# The State of Savings

June 2020

**Our proprietary data reveals how Americans changed their savings behaviors over the course of the COVID-19 outbreak as business and travel restrictions disrupted the U.S. economy. These insights serve as an early baseline for the evolution of savings plan contribution and withdrawal behaviors in response to the pandemic and subsequent passage of the CARES Act. We expect to see new trends emerge as financial markets continue to rebound and stabilize and as states across the nation gradually reopen their economies.**

## Retirement[1]

With our institutional and advisor partners, Ascensus helps thousands of U.S. small business owners and their employees save for a more secure retirement. As such, we're uniquely positioned to offer perspective on the retirement plans of the business segment that has undoubtedly been most impacted by the pandemic: American small business. This analysis excludes plans with over 500 employees to explore how temporary business closures, employment changes, and related income changes have impacted these employers and employees.

## The Plan Perspective

**1.4% of plans stopped contributions between January and May[2]**

Plans with 25 or fewer savers stopped contributions at **5 times** the rate of plans with over 100 savers[2]

- These stoppages in contributions were driven by business interruptions or closures.

Industries with the most notable stoppage in contributions between January and May:[2]

**5.1% fewer plans contributed**
Health Care & Social Assistance

**6.5% fewer plans contributed**
Accommodation & Food Services

**3.4% fewer plans contributed**
Retail Trade

## The Employer Perspective

**11.4% decrease in employer contributions**
March through May based on projections, with early indications of some recovery by the end of May[3]

▹ This decrease was driven by business interruptions or closures and decreased matching and profit sharing contributions as a function of fewer employee contributions.

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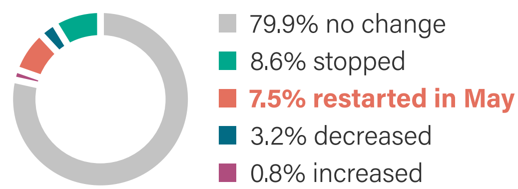
**11.8%** of employers had stopped or decreased their match as of the end of May.[4]

Positively, **7.5%** of employers that decreased their match in or after March **returned to pre-March levels** in May.

**Plan Match Changes Through May[4]**




## The Saver Perspective

In January through May 2020:

**1.3%** discontinued, electing a 0% savings rate
**1.8%** reduced their savings rate
**3.8%** increased their savings rate

▹ Overwhelmingly, **93.1%** of savers made no change to their savings rates, illustrating the positive value of automatic payroll deduction and suggesting that savers could be using other means to manage financial needs through this period.

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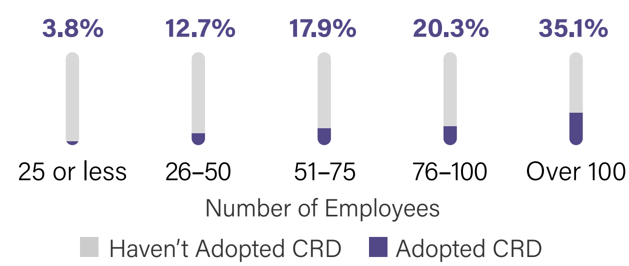
**5.3%** of savers stopped contributing, including **1.3%** who discontinued contributions and those who were furloughed or terminated[2]

▹ For those still saving, the average amount contributed increased slightly in May and is in line with projections. This suggests that those who have stopped contributing or decreased their savings rate have had lower salaries on average.

## CARES Act Adoption

Employer adoption of coronavirus-related distributions (CRDs) and expanded loan options offered through the CARES Act remains relatively low; however, it grew steadily through the end of May, with adoption of loans lower than that of CRDs. In both cases, **larger plans are adopting at a significantly higher rate than the smallest plans (25 or fewer savers).**

**CRD Adoption by Plan Size**

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**11.7%** of employers have adopted the **CRD option**

**1 in 3** employers that adopted CRDs have had at least one saver take advantage of the provision

**7.5%** of employers have adopted the **expanded loan option**

**1 in 6** employers that adopted expanded loans have had at least one saver take advantage of the provision

## CARES Act Adoption (continued)

There has been **2.5 times** the normal level of hardship distribution activity since the passage of CARES, as retirement savers have begun taking CRDs. However, the overall number of savers taking CRDs remains fairly small at 12 per every 10,000.[5]

# Education Savings[6]

## The Saver Perspective

From the last week of March through May 2020:

**20.8% decrease in total amount of one-time 529 account contributions**

- This 20.8% decrease was driven by a 9.7% reduction in the number of one-time contributions and a lower average amount contributed per transaction. Alternatively, automated 529 contributions have seen little change over this same period, affirming the value of making savings automatic.

**12.4%** lower average one-time contribution amount to 529 accounts

**28.8%** decrease in number of qualified 529 withdrawals

**22.5%** lower average qualified 529 withdrawal amount

From March through May, total contributions to 529 plans administered by Ascensus were still slightly higher compared to the same time period in 2019. The recent market recovery has helped 529 assets remain at higher levels than last year. However, the arrival of "tuition season" (when withdrawals often outpace contributions) over the next few months could impact the year-end total in 529 savings.

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[1]Retirement analysis is based on traditional retirement plans on the Ascensus platform. (Excludes Balance Forward, Individual(k), and SEP and SIMPLE IRA.) Historical benchmarking data is from January 1, 2019 through May 31, 2020. Each month's calculations include plans active with a balance at the beginning of the month. Savers are defined as account holders with a balance.

[2]Contributions are defined at a plan-level as all deposits by savers (including rollovers) and employers, for employers as all deposits funded by the employer (e.g. match, profit sharing), and for savers as deferrals only. "Stopped" is defined as no contribution activity in a given month. This stopped activity may be permanent or temporary. Contributors are savers with a deposit in the given month.

[3]Contribution projections are based on trending, taking seasonality into account, from the start of 2019 through the first two months in 2020 on a per-saver or contributor basis. For amount projections, per-business day was added to the methodology to cover variability in months' business days.

[4]Match analysis is performed on a subset of retirement plans including those with consistent saver and employer match deposits between November 2019 through February 2020. The match per payroll was calculated to identify employers changing or stopping their match. Stopped match may be temporary or permanent.

[5]Distribution activity change is benchmarked to per-saver activity from the start of 2018 through the first two months of 2020.

[6]Education savings analysis is based on activity from all funded 529 accounts on the Ascensus platform. Calculations are made on a per-account basis including activity for both new accounts and plans converted to the Ascensus platform after January 2019. Changes in saver behavior are determined by comparison to the same time period in 2019.