

Q1 2024



WORKPLACE THOUGHT LEADERSHIP

BUILDING FINANCIAL FUTURES

Insight and analysis across the employee
benefit and retirement savings industry



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A photograph of three people in a modern office setting. On the left, a woman with glasses is looking towards the center. In the middle, a woman with curly hair and glasses is holding a piece of paper and looking at a laptop. On the right, a man with a beard and glasses is looking at the laptop. They are sitting at a wooden desk with a laptop, a cup of coffee, and some papers. The background shows large windows and indoor plants.

PART 1

Top Trends and Employee Sentiment for Q1

"At a glance" – Top trends across Fidelity's platform in Q1

- Despite continuing economic concerns, consistent contributions coupled with positive market conditions pushed average **account balances to their highest levels** since late 2021, with Millennials and Gen Z workers seeing significant gains.¹
- Savings rates for both employers and employees matched record levels, which resulted in the **total savings rate reaching a record high**.¹
- Employers in the **higher education industry continue to look for ways to improve their plan design** to increase employee savings and participation.²
- This quarter's "spotlight" highlights the **impact of mergers and acquisitions on employees in the health care industry** and outlines how employers can support workers during these transitional periods.
- The remainder of this report provides additional insights from the quarter.

¹ – Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees

² –Based on plan design data for 356 plans offered by higher education institutions record-kept by Fidelity.

"The Vibecession" and Its Possible Impact on Savings Behavior

- Despite multiple indicators of improving economic conditions, the idea of a "vibecession" – which is defined as **"a period of widespread pessimism about the economy regardless of the actual economic situation"** – seemed to persist across the U.S. workforce.³
- For example, U.S. **payrolls continued to expand in the first quarter** while unemployment levels remained at historic lows⁴ and the stock market continued an upward trend.⁵
- And while inflation increased during the quarter,⁶ retail sales rose more than expected in March, increasing for the second straight month and nearly doubling what economic experts had forecast.⁷
- In addition, the percentage of Fidelity customers who felt **optimistic about their finances, their health, and their work at the end of 2023 increased by double-digits** from the end of 2022.⁸
- However, **anxiety about the economy continued** among Fidelity customers, with 75% indicating that they are stressed about higher prices and the increasing cost of living.⁸
- And despite a strong U.S. job market, Fidelity research recently found that **7 out of 10 workers globally feel "restless" at work**, meaning they report low levels of jobs satisfaction, have a poor view of their state of work, and are more likely to leave their current employer.⁹
- Employers may want to consider the possible impact of a "vibecession" on savings behaviors and consider providing tools and support that can help reassure workers by improving their financial confidence and well-being.

3 – "The Vibecession: The Self-Fulfilling Prophecy," Kyla Scanlon, June 30, 2022.

4 – U.S. Bureau of Labor Statistics, "The Employment Situation," March 2024.

5 – Dow 30 according to Yahoo! Finance, January 1 – March 31, 2024.

6 – As measured by the U.S. Consumer Price Index, February 2024.

7 – Monthly Retail Trade, U.S. Department of Commerce, March 2024.

8 – Results from Fidelity "Wellbeing Tracker," Q4 2023, and based on 1,537 Fidelity plan participants.

9 – Based on Fidelity Investments "Global Sentiment Survey" and comprised of responses from 26,000 individuals from 23 countries. Data collected in July 2023.



PART 2

Trends in Employee Behavior

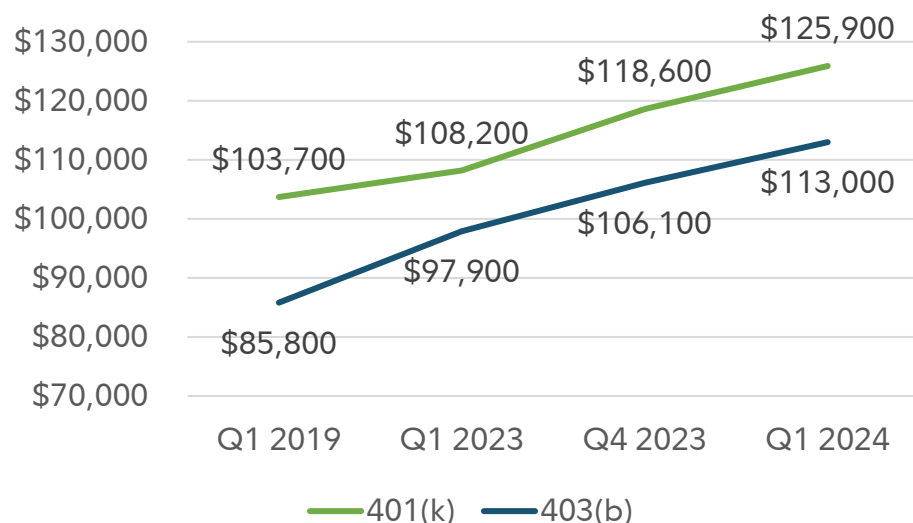
401(k)¹¹ and 403(b)¹² Balances and Savings Rates

Overview: Average account balances increased more than 5% from last quarter and reached their highest levels since Q4 2021. The **total 401(k) savings rates reached a record high** of 14.2%, driven by employee and employer contributions that matched previous record levels (9.4% and 4.8%, respectively).^{10,11}

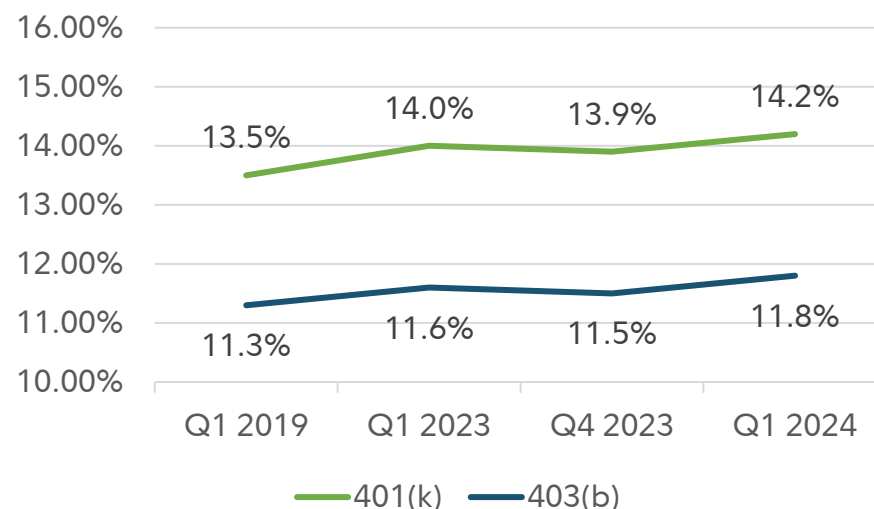
KEY STAT

The average 401(k)¹² balance increased 11% for Millennials¹² and 15% for Gen Z¹² savers from the previous quarter.

Average Account Balance^{10,11}



Total Savings Rate^{10,11}



10 - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.

11 - Fidelity Investments Q1 403(b) data based on 10,055 Tax-exempt plans and 8.6 million plan participants as of March 31, 2024. Considers average balance across all active plans for 6.33 million unique individuals employed in the tax-exempt market.

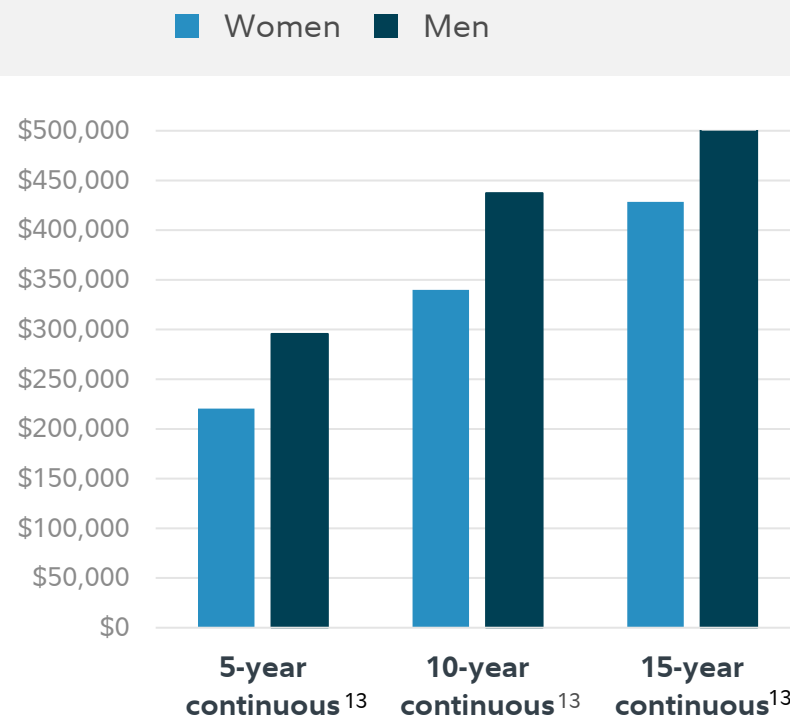
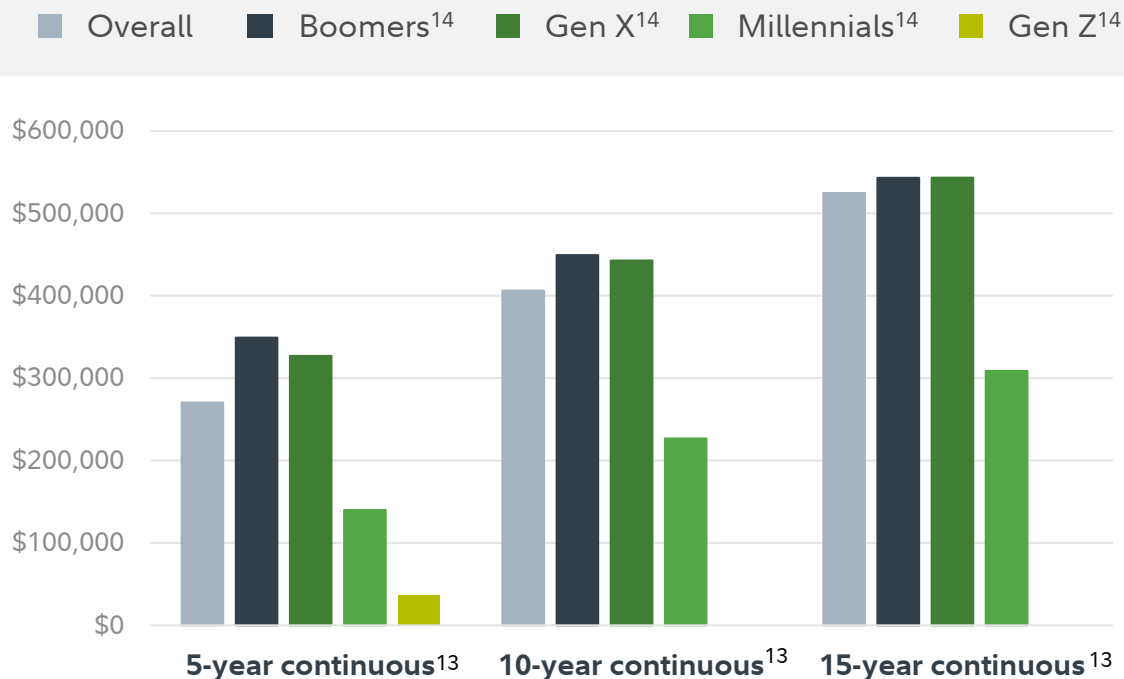
12 - Generations as defined by Pew Research: Baby Boomers are individuals born between 1946 – 1964, Gen X are individuals born between 1965-1980, Millennials include individuals born between 1981 – 1996 and Gen Z includes individuals born between 1997 – 2012.

401(k)¹⁴ Long-Term Savings Data

Overview: Long-term savings data measures the account balances for individuals who have been in the same plan, with the same employer, for an extended period of time. As of the first quarter of 2024, **more than 4.9 million workers** have been in their 401(k) plan for five years or more.¹³

KEY STAT

For the first time, the 15-year continuous balance for Gen X¹⁴ participants (\$543,400) surpassed the 15-year continuous balance for Boomers¹⁴ (\$543,200).



¹³ - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.

¹⁴ - Generations as defined by Pew Research: Baby Boomers are individuals born between 1946 – 1964, Gen X are individuals born between 1965-1980, Millennials include individuals born between 1981 – 1996 and Gen Z includes individuals born between 1997 – 2012.

Employee Saving Trends and Investing Behaviors¹⁵

Overview: While economic conditions and plan design can have an impact on worker’s retirement saving, positive savings behavior also plays a role in helping workers progress towards their retirement goals. Fidelity data indicates workers are increasingly leveraging target date funds and Roth options in their 401(k), and **the percentage of workers receiving an employer contribution is steadily increasing.**¹⁵

KEY STAT

The percentage of workers with a loan outstanding remained at 17.8%, consistent with the percentage in Q4 2023 but up from 16.7% a year ago.¹⁵

	Q1 2024	Q1 2023	Q1 2019
Average employee contribution amount ¹⁵	\$2,840	\$2,810	\$2,370
Participants who received an employer contribution ¹⁵	85.3%	85.4%	83.1%
Percentage of participants contributing to a Roth 401(k) ¹⁵	15.2%	14.4%	11.2%
Percentage of participants making catch-up contributions ¹⁵	15.4%	15.3%	16.5%
Percentage of workers with a 401(k) loan ¹⁵	17.8%	16.7%	19.9%
Percentage of workers with all their 401(k) savings in a target date fund ¹⁵	61.4%	60.2%	51.9%

15 - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity’s own employees.

Saving Trends and Investing Behaviors¹⁶ by Generation¹⁷

Overview: Examining trends by generation can help provide employers with insight on behaviors among employees at different stages of their career. For example, Fidelity's analysis indicates that Millennials¹⁷ are most likely to contribute to a Roth account, while Gen X¹⁷ workers are most likely to have an outstanding loan.

KEY STAT

Only 5.2% of the 2 million Gen Z¹⁷ workers on Fidelity's platform have a loan outstanding.¹⁶

	Boomers ¹⁷	Gen X ¹⁷	Millennials ¹⁷	Gen Z ¹⁷	Overall
Average balance ¹⁶	\$241,200	\$178,500	\$59,800	\$11,300	\$125,900
Total savings rate ¹⁶	17.0%	15.2%	13.2%	11.0%	14.2%
Employee savings rate ¹⁶	11.8%	10.1%	8.6%	7.1%	9.4%
Employer contribution rate ¹⁶	5.2%	5.1%	4.7%	3.9%	4.8%
Percentage contributing to a Roth 401(k) ¹⁶	11.4%	13.5%	17.4%	16.7%	15.2%
Percentage with all their 401(k) savings in a target date fund ¹⁶	43.9%	53.8%	70.6%	82.8%	61.4%
Percentage with a 401(k) loan ¹⁶	14.8%	24.1%	16.7%	5.2%	17.8%

¹⁶ - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.

¹⁷ - Generations as defined by Pew Research: Baby Boomers are individuals born between 1946 – 1964, Gen X are individuals born between 1965-1980, Millennials include individuals born between 1981 – 1996 and Gen Z includes individuals born between 1997 – 2012.



PART 3

Trends in 401(k) and 403(b) Plan Design

401(k) Plan Design Trends¹⁸

Overview: Employers continue to explore plan design features that can help improve savings efforts among their workforce. An **increasing number of employers are leveraging auto services, including auto enrollment and defaulting to a target date fund,** to help new employees get started with their retirement savings efforts.

KEY STAT

*The most popular match formula on Fidelity's platform is based on a 5% contribution rate and offers a 100% match for the first 3% of an employee's contribution and a 50% match on the next 2%.

	Q1 2024 ¹⁸	Q1 2022 ¹⁸	Q1 2019 ¹⁸
Use of auto enrollment (AE)	38.9%	38.0%	34.8%
Average AE default contribution rate	4.1%	4.0%	3.9%
AE plans that default >5% or higher contribution rate	38.9%	36.9%	33.1%
Default to Target Date Funds	94.4%	92.6%	90.2%
Percentage of plans with the most popular 401(k) match formula*	45.7%	42.4%	40.6%
Percentage of plans that offer a workplace managed account	42.5%	38.4%	28.9%
Percentage of plans that offer a Roth option	93.5%	77.5%	68.9%

18 - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.

401(k) Industry Snapshot¹⁹

Overview: Employee savings behavior and plan design can vary depending on industry and a variety of workplace factors, and plans are often designed to meet the needs of an employer's workforce.¹⁹

KEY STATS

Nearly 3 in 4 Health Care workers have all their savings in a target date fund, while Airline employees receive an average employer contribution of 7.8%.¹⁹

Industry	Average balance ¹⁹	Total Savings Rate ¹⁹	Employee contribution rate ¹⁹	Employer contribution rate ¹⁹	100% Target Date Fund ¹⁹	Employees with Roth deferral ¹⁹	Percentage with outstanding loan ¹⁹
Airlines	\$166,400	18.4%	10.6%	7.8%	58.9%	19.1%	26.8%
Automotive	\$110,400	12.8%	7.9%	5.0%	65.1%	11.9%	23.6%
Chemicals & Plastics	\$184,200	17.8%	10.4%	7.4%	54.0%	16.1%	21.0%
Computer & Electronic Manufacturing	\$204,500	16.6%	11.3%	5.3%	44.6%	17.2%	17.2%
Construction	\$87,100	12.3%	8.2%	4.1%	69.7%	14.3%	16.9%
Energy Production/Distribution	\$214,400	17.6%	10.4%	7.2%	48.1%	19.3%	26.4%
Finance & Insurance	\$153,900	15.6%	9.9%	5.7%	55.0%	17.9%	19.3%
Physicians	\$177,800	13.9%	10.0%	3.9%	67.5%	15.2%	9.7%
Health Care (excl. Physicians)	\$66,600	10.9%	8.0%	2.9%	74.6%	13.7%	17.4%
Information	\$150,600	16.9%	11.6%	5.2%	52.0%	15.4%	17.3%
Legal Services	\$306,400	15.3%	10.8%	4.4%	50.2%	16.3%	11.7%

¹⁹ - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.

401(k) Industry Snapshot (continued)²⁰

Overview: Employee savings behavior and plan design can vary depending on industry and a variety of workplace factors, and plans are often designed to meet the needs of an employer's workforce.²⁰

KEY STAT

While workers in the Petrochemical space have a total savings rate of more than 19%, more than 1 in 4 have a loan outstanding.²⁰

Industry	Average balance ²⁰	Total Savings Rate ²⁰	Employee contribution rate ²⁰	Employer contribution rate ²⁰	100% Target Date Fund ²⁰	Employees with Roth Deferral ²⁰	Percentage with outstanding loan ²⁰
Media & Entertainment	\$124,300	13.3%	9.2%	4.1%	51.7%	14.9%	19.4%
Metals & Machinery	\$155,000	15.6%	9.1%	6.5%	54.6%	16.1%	23.7%
Petrochemical	\$255,500	19.1%	10.8%	8.2%	48.2%	21.2%	26.5%
Pharmaceuticals	\$211,700	19.7%	11.9%	7.8%	54.0%	19.2%	14.9%
Professional Services	\$120,400	13.9%	10.2%	3.7%	61.1%	20.5%	9.4%
Real Estate	\$70,700	12.6%	8.0%	4.6%	66.5%	14.3%	14.6%
Retail Trade	\$51,200	10.4%	7.4%	3.0%	76.0%	11.7%	17.5%
Scientific & Technical	\$104,000	12.3%	9.3%	3.1%	66.1%	14.7%	9.7%
Technology	\$198,500	17.2%	12.6%	4.7%	48.5%	18.4%	11.8%
Transportation	\$127,100	15.4%	9.5%	6.0%	63.7%	16.4%	24.9%
Wholesale Trade	\$103,300	12.9%	8.2%	4.7%	67.4%	11.9%	21.3%

20 - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.

403(b) Plan Design Industry Deep Dive – Higher Education²¹

Overview: According to Fidelity's recent "[Higher Education Report Card](#)," many higher education employees are struggling with financial confidence and other financial matters, which can impact their ability to save for retirement. As a result, **employers in higher education continue to adopt more engaging plan design practices** to help improve employees' retirement savings efforts.

KEY STAT

More than half (59%) of the 2.1 million higher education workers on Fidelity's 403(b) platform are female²² versus 41% across Fidelity's 401(k) platform.²³

Defined Contribution (DC) and Defined Benefit (DB)

More than 9 out of 10 (96%) higher education institutions offer a defined contribution (DC) plan as a retirement savings option to their employees. While 57% of these institutions have a DC plan as their primary plan, 33% offer employees a choice between a DC and a DB (pension) plan. Only 4% offer a DB plan as the primary option.²¹

Employer Contributions – Core and Match

Among higher education employers, 17% offer a combination of core and matching contributions, while 68% offer only core contributions, which is a nonelective or nondiscretionary contribution, and 15% offer only matching contributions based on an employee's contribution.²¹

Auto Enrollment

Two-thirds (66%) of higher education employers have enabled auto-enrollment or have a mandatory employee contribution. The average employee contribution rate for these plans is 5.6%.²¹

21 - Fidelity record kept data for active participants with a balance employed by higher education institutions as of September 30, 2023. Staff are usually defaulted into the state DB. Based on plan design data for 356 plans offered by higher education institutions record-kept by Fidelity.

22 - Fidelity Investments Q4 403(b) data based on 10,005 Tax-exempt plans and 8.6 million plan participants as of March 31, 2024. Considers average balance across all active plans for 6.33 million unique individuals employed in tax-exempt market.

23 - Fidelity Investments Q1 2024 401(k) data based on 23,900 corporate defined contribution plans and 23.3 million participants as of March 31, 2024. These figures include the advisor-sold market but exclude the tax-exempt market. Excluded from the behavioral statistics are non-qualified defined contribution plans and plans for Fidelity's own employees.



PART 4

Spotlight: Supporting Healthcare Workers during Mergers & Acquisitions

Spotlight: Supporting Health Care Workers During M&As

Overview: In 2023, there were 65 announced hospital mergers and acquisitions,²⁴ and another 20 were announced in the first quarter of 2024.²⁵ These M&As can cause concern about potential job loss, salary adjustments, or benefit changes – however, **only 1 in 5 employees felt supported during an M&A and nearly 50% of employees reconsider their employment** after an M&A.²⁶

KEY STATS

1 in 3 health care workers leave their employer in their first 2 years.²⁷ Among nurses, the turnover rate was 27% in 2022, and half of those nurses had a tenure of less than 5 years.^{28,29}

As M&A activity in the health care industry continues, Fidelity has outlined four ways that healthcare employers can support and retain their workers during a transition.

- **Transparency from leadership.** Recent Fidelity research³⁰ found open communication helps workers feel aligned with senior leadership and can directly impact employee job satisfaction and turnover intentions.
- **Effective, multichannel communication approach.** Many health care workers have varied schedules and may not work at a desk, so taking a multichannel approach to communicating changes, including employer-provided communication, benefits portals, and virtual workshops, will help employees feel informed.²⁶
- **Offering resources on benefit changes.** M&As often result in a realignment of benefits offerings between the two organizations that are merging, and Fidelity research has shown that employees value information and support on new benefits during an M&A.²⁶
- **Providing clarity on pay and compensation changes.** More than three-quarters (77%) of employees indicated job security assurance as most important to them during an M&A. With the high rate of turnover in healthcare, this is an important issue for employers to address during an organizational transition.²⁶

24 – Chief Healthcare Executive, “Hospital Merger Activity is Projected to Increase in 2024,” January 25, 2024.

25 – Medical Economic, “First quarter of 2024 sees surge in hospital and health system mergers and acquisitions,” April 11, 2024.

26 – Based on data from the Fidelity Mergers & Acquisitions Study, January 2023.

27 – Based on data from the Fidelity 2023 Healthcare Industry Report.

28 – Based on Fidelity record-kept data for nurses terminated from their employers in 2022.

29 – Based on data from the Fidelity Nurses’ Financial Wellness and Retirement Readiness Report.

30 – Based on Fidelity data from the “Thriving Workplace” research, 2023.

A woman with dark curly hair tied back, wearing a white shirt with thin black and red vertical stripes, is sitting at a wooden desk. She is smiling and looking towards a man whose back is to the camera. She has her hand resting on her chin and is holding a black pen. There are two laptops on the desk; the one in the foreground is open and shows a document. The background is a bright, out-of-focus office space with large windows.

IRA Trends

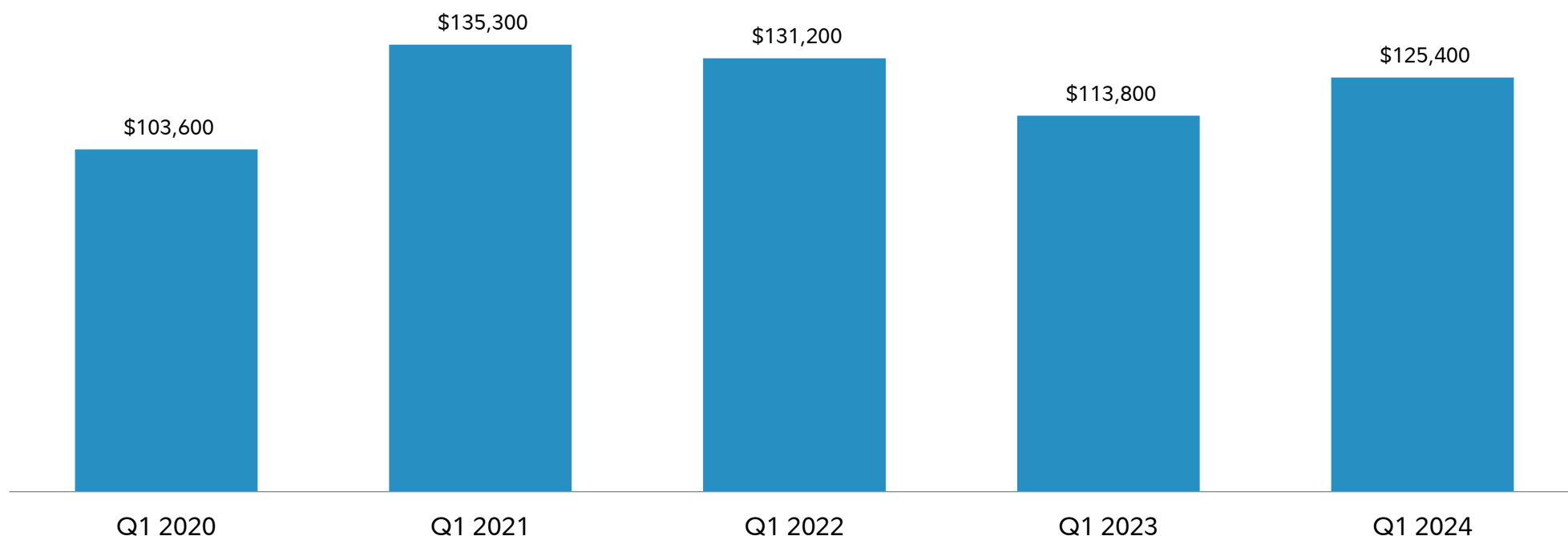
IRA Balances³¹

11.7 million people are saving and investing for retirement through 15.3 million IRA accounts, where the number of accounts has grown by 17.0% and total assets have grown 31.4% between Q1 2023 and Q1 2024.³¹

KEY STAT

IRA accounts owned by female Gen Zers³² **increased by 60%** between Q1 2023 and Q1 2024.³¹

Historical IRA average balances³¹



31 – Fidelity business analysis of 15.3 million IRA accounts as of March 31, 2024. Considers only active participants with a balance.

32 - Generations as defined by Pew Research: Baby Boomers are individuals born between 1946 – 1964, Gen X are individuals born between 1965-1980, Millennials include individuals born between 1981 – 1996 and Gen Z includes individuals born between 1997 – 2012.

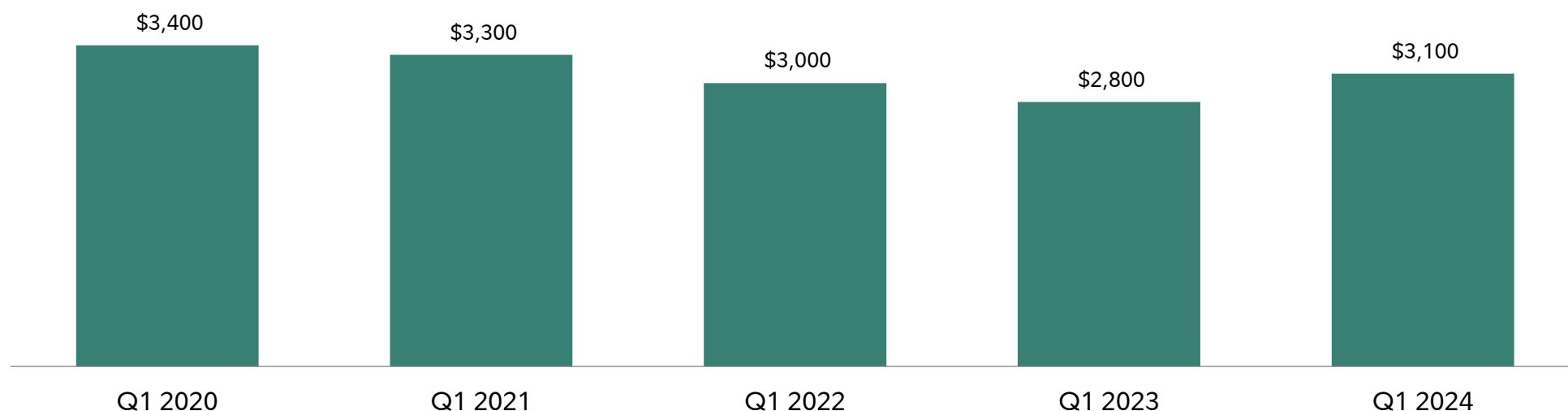
IRA Contributions³³

While not all account holders contribute to their IRA on an annual basis, **the number of accounts with a contribution has increased by 28.3%** between Q1 2023 YTD and Q1 2024 YTD.³³

KEY STATS

- Across generations, Roth IRAs are the retail retirement savings vehicle of choice, with 62.9% of all IRA contributions going to Roth in Q1 2024.³³
- Gen Z³⁴ Roth IRAs increased 71% in Q1 2024 compared to Q1 2023, with average contributions increasing 11.1%.³³
- Millennial³⁴ Roth IRAs increased 25.6% in Q1 2024 compared to Q1 2023, with average contributions increasing 13.2%.³³

Average Q1 IRA contribution amount historical³³



³³ – Fidelity business analysis of 15.3 million IRA accounts as of March 31, 2024. Considers only active participants with a balance.

³⁴ - Generations as defined by Pew Research: Baby Boomers are individuals born between 1946 – 1964, Gen X are individuals born between 1965-1980, Millennials include individuals born between 1981 – 1996 and Gen Z includes individuals born between 1997 – 2012.



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