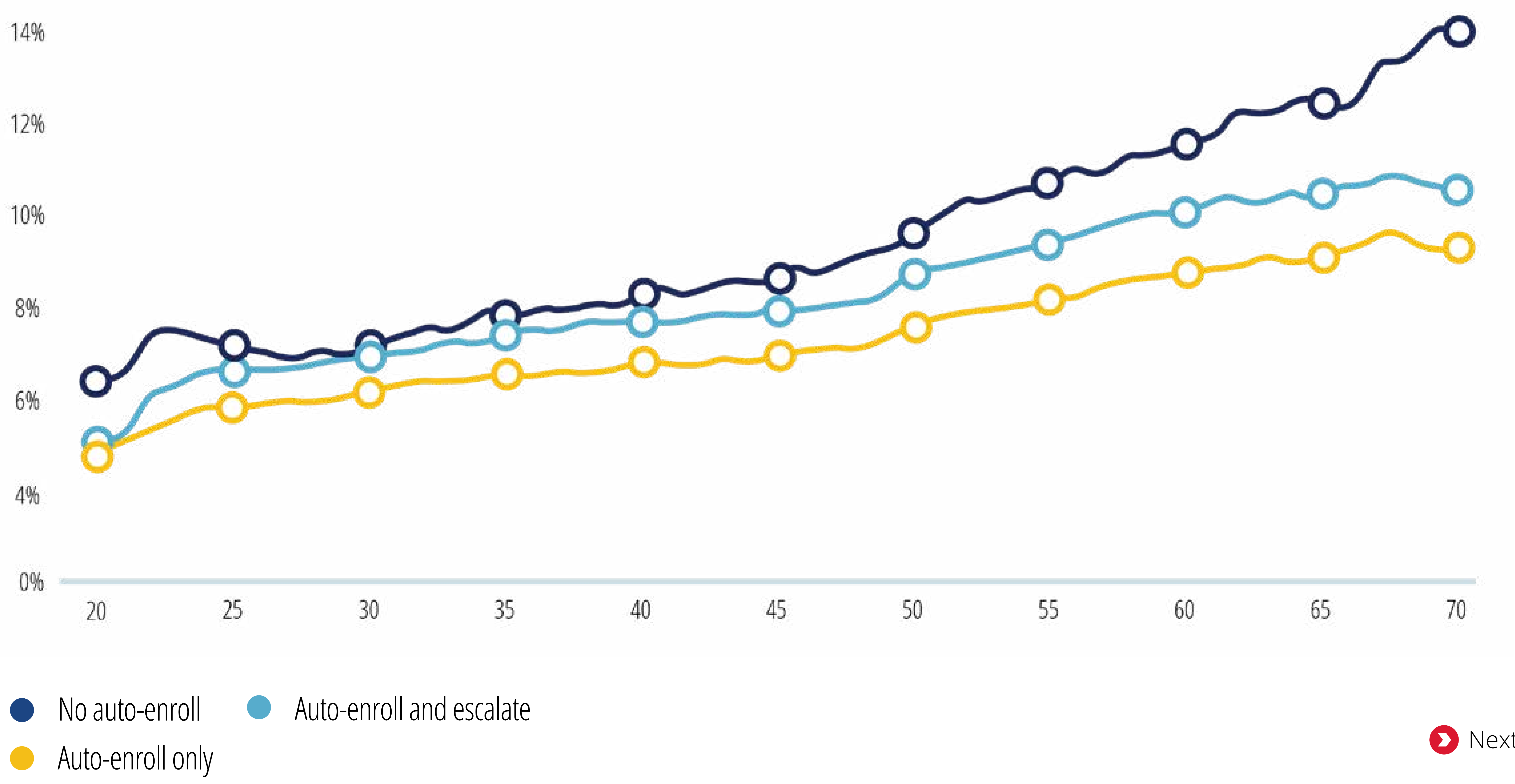
# Engagement

The same way plans without auto-enrollment have higher engagement rates, they also have higher savings rates. Additionally, plans with auto-enroll trail the other plans in savings rates.

- The current average automatic deferral rate (between 3% and 4%) set by employers may lead participants to think they are saving enough. More auto-enrolled participants think they are saving enough compared to those who self-enrolled (71% vs. 58%).
- More than six in 10 participants said their savings rate is either based on the employer match or automatically set by the plan.
- A combination of auto-escalation and increased engagement may help raise savings rates for people who were automatically enrolled.

**Auto-enrollment boosts participation rates but leaves savings rates lagging**

Savings rates for eligible and contributing participants by age




Next page

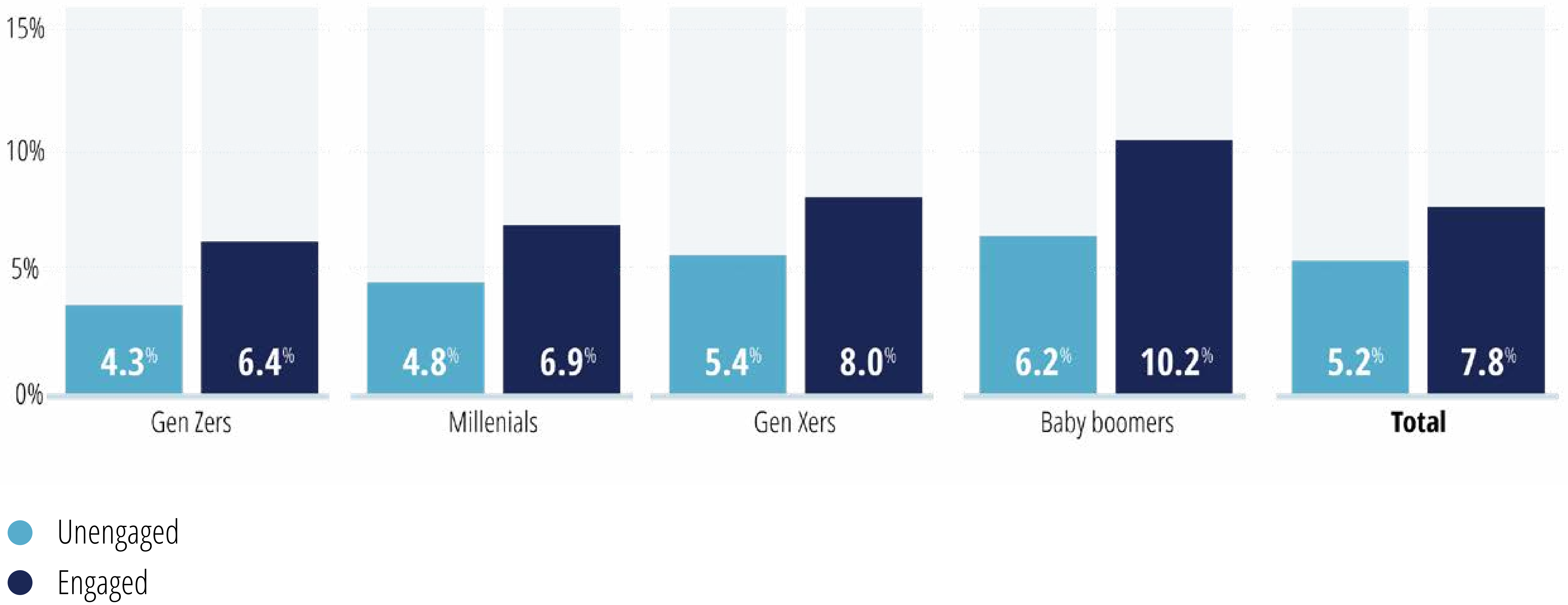
# Engagement

Target date funds (TDFs) are the most used default option selected by plan sponsors, with a large number of people defaulted into these funds through auto-enrollment. Whether these participants are engaged or unengaged, their overall savings rates are lower than average.

Understanding that TDFs are the default option, lower engagement and savings rates aren't a surprise. However, there is a noticeable difference across all generations in the savings rates between engaged and unengaged participants invested in TDFs that reemphasizes the importance of engaging participants across all investment types.

## Engaged TDF users have higher savings rates

Savings rates for engaged and unengaged TDF users by generation




Next page

# Advice and guidance overview

Many Americans have similar retirement goals. It's the path they travel to reach them that makes each journey unique. Because everyone's individual situation is different, with diverse challenges, most people can benefit from personalized guidance and advice along the way. This is especially true when it comes to making investment decisions.

**48%**

Less than half of Americans are comfortable making investment decisions

Next page

# Advice and guidance overview

## Benefits of working with a financial advisor

People who work with an advisor are more confident they are saving enough in their 401(k) plans, more comfortable making investment decisions and feel they have a high level of investing knowledge than people who do not use an advisor.

## Seeking professional advice

The top reasons people seek advice for the first time are:

- An increase in income or savings (39%).
- Accumulating a certain amount of savings (38%).
- A major life event, such as marriage or having a child (26%).
- A major birthday milestone (21%).

## Target date fund (TDF) and do-it-yourself inflection

Advice comes in different forms and is most commonly associated with human advice. However, investment solutions, such as TDFs and managed accounts, provide embedded advice. TDFs are the most widely used 401(k) investment solution. When they are offered in a plan, approximately 80% of participants starting at age 20 are invested in TDFs. That percentage declines and flattens out around age 54, when a do-it-yourself (DIY) approach surpasses TDF usage. From there, both approaches remain fairly flat throughout retirement. It's important to note that many DIYers work with an advisor, and the DIY inflection point aligns with more complex financial planning needs as people approach retirement.

## Working together for better outcomes

It's important to take a comprehensive approach that includes educational, guidance and advisory services to help people achieve their financial and retirement goals. The key is to deliver the resources and services when and how they need it to meet their advice and guidance needs.

People who utilize advice, guidance and Empower's Financial Literacy Center save at an impressive 11% rate. By comparison, unengaged participants save 5.7%.

# Advice and guidance

Less than half of survey respondents (48%) are comfortable making investment decisions. Interestingly, it's millennials, not baby boomers, who are most comfortable with making investment decisions.

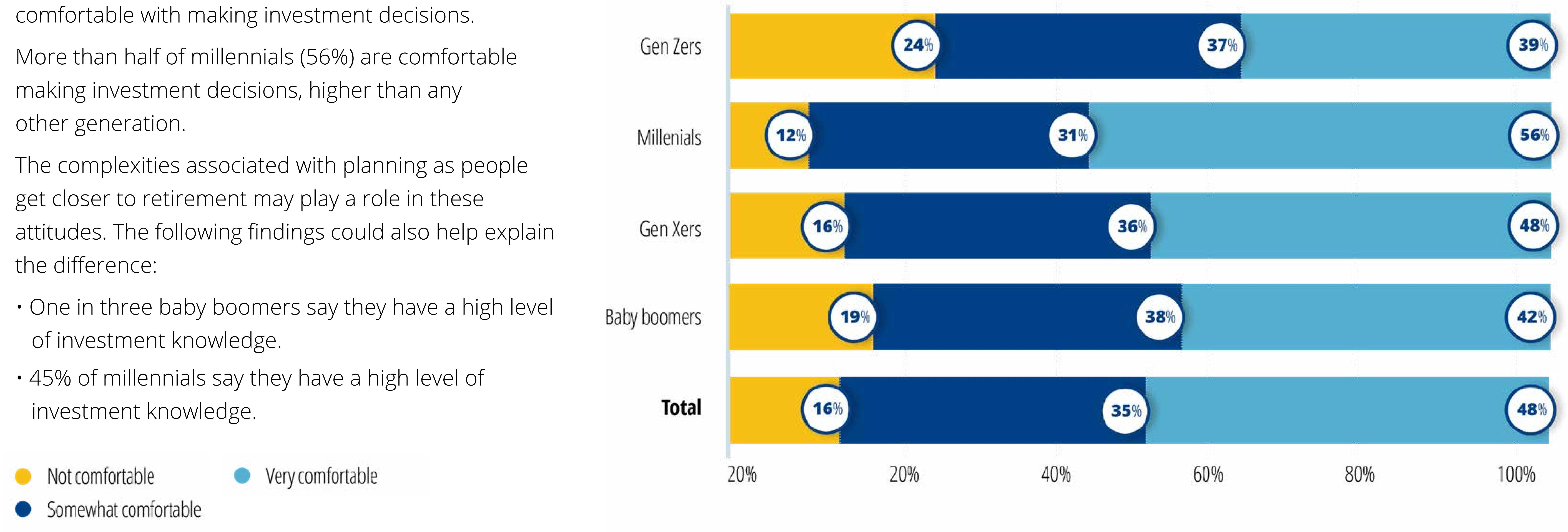
More than half of millennials (56%) are comfortable making investment decisions, higher than any other generation.

The complexities associated with planning as people get closer to retirement may play a role in these attitudes. The following findings could also help explain the difference:

- One in three baby boomers say they have a high level of investment knowledge.
- 45% of millennials say they have a high level of investment knowledge.

## How different generations feel about getting help

Workers comfortable with making investment decisions by generation




Next page

# Advice and guidance

The top reasons people give for seeking advice for the first time vary. Their financial priorities may also vary, but retirement rises to the top across generations as the most common priority.

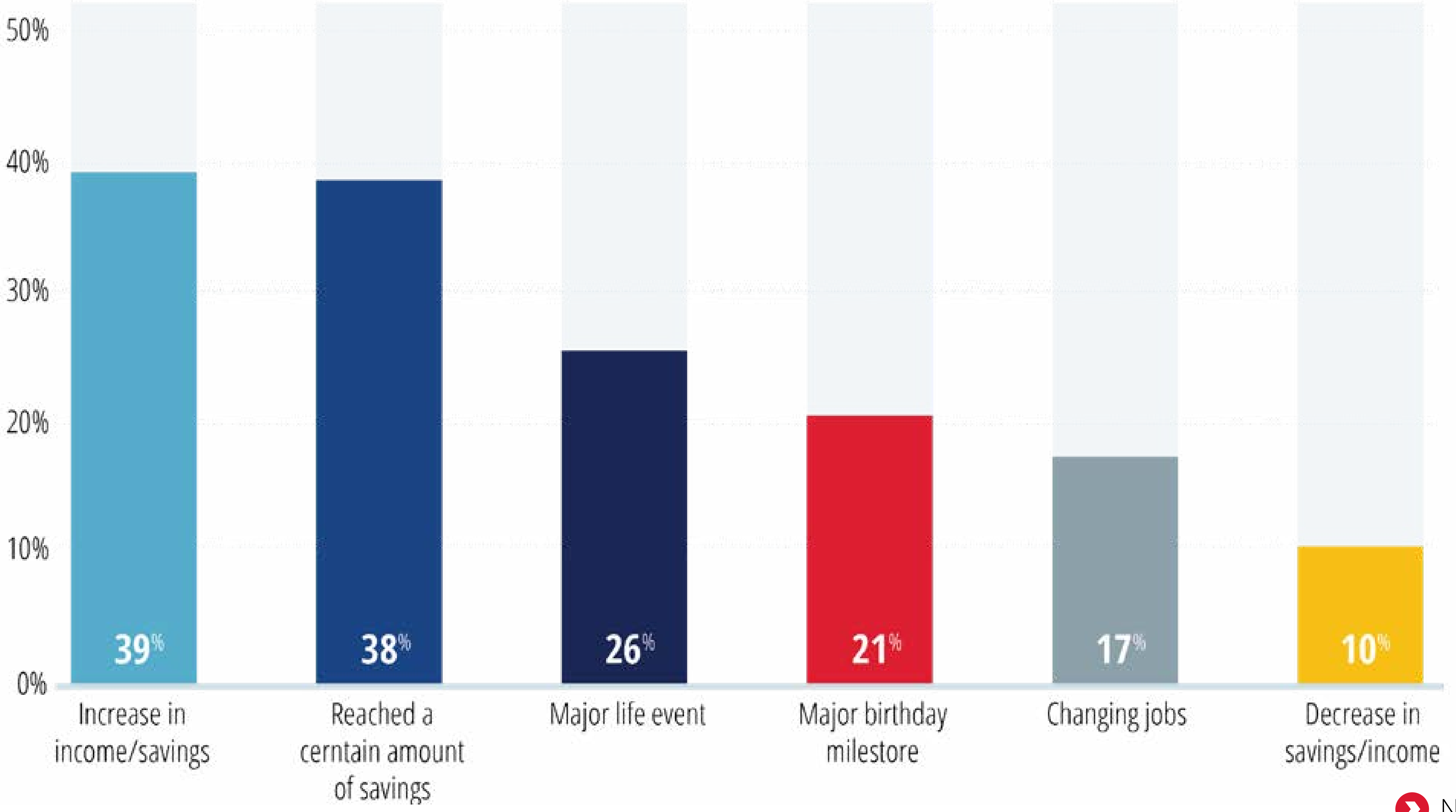
- Retirement (67%).
- Paying off debt (35%).
- Building an emergency fund (28%).

The top three reasons people would like to seek financial advice or educational information are:

- Saving for retirement (51%).
- Overall financial planning (42%).
- Choosing funds to invest in and how much (38%).

## What motivates first-time advice seekers

When are you likely to first seek financial help?




Next page

# Advice and guidance

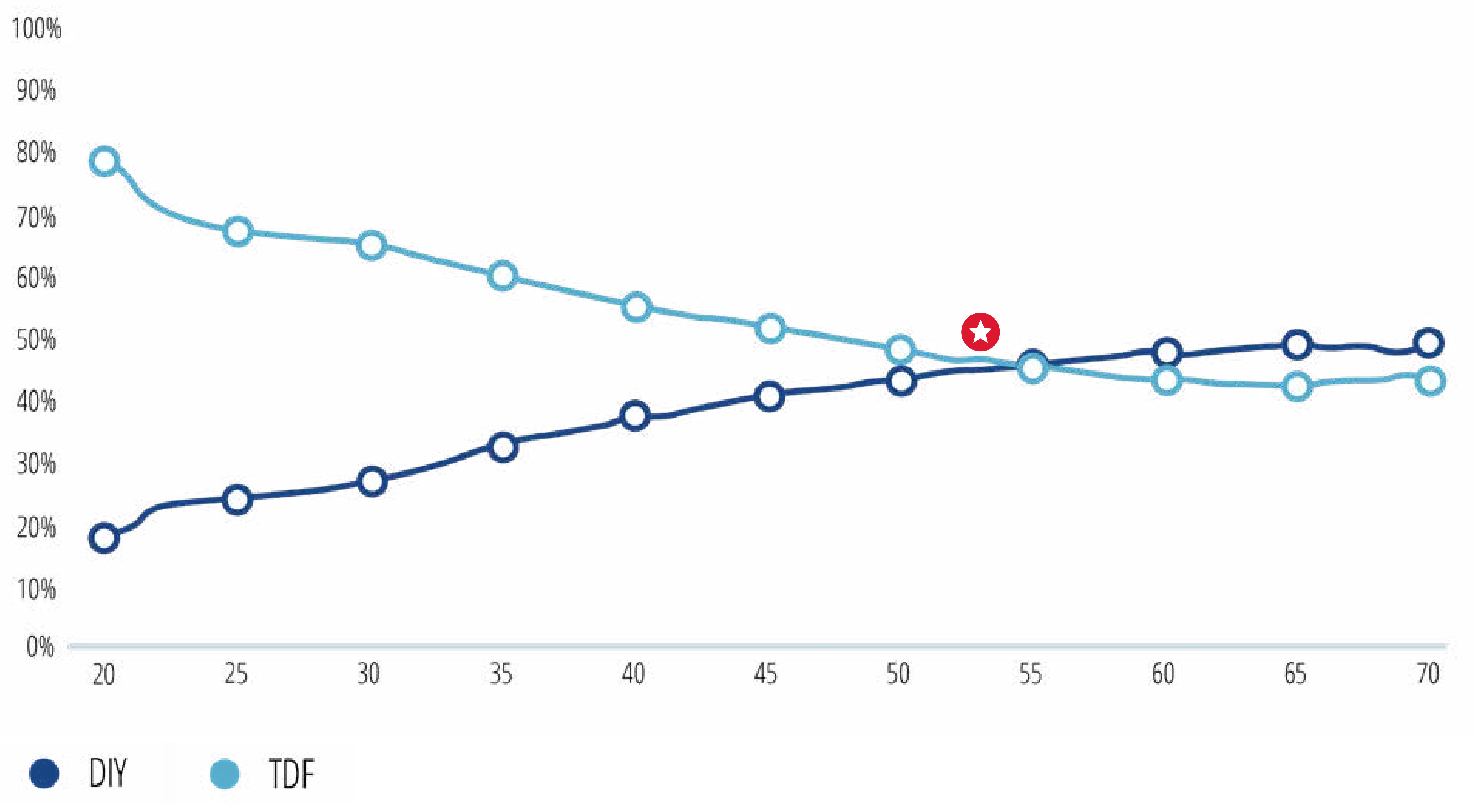
Nearly four times as many people invest through TDFs instead of taking a DIY investment approach when they first begin their careers. This percentage difference narrows steadily for older participants until the DIY approach surpasses TDFs at age 54, at which point usage flattens for both.

A number of factors influence the increase in DIY investors among older investors and should be taken into account.

1. People become more engaged as they age.
2. A higher percentage of younger people use web guidance or "help me do it" interactions — with this approach approximately doubling between the ages of 20 and 25.
3. Human advice usage among people over the age of 60 is more than double compared to people 35 to 44 years of age. This makes sense considering financial situations become more complex and challenging as people age.

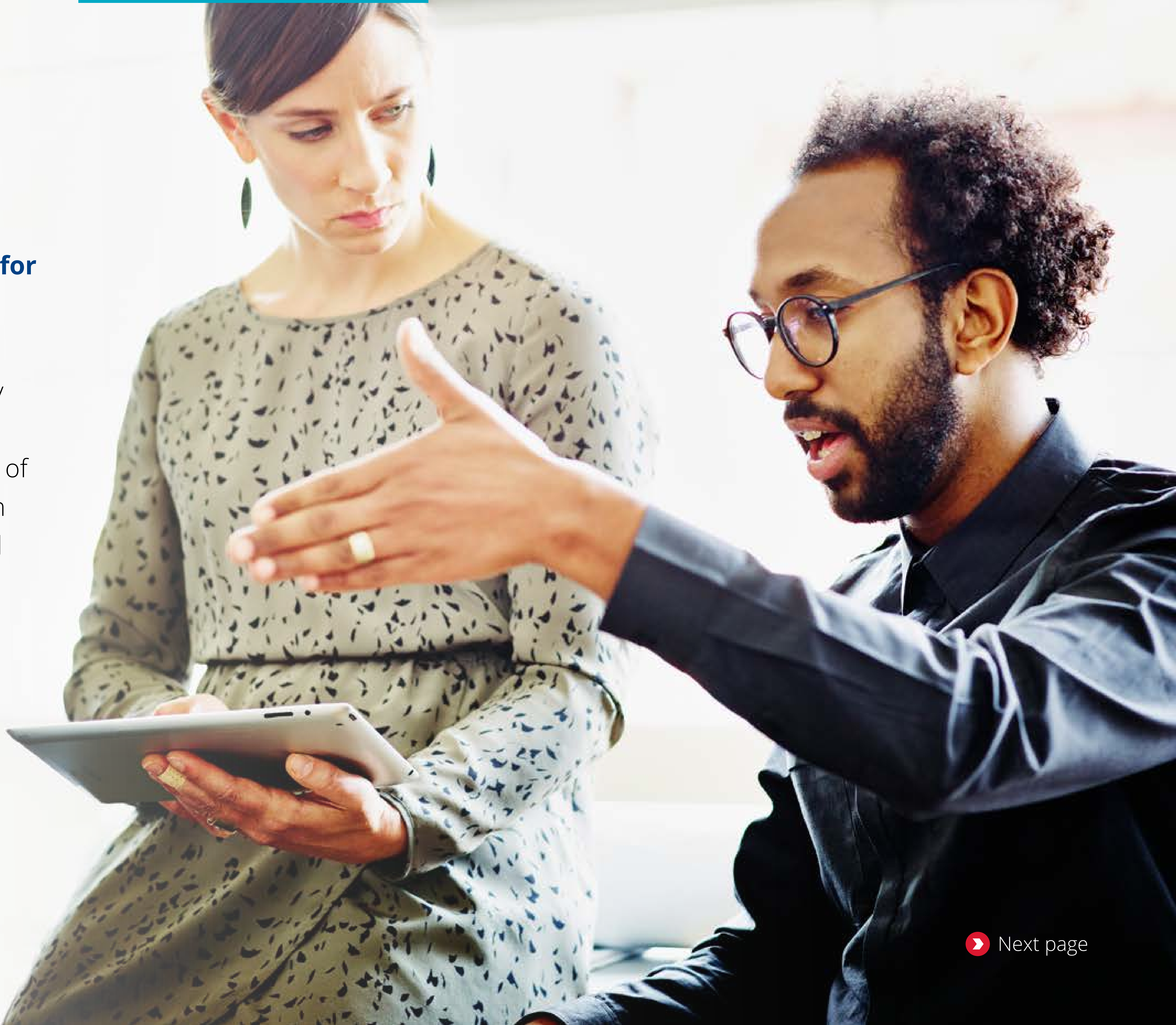
### How people manage their investments shifts over time

DIY and TDF (when offered) usage for active participants by age




Next page

# Advice and guidance



**Human advice usage gradually increases with age and accelerates for older participants**

The percentage of participants using web guidance interactions or "help me do it" interactions is higher for younger participants and approximately doubles between the ages of 20 and 25. Usage then roughly flattens out until participants are close to age 60 and then drops by age 70. The usage of human advice is more than double for participants over the age of 60 than for those between 35 and 44. This path is intuitive as participants' financial situations become more complex and challenging as they age.

> Engaged individuals are far more likely to get help from a financial professional than those not engaged
>
> **45%** vs. **17%**

Next page

# Advice and guidance

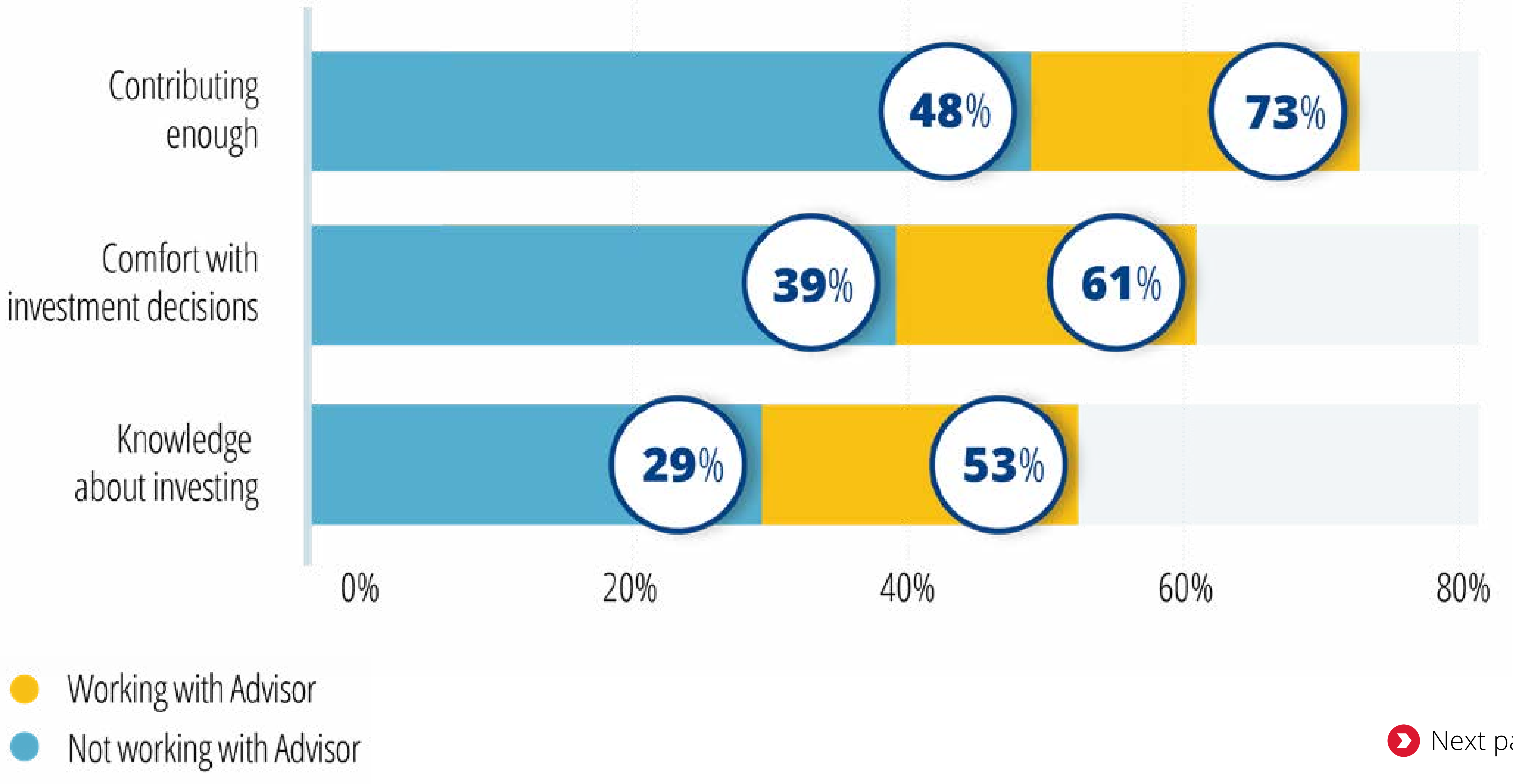
People who work with a financial advisor feel more confident they are saving enough in their 401(k) plans, more comfortable making investment decisions and consider themselve to have a higher level of knowledge about investing.

People who use an advisor compared to those who do not are:

- More likely to rebalance their 401(k) investments. 26% of those who don't work with an advisor never rebalance their 401(k) investments.
- About 50% more likely to use their 401(k) provider's web tools and information to make financial and retirement decisions (67% vs. 41%).
- Almost twice as likely to have started planning financially for retirement beyond just saving in a retirement plan (76% vs. 41%).

## Working with an advisor helps confidence grow

Percentage of people rating themselves high on savings and investment topics when using a financial advisor




Next page

# Advice and guidance

### Educational, guidance and advisory services help savings rates

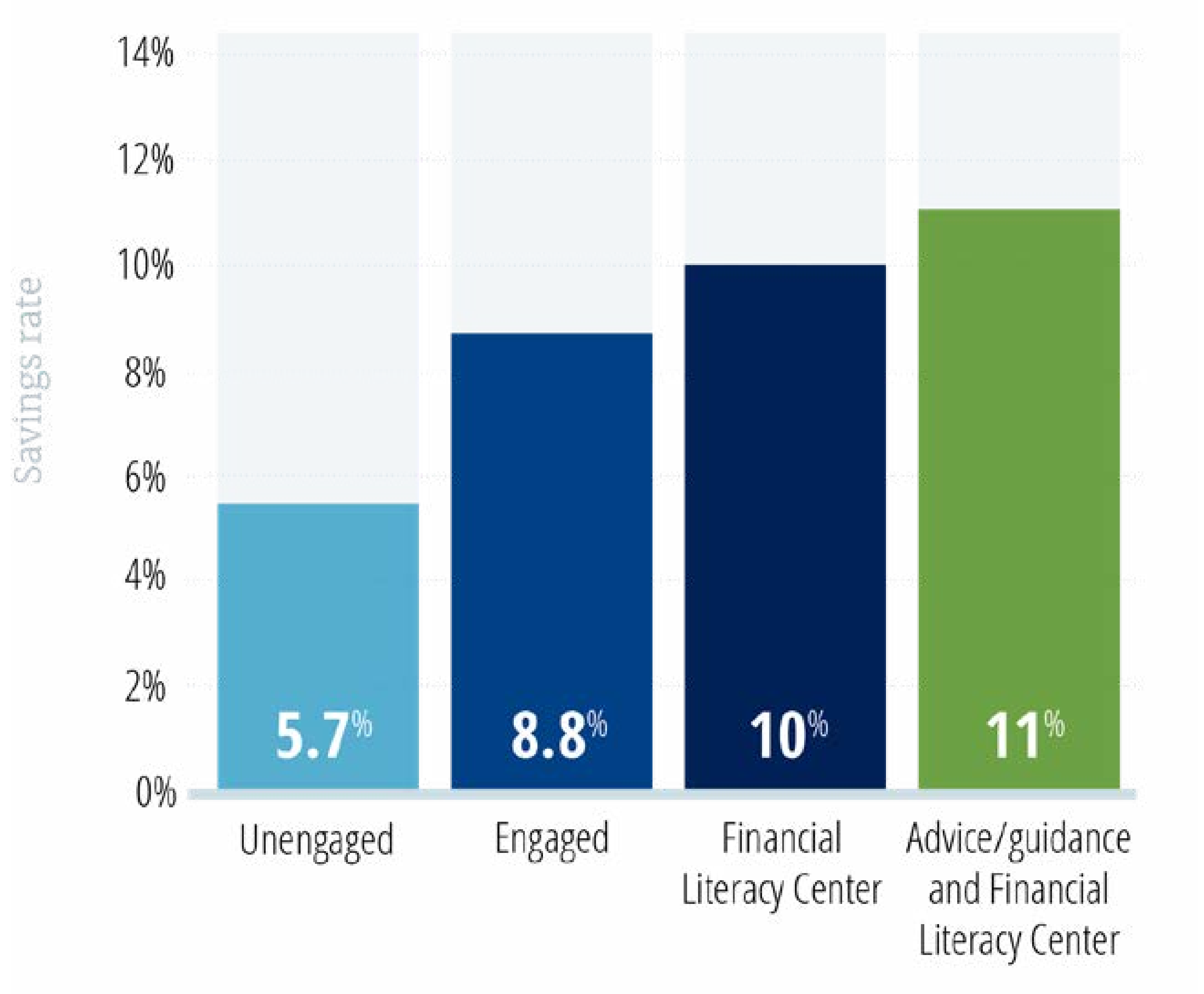
While some people prefer engaging online, others prefer to receive guidance over the phone and still others may be looking for in-person advice. How they engage may also depend on what kind of help they need. Ultimately, people who are engaged, leverage educational content, and/or seek out advice or guidance have higher savings rates than people who are not engaged. Participants who take advantage of a combination of these resources have incrementally higher savings rates.

We know that:

- People who received advice or guidance have significantly higher savings rates than those who did not (7.9% vs. 9.5%).
- The savings rates for baby boomers who received advice or guidance is more than 12% and almost 10%, respectively, for Gen Xers (9.6%).
- People who earn less than $60,000 a year and have had web guidance interactions save 3.2% more than those without.

### Engagement, education and advice work better together

Savings rates by type of interaction and advice (advice includes managed account participants)




Next page

# Takeaways and key actions

## 5 tips to empower Americans along their financial journey

1. **Stay focused and become engaged; achieving financial health is a journey.** Most Americans describe financial health as an ongoing journey with ups and downs.[1] Given that engaged participants save 62% more than unengaged participants, it's important to start focusing early and often on saving and planning, and then adjusting along the way when needed. The pandemic illustrates the financial ups and downs we may experience, and despite these challenges, Americans have proven they can adjust and be resilient.

2. **Retirement plan enrollment is a starting point; build upon it.** Employers automatically enrolling employees in plans and setting employer contribution match levels are critical to putting Americans on the right path to retirement, but it's only the first step. It's important for employees to build on this, not become complacent with their savings and planning, and take an active role in their short- and long-term financial well-being. That means not only staying on top of the savings rate and investment mix that's right for them, but also taking a longer-term look at the impact of taxes in retirement and how a Roth could potentially help increase their retirement income.

3. **Build financial confidence by creating a plan and being in the know.** Financial confidence is an important goal, but it should be built on more than just a sentiment. Ensure that financial confidence is based upon how personal financial situations match up to achieving financial wellness and retirement goals. In other words, financial confidence starts with creating a plan and taking the necessary steps to put one's self in a position to meet those goals.

Next page

1 Empower Institute, Financial Wellness is an Evolving Journey, October 2021.

# Takeaways and key actions

4 **Help comes in different shapes and forms; find what works for you.** We know that Americans are looking for help when it comes to optimizing their financial health, and that retirement providers and employers are a top source for help. What people need, when they need it and how they access it will certainly vary. What's important is taking advantage of the many educational, guidance and advisory resources employers, financial professionals and retirement providers make available to help achieve better outcomes. Our analysis has shown that employees who are engaged and use multiple resources are saving at higher rates in their 401(k) plans.

5 **Professional advice is a foundational pillar to help improve financial well-being; don't be afraid to seek it.** With less than half of Americans comfortable making investment decisions, Americans need help making informed decisions. Americans working with an advisor, compared to those who aren't, are more comfortable making investment decisions, feel they have a higher level of investment knowledge and are more confident about their 401(k) savings rates. It's also important to remember that advisors can help Americans from all walks of life; they don't to just serve wealthy individuals.

Next page

# Methodology

The objective of this analysis was to understand how participants behave and what drives that behavior and, as a result, what insights and learnings can help American workers on their journey to a secure retirement. To accomplish this, we have overlayed two sources of data:

1. Empower Retirement's recordkeeping data of 3.92 million active participants in primarily corporate plans.
2. A nationally representative survey of 2,508 working Americans.

### Methodology for book of business data

The data covers 3.92 million participant accounts with their current employer from primarily corporate defined contribution plans with balances greater than zero. It excludes participant accounts that belong to Empower's recent completed or planned acquisitions of MassMutual's and Prudential's retirement businesses.

Corporate defined contribution plans primarily include 401(k) plans from for-profit organizations. It does not include 401(k), 403(b) and 457 plans from government institutions, not-for-profit organizations, or Taft-Hartley plans or nonqualified and other supplemental plans.

### Survey methodology

The survey was conducted by Sard Verbinnen & Co on behalf of Empower Retirement. This nationally representative online survey of full-time employees at for-profit companies with access to a defined contribution (DC) plan offered by their employer was conducted from September 21 to October 11, 2021, with a sample of 2,508 working Americans between the ages of 18 and 70.

Data was weighted by age and gender to match Census distributions for adults ages 18 to 70 who are employed full-time. All the findings from the survey represent weighted values to be representative of full-time employees at for-profit companies across gender and generation.

Next page

# Data definitions

All data is as of September 30, 2021, for 3.92 million active corporate defined contribution plan participants with a balance >$0.

- **Corporate defined contribution plans** primarily include 401(k) plans from for-profit organizations. It does not include 401(k), 403(b) and 457 plans from government institutions, not-for-profit organizations, Taft-Hartley plans or nonqualified and other supplemental plans.
- **Active participants** include participants with 401(k) accounts having >$0 balances with the current employer. This excludes accounts of terminated and deceased participants and beneficiaries.
- **Savings** rate is the portion of compensation a participant has chosen to contribute to the retirement account expressed as a percentage of compensation. It is calculated for eligible participants who are saving in their 401(K) accounts and have a balance >$0. It does not include employer match. For some plans in which the employer does not provide compensation information, saving rates are estimated using reasonable assumptions.
- **Income represents** compensation estimated for the full year. In cases where compensation information is missing or values are outside expected boundaries, reasonable estimates are used.
- **Engagement** is defined as at least one interaction in a 12-month period between October 1, 2020, and September 31, 2021, through participant website, mobile apps (Android™ or iOS®), call center and Empower Retirement Solutions Group serviced by Financial Advisors. This excludes IVR interactions, email, mail, on-site group sessions, individual sessions and webinars. Engagement is calculated for all active participants.

Next page

# Data definitions

- **Gender break** may not add up to 100% due to unavailability of gender information for some participants.
- **TDF users** are only those participants who have 100% of their investment allocation invested in one or two target date funds.
- **DIY participants** are not enrolled in a professionally managed solution like a managed account or TDF.
- **Advice/Guidance** is defined as human advice provided through Empower advisor interactions, participants enrolled in managed accounts and participants who use the "Help Me Do It" section of the website.
- **Generational age breakouts**

  - Silent generation – born in or before 1945
  - Baby boomers – born between 1946 and 1964
  - Gen X – born between 1965 and 1982
  - Millennials – born between 1983 and 1995
  - Gen Z – born in 1996 or later

- **Values** for each quarter are standalone, representing eligible participants with a balance greater than zero in that quarter.
- **Silent generation** data is not shown separately but is included in the total.
- **Auto-enroll** and **auto-escalate** data is provided at the plan level.
- **TDF** usage is provided when offered by a plan.
- **Roth** usage is provided when offered by a plan.

Next page

Empower analysis of 3.92 million active participants in plans with Empower as the recordkeeper and 2,508 working Americans between the ages of 18 and 70 conducted from September 21 to October 11, 2021.